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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

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FEB 19 2002

DIVISION OF
OIL, GAS AND MINING

OK

In Reply Refer To:
3452
U-058184
(UT-924)

FEB 13 2002

CERTIFIED MAIL—Return Receipt Requested

DECISION

Lessee:	:	
Blackhawk Coal Company	:	
555 Office Center Place	:	Coal Lease
Gahanna, OH 432305315	:	U-058184
	:	
Sublessee:	:	
Plateau Mining Corporation	:	
847 NW Hwy 191	:	
Helper, UT 84526	:	

Payment of Default Required

Coal lease U-058184 was issued effective June 17, 1921, pursuant and subject to the terms and conditions of the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. § 181-263, and to all regulations of the Department of the Interior.

The coal lease was readjusted effective November 1, 1981, under the provisions of the Federal Coal Leasing Amendments Act of 1976 (FCLAA). At that time it became subject to the diligent development provisions of FCLAA.

On November 7, 1990, a logical mining unit (LMU) application (designated the Meadowlark LMU) was filed in this office. Federal coal lease U-058184 was **not** included in the application. However, U-058184 was included in an amendment to the Blackhawk LMU filed in this office on November 23, 1998. At that time, the prospective terms and conditions of the LMU (including diligent development and continued operations requirements) superseded but did not replace the terms and conditions of the individual lease.

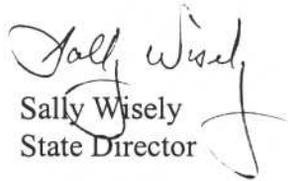
The Meadowlark LMU application was withdrawn effective July 9, 2001. At that time, Federal coal lease U-058184 reverted to its individual lease terms and conditions.

Coal lease U-058184 achieved diligent development of 27,600 tons on December 31, 1981. Therefore, its continued operations years (COY) began January 1, 1982. From January 1, 1982, to December 31, 1989, the lessee fulfilled the COY requirements of the lease. By the terms and conditions of the lease, advance royalty is only allowed to be paid ten times on a lease. If a lease is not producing in commercial quantities after ten years of advance royalty payments, it becomes subject to cancellation through a judicial process.

The lease has not met its COY obligations since January 1, 1990, and there has been no production on the lease since January 1, 1988. From January 1, 1990 through December 31, 1992, advance royalty was paid on lease U-058184 three times. Although advance royalty was to be paid for the five lease years from January 1, 1993 through December 31, 1997, none was. After November 23, 1998, the lease was within the amendment to the Blackhawk LMU application and advance royalty did not need to be paid.

Now that the lease has reverted to its individual lease terms and conditions, and since COY production requirements of the lease have not been satisfied since January 1, 1990, advance royalty payments now are due for the ten lease years from January 1, 1990, through December 31, 1999. Three of those payments have been made. The remaining seven payments are in default.

Continued operations required production of 27,900 tons of coal per year, or 195,300 tons over a seven year period. Exhibit A depicts the calculations used to arrive at the amount of advance royalty due for this seven year period. The sale price per ton is the average sale price for coal mined in Utah for that calendar year. The royalty rate on the lease is 8 percent. Therefore, the amount of advance royalty due is \$295,472.16. This amount does not include interest. If this amount is not paid by the lessee/sublessee within 30 days of receipt of this decision, the bond on this lease will be confiscated, and the lease referred to the Office of the Field Solicitor for the Department of the Interior with a recommendation to refer the lease to a court of competent jurisdiction for reimbursement of the defaulted advance royalty payments, not covered by the bond, and subsequent cancellation of the lease.


Sally Wisely
State Director

Enclosure:

- 1. Exhibit A (1 p)
- cc: WO-320 (w/encl.)
Resource Development Coordinating Committee (w/encl.)
MMS, Solid Minerals Staff (Attn: Patrick Mulcahy)(w/encl.)
Price Coal Office (Attn: Steve Falk)(w/encl.)
Office of the Field Solicitor (w/encl.)
Ms. Mary Ann Wright, UDOGM, P.O. Box 145801, SLC, UT 84114-5801 (w/encl.)
SITLA, (Attn: John Blake), 675 E. 500 So., Suite 500, SLC, UT 84102 (w/encl.)
Plateau Mining Corp., (Attn: C. Corwin Bromley), 94 Inverness Terrace E., Suite 120,
Englewood, CO 80112-5300 (w/encl.)
RAG American Coal Holding, Inc., (Attn: Greg A. Walker), 999 Corporate Blvd.,
Linthicum Heights, MD 21090 (w/encl.)

Exhibit A
Advance Royalty Payment Required

Coal Lease U-058184

Continued Operation Year (COY) Production Requirement: 27,900 tons

Advance Royalty Due For 7 Years: January 1, 1993 through December 31, 1999.

COY 4

January 1, 1993 through December 31, 1993 $(27,900 \times \$21.17 \times .08) = \$47,251.44$

COY 5

January 1, 1994 through December 31, 1994 $(27,900 \times \$20.07 \times .08) = \$44,796.24$

COY 6

January 1, 1995 through December 31, 1995 $(27,900 \times \$19.11 \times .08) = \$42,653.52$

COY 7

January 1, 1996 through December 31, 1996 $(27,900 \times \$18.50 \times .08) = \$41,292.00$

COY 8

January 1, 1997 through December 31, 1997 $(27,900 \times \$18.34 \times .08) = \$40,934.88$

COY 9

January 1, 1998 through December 31, 1998 $(27,900 \times \$17.83 \times .08) = \$39,796.56$

COY 10

January 1, 1999 through December 31, 1999 $(27,900 \times \$17.36 \times .08) = \$38,747.52$

Total Advance Royalty Due For COY 4 Through COY 10: \$295,472.16