S/053/019

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF STATE LANDS AND FORESTRY

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July 11, 1994

CERTIFIED MAIL NO. P 051 448 298

Feller Holding Corp.
1051 North 100 West
St. George, UT 84770

RE: ML 45109 BSLS; S/053/019 Washington Co.
ML 45496 BSLS; S/053/024 Washington Co.
ML 45500 BSLS; S/053/023 Washington Co.

Gentlemen:

On June 7, 1994, the trust lands administration requested that within 30 days the Lessee furnish a surety bond in the amount of $5,000 for each of the above numbered leases to comply with administration rules for proposed or actual mining operations under the leases. Lessee has failed to comply with the administration's request and is in breach of lease Article XII and rules pertaining to bonding requirements.

Lessee is hereby notified that the above numbered leases will terminate of their own terms and conditions in 30 days from date of this letter. All rental payments shall be forfeited to the state.

The trust lands administration requires that upon the termination of the leases the Lessee will 1) immediately cease all mining of the leased lands, 2) reclaim all surface disturbances to the satisfaction of the administration; and, 3) submit all remaining royalty payment for leased substances which have been removed from the property.

Lessee may remedy the above cited violation of the lease agreements and prevent the termination of this leases by furnishing the requested bond prior to 30 days from the date of this letter.

Please contact me if you have any questions in this matter.

Sincerely,

JOHN T. BLAKE
MINERAL RESOURCES SPECIALIST

JTB/tdw

cc: Kevin Carter
Wayne Hedberg