State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
James W. Carter
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340
801-359-3940 (Fax)
801-538-5319 (TDD)

October 19, 1993

Ms. Natalie Reingold
Vice President
Surety Division
Alexander and Alexander
1185 Avenue of the Americas
New York, N.Y. 10036

Re: Change of Surety and Surety Update, Umetco Minerals Corporation, Calliham Mine, Velvet Mine & Rim-Columbus Mine, M/037/023, M/037/040 & M/037/006, San Juan County, Utah

Dear Ms. Reingold:

On September 22, 1993, the Division ~~has~~ received Umetco Minerals Corporation's replacement surety bonds for the above mentioned mine sites, located in San Juan County. We also received your request for the release of the old sureties provided by Seaboard Surety Company. Because the form and amount of the sureties have not technically changed, we can accept the new sureties without obtaining formal Board of Oil, Gas & Mining approval at this time. However, the existing surety dollar amounts are due for a 5-year reevaluation and appropriate updates.

The Division has calculated updated estimates and prepared new surety amounts in 1998 dollars (please see attached estimates):

1. Calliham Mine, M/037/023 - $34,800 from $33,700
2. Velvet Mine, M/037/040 - $63,900 from $62,535
3. Rim-Columbus, M/037/006 - $37,200 from $36,100

The Division suggests that you ask General Insurance Company of America to prepare surety riders for each of the surety bonds presently on file with this office. New Reclamation Contract agreements (FORM MR-RC) will also need to be completed and returned to this office for each mine site (forms enclosed). The new Reclamation Contract forms will be attached to the latest surety bonds.

We have enclosed the original surety bonds (#'s: [redacted], [redacted], and [redacted]), issued by Seaboard Surety Company, for the identified mine sites. Also enclosed are signed copies of the release letters you requested for the older Seaboard surety bonds.

Should Umetco disagree with the revised surety estimates, the Division will schedule current inspections of each mine site. If onsite conditions have changed significantly since our last inspection, we will make appropriate adjustments to the surety estimates.

If possible, please provide the Division with the updated surety amounts and the new Reclamation Contracts by November 30, 1993. If you have questions in this regard, please contact Wayne Hedberg or Holland Shepherd of my staff. Thank you for your cooperation and assistance in resolving this permitting action.

Very truly yours,

James W. Carter
Director

jb
Enclosures
cc: Milton Derrick, Umetco Minerals Corporation
Lowell Braxton
Minerals staff (route)
M037023.sur

SURETY ESTIMATE UPDATE

Umetco Minerals Corporation
Calliham Mine, M/037/023, San Juan County, Utah

Prepared by Utah Division of Oil, Gas & Mining
Last Update October 8, 1993

Comments:
- Original estimate made in 1988, for $30,100
- Original estimate escalated to 1993 dollars, using 2.5% escalation factor, $33,700
- Escalation factors through 1992 are actual Means Historical Cost Indices
- Escalation factors for years 1993 and beyond are predicted
- Total disturbed area = 10 ACRES

| CALCULATIONS | YR | ESCAL FACTOR | BOND AMOUNT |
|---|---|---|---|
| F = P(1 + i)^n | 1987 | 0.0195 | $0 |
| | 1988 | 0.0181 | $30,100 |
| F = Future Sum | 1989 | 0.0177 | $30,633 |
| P = Present Sum | 1990 | 0.0077 | $30,869 |
| i = Escalation Factor | 1991 | 0.0127 | $31,261 |
| n = number of periods | 1992 | 0.0221 | $31,952 |
| | 1993 | 0.0142 | $32,405 |
| Three Yr Average = 1.42% | 1994 | 0.0142 | $32,865 |
| Used to Project 5 Yrs | 1995 | 0.0142 | $33,332 |
| Into the Future | 1996 | 0.0142 | $33,805 |
| From the Year 1993 | 1997 | 0.0142 | $34,285 |
| | 1998 | 0.0142 | $34,772 |
| Updated Surety Amount Rounded (1998 $) | | | $34,800 |

** Average cost per acre = 3,480 ($/ACRE)