JON M. HUNTSMAN, JR.
Governor
GARY R. HERBERT
Lieutenant Governor

State of Utah
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director
JOHN R. BAZA
Division Director

Inspection Report
Minerals Regulatory Program
September 10, 2008

Reviewed 2K

Mine Name: Utopia 1 and 2, Miller Cove	**Permit Number**: S0270056
Operator Name: Marion K Nielson/Scott	**Inspection Date**: 07/18/2008
Inspector(s): T Munson	**Time**: 2:30pm
Other Participants: None	**Mine Status**: inactive

Elements of Inspection	Evaluated	Comment	Enforcement
1. Permits, Revisions, Transfer, Bonds	☒	☒	☐
2. Public Safety (shafts, adits, trash, signs, highwalls)	☐	☐	☐
3. Protection of Drainages / Erosion Control	☒	☒	☐
4. Deleterious Material	☐	☐	☐
5. Roads (maintenance, surfacing, dust control, safety)	☐	☐	☐
6. Reclamation	☒	☒	☐
7. Backfilling/Grading (trenches, pits, roads, highwalls, shafts, drill holes)	☐	☐	☐
8. Soils	☐	☐	☐
9. Revegetation	☐	☐	☐

Bond Renewal Date: Cash Bond, Held by BLM **Bond Amount:** $ 1,195 **Permit fee** is up to date

Purpose of Inspection:
Routine Annual Inspection

Inspection Summary:
A portion of the site consists of a dam, inlet piping and a small disturbance. Since this inspector has never been to the site with the BLM or the operator, he was unsure exactly what the operator is responsible for. There are diggings down drainage (no photos taken), but none of the disturbance is well defined in the permit. The permit was approved for 5 acres of disturbance in September 21, 1994. The original bond amount of $1,195 was set by the BLM. The Utah legislature has since enacted bonding rules for Mineral Program and the current $1,195 bond is not adequate to cover 5 acres of disturbance. Photos were taken of the inlet area and dam, both of which appeared non-functional.

Conclusions and Recommendations:
It is the inspector's opinion that the operation has not been maintained or mined for 5 years due to the lack of water. Therefore, the Division is requesting that the site be reclaimed and cleaned up by November 30, 2008. This determination is based on the Division being able to request reclamation if the site has not been active in 5 years and the operator has not given adequate justifiction for keeping the site open per the requirements of rule, R647-3-113. Suspension or Termination of Operations. Not only has the site not been mined in 5 years, its operation depends on the use of water from an emphemeral drainage and the state is in a severe drought.

The site currently does not have adequate bond to reclaim, since the minimum bond for 1 acre of disturbance is $ 6,300.

Inspector's Signature _____

TM:vs
cc: (OPERATOR)
Jerry_mansfield@blm.gov

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S0270056 - Utopia1 & 2, Miller Cove
Photos taken 07/16/2008

Area of probable dam. In obvious disrepair having not been used for many years.

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Division of Oil, Gas and Mining

JOHN R. BAZA
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October 7, 2008

Certified Return Receipt Requested
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Marion K. Nielson
3900 S. Redwing St.
West valley City, Utah 84119

Subject: Division Directive, Marion K. Nielson, Utopia 1 and 2, S/027/0056, Millard County, Utah

Dear Mr. Nielson:

There are deficiencies in your Notice of Intent and the reclamation surety for the above referenced mine that need to be rectified. Your original NOI was accepted in 1994 for up to 5 acres of disturbance. A reclamation surety of $1195.00 was provided to the BLM in 2004. This surety has not been adjusted since then to account for increased area of disturbance or increased reclamation costs (inflation) and does not name the Division as a co-beneficiary.

Within 30 days of receipt of this letter, you are hereby directed to:

- Amend your NOI by providing a map and narrative which describes the current disturbance (and acreage) and where you intend to operate for the next 1-5 years.
- Revise your reclamation surety by increasing the amount to an appropriate level ($6,300 for up to one acre and an addition $3,900 for each additional acre).
- Have the Division named as a co-beneficiary with the BLM.
  Note, if you continue with a cash bond posted with the BLM, their rules do not allow the Division to be named as co-beneficiary. To resolve this, you will need to have the BLM submit a letter to the Division which states that the BLM will not release all or part of the reclamation surety without the Division's written consent. If you wish to change the form of surety to a letter of credit, certificate of deposit, or a surety bond, please contact Penny Berry at (801) 538-5291 or email bondcoordinator@utah.gov to obtain the appropriate form.
- As part of updating the reclamation surety, you will also be required to sign a reclamation contract. Please contact Penny Berry at 801-538-5291 to obtain this document.

Failure to provide the amended NOI and update the reclamation surety as directed may result in enforcement action being taken by the Division which may include withdrawal of your permit and an order to commence reclamation of the site immediately.

If you have questions or concerns regarding this letter, please contact me at (801) 538-5261 or Tom Munson at (801)538-5321. Thank you for your help in completing this very important regulatory requirement.

Sincerely,

Paul B. Baker
Minerals Program Manager

PBB:TM::pb Task·1706
cc: Jerry_mansfield@blm.gov
Vickie Southwick, DOGM
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