

Letter of Credit

Letter of Credit No.: _____
Issue Date: _____
Issuing Bank: _____
 Name: _____
 Address: _____
 Phone: _____
 Email: _____

Beneficiaries: State of Utah
Utah Division of Oil, Gas and Mining (OGM)
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

U.S. Department of the Interior
Bureau of Land Management (BLM)
Utah State Office
440 West 200 South, Suite 500
Salt Lake City, Utah 84101

RE: Name of Mine Operator: _____
Mine Name: _____
OGM Issued Permit #: _____
BLM Issued UTU #(s): _____

Dear Sir or Madam:

1. _____ [Name of Bank or Bank], ("Bank"), of _____ [county], Utah hereby establishes this irrevocable letter of credit (the "Letter of Credit") in favor of the Utah Division of Oil, Gas and Mining ("Division") for itself and as an agent for the U.S. Department of the Interior, Bureau of Land Management ("BLM") for an aggregate amount of \$ _____ [reclamation cost estimate] in United States dollars ("Face Amount") effective immediately; on behalf of _____ ("Operator") for _____ (name of Mine), the mining operation under OGM Issued Permit # _____, BLM #: _____.
2. This letter of credit will expire the date upon the first event set forth as follows: (a) 5:00 o'clock p.m. (Salt Lake City time) on _____ (expiration date) or (b) the date upon which sufficient documents are executed by the Division to release Operator from further liability for reclamation of the _____ [mine name], OGM Issued Permit # _____, BLM #: _____ with notice to Bank by the Division accompanied by the original Letter of Credit with directions for cancellation.
3. This Letter of Credit will be automatically renewed for successive periods of one year from the current or any future expiration date unless 90 days prior to the expiration date the Bank gives notice to the Division by any courier service or by registered United States mail 'return receipt requested' that the Bank elects NOT to renew the Letter of Credit.
4. Failure of Operator to fulfill the obligations specified by the Mined Land Reclamation Act and the Federal Land Policy and Management Act (collectively, the "Acts") and their implementing

regulations, and in accordance with the specifications of Operator's Notice of Intention and BLM notice or plan of operations (the "Authorized Operations"), may result in forfeiture of this Letter of Credit in accordance with the applicable statutes and regulations.

5. Funds under this Letter of Credit are available against the Division's or BLM's sight drafts, in the form of Exhibit A, specifying Letter of Credit No. _____ delivered to the office of the Bank, - _____ [Bank name and address] at the Division's and/or the BLM's sole election, the Division or the BLM may redeem this Letter of Credit in whole or in part, by presenting sight drafts for amounts up to the Face Amount, so long as the aggregate amount of all sight drafts does not exceed the Face Amount. Each draft must be accompanied by a certificate in the form of Exhibit B, signed by a duly authorized representative of the Division or the BLM. Upon redemption by the Division, Operator must notify the BLM and replace or augment this Letter of Credit within 30 calendar days if the available balance is not sufficient to cover the remaining reclamation costs, as specified at 43 C.F.R. § 3809.573.
6. If the Bank receives either the Division's or the BLM's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the expiration or termination of this Letter of Credit, the Bank will make such amount as the Division or BLM may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division or the BLM no later than the close of business, Salt Lake City time, on the second business day following the Bank's receipt of the sight draft and certificate and in such a manner as the Division or the BLM may specify. "Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in the State of _____ [State of issuing Bank Charter] are authorized or required by law to close.
7. The Secretary of the Interior, acting through the BLM, may unilaterally institute proceedings to redeem this Letter of Credit by taking any appropriate action provided for by 43 C.F.R. Part 3809. Alternatively, the Division and the BLM may take the following steps to redeem this Letter of Credit in the event Operator fails to fulfill the obligations of the Acts and their implementing regulations or otherwise violates the terms of the Authorized Operations: (1) The BLM will notify the Division that certain actions by Operator have resulted in an enforcement action taken by the BLM pursuant to its regulations at 43 C.F.R. Part 3809 that may affect the authorization of Operator to continue its Authorized Operations or that otherwise provide a basis under these regulations for the BLM to require redemption of this Letter of Credit; (2) The BLM will request that the Division take such actions to redeem this Letter of Credit in accordance with the applicable provisions of the Utah Minerals Regulatory Program as a consequence of the BLM enforcement action; and (3) Upon receiving such a request from the BLM, the Division will take such action to redeem this Letter of Credit as permitted by the Utah Minerals Regulatory Program or shall promptly advise the BLM if there is no basis under the Utah Minerals Regulatory Program to take such action. If the Secretary of the Interior causes this Letter of Credit to be redeemed, either through unilateral action or by request of the Division as described in this paragraph, the Division will take such actions as permitted by the Utah Minerals Regulatory Program, including obtaining an alternative financial guarantee from Operator.
8. The Bank will give prompt notice to the Operator and to the Division Director of any notice received or action filed alleging the insolvency or bankruptcy of the Bank, or alleging any violations of regulatory requirements, which could result in suspension or revocation of the Bank's charter or license to do business.
9. The Letter of Credit will be governed by the laws of the State of Utah and shall be subject to the Uniform Customs and Practice for Documentary Credit, 1993 revision, International Chamber of Commerce Publication No. 500, as the same may be amended and in effect from time to time ("UCP"). In the event of a conflict between Utah law and the UCP, Utah law shall govern.
10. All communications regarding this Letter of Credit will be addressed to the Bank, _____ [bank name, address and telephone number], referencing Letter of Credit No. _____.
11. In the event the Bank gives notice to the Division or the BLM that the expiration date of this Letter of Credit will not be extended, the Division or the BLM may, until the current expiration date of the Letter

