State of Utah
School and Institutional
TRUST LANDS ADMINISTRATION

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THE COPY TO FILE S/049/019

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DIV. OF OIL, GAS & MINING

November 21, 1995

CERTIFIED MAIL NO. P 879 604 909

Chimney Rock Resources
376 Giraud Avenue
Price, UT 84501

ATTN: Stephen Powell

RE: ML 45544--BSLS; S/049/019, Utah Co., and
ML 45089--BSLS; S/015/066, Emery Co.

Dear Mr. Powell:

Thank you for visiting with me today concerning my letter of October 18, 1995, regarding surface disturbances upon lands under the above-numbered leases.

With respect to the small pit excavated in the lands under ML 45544, you said that it may yet be needed for further sampling of the leased substances and you promised to fill-in the pit after it has served that purpose. No further action is needed at this time but you are advised not to dig any additional pits upon the property without first notifying this office.

With respect to your unauthorized bulldozing of the lands under ML 45089, please be advised that such action is a breach of Article XII. Lessee is in default of the lease agreement. Acceptable remedy shall be for Lessee to complete either of the following actions, no later than April 1, 1996.

1. Fully reclaim the unauthorized surface disturbance of lands under ML 45089. Acceptable reclamation shall consist of leveling and regrading the excavated materials back over the disturbed area, redistribution of the stockpiled topsoil over the disturbed area, and reseeding of the disturbed surface, using a mixture if drought resistance grasses at a concentration of not less than 20 lbs. per acre.

2. Post a reclamation bond with the Trust Lands Administration. The bond must be in the amount of not less than $5,000 and shall be in the form of cash or a time certificate of deposit, issued by a Utah banking institution, listing the Trust Lands Administration as a joint owner of the account.

Failure of the lessee to remedy the violation of Article XII of the terms and conditions of ML 45089, as described above, by April 1, 1995, may subject this lease to cancellation without further notice. Within 30 days from receipt of this letter you may request a hearing in this matter. In the event of lease cancellation the Lessee shall be held responsible for any damages to the surface and mineral estate.

Lessee is advised that no mining or additional surface disturbance of the lands under ML 45089 is allowed without first notifying this office and obtaining an approved mining and reclamation plan from the Trust Lands Administration. A bond of not less than $5,000 per acre of proposed surface disturbance shall be required for such operations.

Please keep me advised of your action in this matter and contact me if you have any questions. I appreciate your cooperation in timely resolving this problem.

Sincerely,

JOHN T. BLAKE
MINERAL RESOURCES SPECIALIST

JTB/tdw

cc: Tony Gallegos, DOGM
John Andrews