

Mine Name:

Other Agency File Number:

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

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NOV 17 2011

DIV. OF OIL, GAS & MINING

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SMALL MINE RECLAMATION CONTRACT

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between ZVOLE, INC the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. S/054/0003 which the Operator has filed with the Division and has been determined by the Division to be complete (Complete NOI) as required by the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (2005, as amended) (hereinafter referred to as "Act") and the regulations adopted pursuant to the Act; and

WHEREAS, Operator is obligated to reclaim the lands affected by the mining operations in accordance with the Act and the regulations, and is obligated to provide a surety in a form and amount approved by the Division or the Board of Oil, Gas and Mining (Board) to assure reclamation of the lands affected by the mining operations.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to promptly reclaim in accordance with the requirements of the Act and applicable regulations, as they may be amended, all of the lands affected by the mining operations conducted or to be conducted pursuant to a Complete Notice of Intention.
2. The Lands Affected by the mining operations and subject to the requirements of the Act and this Contract include:
 - A. All surface and subsurface areas affected or to be affected by the mining operations including but not limited to private on-site ways, roads, railroads; land excavations; drill sites and workings; refuse banks or spoil piles; evaporation or settling

ponds; stockpiles; leaching dumps; placer areas; tailings ponds or dumps; work, parking, storage, and waste discharge areas, structures, and facilities; and

- B. All mining disturbances regardless of discrepancies in the map and legal description, unless explicitly and clearly identified as EXCLUDED on maps, and legal descriptions included in the Complete NOI; provided lands may be excluded only if: (1) they were disturbed by mining operations that ceased prior to July 1, 1977; (2) the lands would be included but have been reclaimed in accordance with a complete notice or reclamation plan; or (3) the lands were disturbed by a prior operation for which there is no surety, no legally responsible entity or person, and which lands are not necessarily or incidentally intended to be affected by the mining operations as described in the Complete NOI.
3. The Operator shall be responsible for reclamation of all such Lands Affected regardless of errors or discrepancies in the maps or legal descriptions provided with the NOI which are intended to assist in determining the location of the mining operations, to describe the areas of disturbance, and to assist estimating the amount of surety required.
 4. The Operator prior to commencement of any mining operations and as a precondition to the rights under the Notice of Intention shall provide a surety in a form permitted by the Act and in an amount sufficient to assure that reclamation of the Lands Affected will be completed as required by the Act. The Surety shall remain in full force and effect according to its terms unless modified by the Division in writing. A copy of the agreement providing for the Surety for the reclamation obligations herein is included as **ATTACHMENT A** to this Contract.
 5. If the Surety expressly provides for cancellation or termination for non-renewal:
 - A. The Operator shall within 60 days following the Division's receipt of notice that the Surety will be terminated or cancelled, provide a replacement Surety sufficient in a form and amount, as required by the Act, to replace the cancelled surety; or
 - B. If the Operator fails to provide an acceptable replacement Surety within 60 days of notice of cancellation or termination, the Division may order the Operator to cease further mining activities, and without further notice proceed to draw upon letters of credit, to withdraw any amounts in certificates of deposit or cash and/or any other forms of surety, and to otherwise take such action as may be necessary to secure the rights of the Division to perfect its claim on the existing surety for the purpose of fully satisfying all of the reclamation

obligations incurred by the Operator prior to the date of termination, and the Division may thereafter require the Operator to begin immediate reclamation of the Lands Affected by the mining operations, and may, if necessary, proceed to take such further actions as may be required for the Division to forfeit the surety for the purpose of reclaiming the Lands Affected.

