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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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DIV OF OIL GAS & MINING

In Reply Refer To:
3452
SL-029093-046653
(UT-924)

FEB 18 2002

CERTIFIED MAIL—Return Receipt Requested

*Success
C/007/004*

DECISION

Lessee:	:	
Blackhawk Coal Company	:	
555 Office Center Place	:	Coal Lease
Gahanna, OH 432305315	:	SL-029093-046653
	:	
Sublessee:	:	
Plateau Mining Corporation	:	
847 NW Hwy 191	:	
Helper, UT 84526	:	

Payment of Default Required

Coal lease SL-029093-046653 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. Among the Federal leases included in the application was SL-029093-046653. 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the prospective terms and conditions of the LMU (including diligent development and continued operations requirements) superseded but did not replace the terms and conditions of the individual lease.

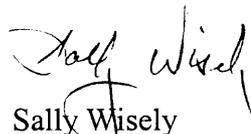
The Meadowlark LMU application was withdrawn effective July 9, 2001. At that time, Federal coal lease SL-029093-046653 reverted to its individual lease terms and conditions.

Coal lease SL-029093-046653 achieved diligent development of 69,889 tons on March 31, 1982. Therefore, its continued operations years (COY) began April 1, 1982. From April 1, 1982, to March 31, 1987, advance royalty was paid on this lease five times. 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 produced in greater than commercial quantities for the COY from April 1, 1987 to March 31, 1989. Because of the averaging of production over the next two years, advance royalty was not due until the COY beginning April 1, 1991. At that time, the lease was within the Meadowlark 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 production has not occurred on the lease since March 31, 1989, five years of advance royalty payments now come due.

Continued operations required production of 69,889 tons of coal per year, or 349,445 tons over a five year period. Exhibit A depicts the calculations used to arrive at the amount of advance royalty due for this five 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 \$575,751.40. 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 SL-029093-046653

Continued Operation Year (COY) Production Requirement: 69,889 Tons (5,824.08 tons/month)

Advance Royalty Due For 5 Years: April 1, 1991 through March 31, 1996.

COY 6

April 1, 1991 through December 31, 1991 $(9 \times 5,824 \times \$21.56 \times .08) = \$90,407.12$

January 1, 1992 through March 31, 1992 $[(3 \times 5,824) + 1 \times \$21.83 \times .08] = \$30,514.85$

Total Advance Royalty Due For COY 6: \$120,927.97

COY 7

April 1, 1992 through December 31, 1992 $(9 \times 5,824 \times \$21.83 \times .08) = \$91,539.30$

January 1, 1993 through March 31, 1993 $[(3 \times 5,824) + 1 \times \$21.17 \times .08] = \$29,592.27$

Total Advance Royalty Due For COY 7: \$121,131.57

COY 8

April 1, 1993 through December 31, 1993 $(9 \times 5,824 \times \$21.17 \times .08) = \$88,771.74$

January 1, 1994 through March 31, 1994 $[(3 \times 5,824) + 1 \times \$20.07 \times .08] = \$28,054.65$

Total Advance Royalty Due For COY 8: \$116,826.39

COY 9

April 1, 1994 through December 31, 1994 $(9 \times 5,824 \times \$20.07 \times .08) = \$84,159.13$

January 1, 1995 through March 31, 1995 $[(3 \times 5,824) + 1 \times \$19.11 \times .08] = \$26,712.72$

Total Advance Royalty Due For COY 9: \$110,871.85

COY 10

April 1, 1995 through December 31, 1995 $(9 \times 5,824 \times \$19.11 \times .08) = \$80,133.58$

January 1, 1996 through March 31, 1996 $[(3 \times 5,824) + 1 \times \$18.50 \times .08] = \$25,860.04$

Total Advance Royalty Due For COY 10: \$105,993.62

Total Advance Royalty Due For COY 6 Through COY 10: \$575,751.40