State of Utah

Department of
Natural Resources

Division of
Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

February 26, 2004

CERTIFIED RETURN RECEIPT
7099 3400 0016 8896 2925

Gregory Hahn
Summo USA Corporation
1776 Lincoln Street, Suite 900
Denver, Colorado 80203

Subject: Notice of Cash Account Management Fees & Request for Replacement Form of Reclamation Surety, Summo USA Corp., M/037/088, San Juan County, Utah

Dear Mr. Hahn:

On December 2, 2003, the Division Director accepted the form and amount of "partial" reclamation surety ($12,100 cashiers check) for the Lisbon Valley project. By letter dated December 18, 2003, we sent copies of the Reclamation Contract agreement and your partial reclamation surety to you.

As you know, the Utah Mined Land Reclamation Act and Minerals Administrative Rules provides for cash as an acceptable form of reclamation surety. Until recently, the Division has rarely received cash as a form of reclamation surety. Only a few cash bonds have been posted since the original enactment of the Act (1975). Because of recent (2003) statutory changes to the Act that now requires an operator to post a reclamation surety for exploration and small mining notices, we are beginning to see more cash bonds as a convenient and expedient form of reclamation surety.

Because of the recent downward trend in interest rates and the increased banking costs associated with managing financial accounts, the practice of posting a cash bond is now presenting too large of a financial burden for the banks and the State Treasurer's Office to shoulder. Historically, that office has voluntarily managed these cash accounts for us, at their expense. The State Treasurer's Office and the banking institutions they deal with can no longer provide these services or functions at no cost.

Accordingly, we hereby advise you that if you choose to maintain a cash bond as your preferred form of surety for this project, there will be an annual account management fee required for each cash bond account. This charge will be covered by taking any accrued interest with the balance removed from the principal of the cash account. This would reduce the required bond amount below the required level, thereby forcing the Division to request supplemental bonding coverage from the operator.

Therefore, we are asking you to consider filing an alternate form of reclamation surety to replace the cash account at your earliest convenience. We suggest a Timed Deposit Certificate (CD) or an Irrevocable Letter of Credit (LOC) as alternatives.

Please contact me at (801) 538-5286, or Joelle Burns at (801) 538-5291 concerning your decision within 15 days of your receipt of this notice. We will work through the bond replacement process with you upon notification of your decision to change your form of surety. Thank you for your cooperation in resolving this bonding concern.

Sincerely,

D. Wayne Hedberg

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

DWH:jb
Rex Rowley, BLM, Fillmore FO (UTU-079464-01, UTU-078279)
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