6. The Operator's liability under this Contract shall continue in full force and effect until the Division finds that the Operator has reclaimed the Lands Affected by mining operations in accordance with the Act and regulations, as amended. If the mining operations are modified or for any other reason vary from those described in the Complete Notice of Intention, the Operator shall immediately advise the Division, and the Notice of Intention shall be revised and the Surety amount shall be adjusted as necessary.
7. If reclamation of a substantial phase or segment of the Lands Affected by the mining operations is completed to the satisfaction of the Division, and the Division finds that such substantial phases or segments are severable from the remainder of the mining area, Operator may request the Division to find that Operator has reclaimed such area. If the Division makes such finding, Operator may make request to the Division for a reduction in the aggregate face amount of the Surety, and the Division may reduce the surety to an amount necessary to complete reclamation of the remaining mining operations as anticipated by the Complete Notice of Intention in accordance with the requirements of the Act and regulations, as amended.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the applicable rules.
9. Operator agrees to pay all legally determined public liability and property damage claims resulting from mining operations, to pay all permit fees, to maintain suitable records, to file all required reports, to permit reasonable inspections, and to fulfill all sundry reporting requirements applicable to the mine as required by the Act and implementing rules.
10. Operator agrees to indemnify and hold harmless the State, Board, and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
11. If Operator shall default in the performance of its obligations hereunder, Operator shall be liable for all damages resulting from the breach hereof including all costs, expenses, and reasonable attorney's fees incurred by the Division and/or the Board in the enforcement of this Contract.

12. Any breach of a material provision of this Contract by Operator may, at the discretion of the Division, in addition to other remedies available to it, result in an order by the Division requiring the Operator to cease mining operations, and may thereafter result in an Order, subject to an opportunity for notice and hearing before the Board, withdrawing and revoking the Notice of Intention, and requiring immediate reclamation by the Operator of the Lands Affected or forfeiture of the Surety.
13. In the event of forfeiture of the Surety, Operator shall be liable for any additional costs in excess of the surety amount that is required to comply with this Contract. Upon completion of the reclamation of all of the Lands Affected, any excess monies resulting from forfeiture of the Surety shall be returned to the rightful claimant.
14. The Operator shall notify the Division immediately of any changes in the Operator's registered agent, the Operator's address, form of business, name of business, significant changes in ownership, and other pertinent changes in the information required as part of the Notice of Intention. Notwithstanding this requirement, any changes to the Notice of Intention, and any errors, omissions, or failures to fully or accurately complete or update the information on the Notice of Intention, or the attached maps, shall not affect the validity of this Contract and the rights of the Division to enforce its terms.
15. If requested by the Division, the Operator shall execute addendums to this Contract to add or substitute parties, or to reflect changes in the Operator, Surety, and otherwise modify the Contract to reflect changes in the mining operations as requested by the Division. All modifications must be in writing and signed by the parties, and no verbal agreements, or modifications in any of the terms or conditions shall be enforceable.
16. This Contract shall be governed and construed in accordance with the laws of the State of Utah.

DIVISION OF OIL, GAS AND MINING:

By [Signature]
Dana Dean, P.E., Associate Director

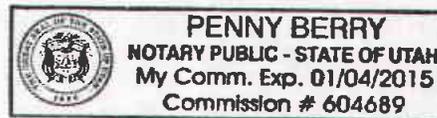
November 22, 2011
Date

STATE OF Utah)
COUNTY OF Salt Lake) ss:

On the 22 day of November, 2011, Dana Dean
personally appeared before me, who being duly sworn did say that she, the said
Dana Dean is the Associate Director of the Division of Oil, Gas
and Mining, Department of Natural Resources, State of Utah, and she duly acknowl-
edged to me that she executed the foregoing document by authority of law on behalf of
the State of Utah.

[Signature]
Notary Public
Residing at: Salt Lake

1/4/2015
My Commission Expires:



FACT SHEET

Commodity: GRAVEL/ROCK

Mine Name: West Weber GRAVEL PIT

Permit Number: S/057/0008

County: WEBER

Disturbed Acres: 5

Operator Name: ZIVOLLE INC

Operator address: 302 MEADOW VIEW LN NIBLEY, UT 84321

Operator telephone: (435) 512-7024

Operator fax: (435) 755-5121

Operator email: fronkhaleyahoo.com

Contact: HAL FRONK

Surety Type: L.O.C.