of Credit, draw under the Letter of Credit against its sight draft(s) in accordance with the provisions of Paragraph 4.

Sincerely,

Name of Bank

By: _____
Name (typed or printed)

Authorized Signature

Date

Title

EXHIBIT A - SIGHT DRAFT

to

Letter of Credit No.: _____

Date

City, County

Letter of Credit No.

PAY TO THE ORDER OF: **Utah Division of Oil, Gas and Mining or Bureau of Land Management,**

DOLLARS

TO:

Bank Name: _____

Address: _____

City, State, Zip: _____

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

Or

Bureau of Land Management
Utah State Office
440 West 200 South, Suite 500
Salt Lake City, UT 84101

By: _____

Authorized Signature

Date: _____

EXHIBIT B

to

Letter of Credit No.: _____

I, _____ a duly authorized representative of the Utah Division of Oil, Gas and Mining, hereby certify that (1) the drawing in the amount of \$ _____, by sight draft accompanying this certificate, under Letter of Credit No. _____ dated _____ issued by you is permitted under the provision of the Letter of Credit, (2) the Letter of Credit has neither expired nor terminated pursuant to its terms, (3) the amount of the sight draft, together with any amounts previously drawn under the Letter of Credit, does not exceed the Face Amount, and (4) the amount to be drawn is necessary to assure or complete reclamation of the _____ (name of mine) , OGM Issued Permit # _____ in accordance with applicable law.

Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

By: _____
Authorized Signature

Date: _____

Affidavit of Qualification of Bank

On the _____ day of _____, 20____, _____ personally appeared before me, who being by me duly sworn did say that he/she, the said _____ is the _____ of _____ and duly acknowledged that said instrument was signed on behalf of said company by authority of its bylaws or a resolution of its board of directors and said _____ duly acknowledged to me that said company executed the same, and that he/she is duly authorized to execute and deliver the foregoing obligations; and that he/she as such officer, acknowledged said instrument to be the free act and deed of said bank for the uses and purposes of said instrument as set forth therein.

Authorized Bank Officer's Signature

Date

Title

STATE OF _____)
COUNTY OF _____)
§

Subscribed and sworn to before me this _____ day of _____, 20____.

Notary Public
Residing at: _____

My Commission Expires:

_____, 20____.