Held by (Bank/BLM): CACHE VALLEY BANK

Surety Amount: 25,100

Surety Account Number: 2011-25

Escalation Year: 2013

Tax ID or Social Security (for cash only): _____

Surface owner: HAL FRONK

Mineral owner: HAL FRONK

UTU and/or ML number: _____

***DOGM Contact: Penny Berry, State of Utah, Division of Oil Gas and Mining, 801 538 5291 or bondcoordinator@utah.gov



CACHE VALLEY BANK

Member FDIC

Letter of Credit No. 2011-25

Issue Date: 11-07-2011

Issuing Bank: CACHE VALLEY BANK
101 NORTH MAIN
LOGAN UT 84321
435-753-3020
bwallis@cachevalleybank.com

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DIV. OF OIL, GAS & MINING

Beneficiary:

STATE OF UTAH
UTAH DIVISION OF OIL, GAS AND MINING (DOGM)
1594 West North Temple Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

Re: R. HAL FRONK / ZWOLLE, INC.
WEST WEBER GRAVEL PIT
S/057/0008

Gentlemen and Ladies:

1. CACHE VALLEY BANK ("Bank"), of LOGAN, 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 an aggregate amount not to exceed **\$25,100.00** in United States dollars (twenty-five thousand one hundred and no/100) effective immediately; on behalf of **R. HAL FRONK / ZWOLLE, INC.** ("Operator") for **WEST WEBER GRAVL PIT** mining operation under **DOGM Issued Permit No. S/057/0008**.

2. This letter of credit will expire the date upon the first event set forth as follows: (a) 5:00 o'clock p.m. (Mountain time) on **11-02-2012** or (b) the date upon which sufficient documents are executed by the Division to release **R. HAL FRONK / ZWOLLE, INC.** from further liability for reclamation of the **WEST WEBER GRAVEL PIT, S/057/0008**, with notice to Bank by the Division accompanied by the original Letter of Credit with directions for termination.

3. This Letter of Credit issued on 11-07-2011 will be automatically extended for successive periods of one year from the current or any future issuance date unless 90 days prior to the issuance date of the following year, the Bank sends notice to the Division by any courier service or by registered United States mail 'return receipt requested' that the Bank elects NOT to extend the Letter of Credit.

"Tradition of Helping"

101 North Main, Logan, Utah 84321
(435) 753-3020 Fax (435) 753-9057

4. Funds under the Letter of Credit are available against the Division's sight draft, in the form of Exhibit A, specifying **Letter of Credit No. 2011-25** delivered to the office of the Cache Valley Bank, at 101 North Main, Logan, Utah, 84321, and stating that the funds are required to fulfill or secure the performance of operators obligations to reclaim the lands affected by it's operations pursuant to this permit. At the Division's sole election, the Division may present sight drafts for less than 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.

5. If the Bank receives the Division's sight draft(s) and certificate(s) as provided in Paragraph No. 4 above on or before the termination of this Letter of Credit, the Bank will make such amount as the Division may specify, within the limits of the second sentence of Paragraph No. 4 of this Letter of Credit, available to the Division 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 may specify. "Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in the State of UTAH are authorized or required by law to close.

6. 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.

7. 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.

8. All communications regarding this Letter of Credit will be addressed to **CACHE VALLEY BANK, 101 North Main, Logan, Utah, 84321**, referencing **Letter of Credit No. 2011-25**.

9. In the event the Bank gives notice to the Division that the expiration date of the Letter of Credit will not be extended, the Division 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.

Very truly yours,

CACHE VALLEY BANK

By: 
David R. Zilles, Executive Vice-President

By: 
Brad Peterson, Senior Vice-President

EXHIBIT A - SIGHT DRAFT
to
Letter of Credit Number 2011-25

Date	City, County	<u>2011-25</u> Letter of Credit No.
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PAY TO THE ORDER OF: Utah Division of Oil, Gas and Mining,

_____ DOLLARS

TO: CACHE VALLEY BANK
101 NORTH MAIN
LOGAN UT 84321
435-753-3020

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

By: _____
Authorized Signature

EXHIBIT B

to
Letter of Credit Number 2011-25

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. 2011-25** dated 11-07-2011 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 **WEST WEBER GRAVEL PIT**, number **S/057/0008** in accordance with applicable law.

The Utah Division of Oil, Gas and Mining

By: _____
Authorized Signature
The Utah Division of Oil, Gas and Mining

Date _____

