



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office

440 West 200 South, Suite 500

Salt Lake City, UT 84101-1345

<http://www.blm.gov/utah>



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MAR 07 2019

DIV OF OIL, GAS & MINING

MAR 01 2019

In Reply Refer To:

(UT-9223)

UTU-44076, UTU-147570, UTU-77114

Mr. James Grech
Chief Executive Officer
9815 South Monroe Street, Suite 203
Sandy, Utah 84070

Royalty Rate Reduction Approved

Dear Mr. Grech,

On June 21, 2018, the Bureau of Land Management (BLM) received a Royalty Rate Reduction Application (RRR) from Bowie Resource Partners LLC; Canyon Fuel Company, Skyline Mine (Skyline). Sufco then provided a supplement completing the application for the RRR on October 19, 2017. The request is for a Category 1 RRR for the Upper Hiawatha coal seam block of coal described on the provided map as Map 1. Map 1 shows that the RRR request includes part of Federal leases UTU-44076, UTU-147570, and UTU-77114, highlighted in red (2-4 Right District).

The BLM has examined the Skyline application and agrees the Skyline Mine exploration and adjacent mining projects have significant and unique adverse geologic conditions thus qualifying it for a Category I RRR.

The leases are in good standing with the Office of Natural Resource Revenue (ONRR). The Utah Division of Oil, Gas and Mining, and BLMs Washington Office have sent letters of concurrence for the RRR.

BLM approves a Category 1 RRR for a royalty rate reduction from 8 percent to 5 percent, effective August 1, 2018, the start of the first royalty reporting period after the date a complete application for a RRR was filed (July 3, 2018). The term of the RRR will be for production of up to 5.3 million run-of-mine tons of coal from the area identified in red on Map 1, or for a period of not more than 5 years from the effective date, whichever comes first. Canyon Fuel Company must provide a confidential accounting of the mining conditions and numeric

operating margins encountered on or before each 6-month period starting after the date of this decision. A final confidential numeric summary of the RRR operating margin results must be provided to BLM within 60 days upon termination of the RRR.

A BLM inspector will examine and verify the conditions reported. The BLM can terminate the RRR if anticipated adverse conditions are not verified during two consecutive inspections.

Royalty rate reductions approved under this category are transferable with the lease, provided all payments to ONRR are current and the lease accounts are in good standing.

If you have any questions, please call Mr. Stan Perkes at (801) 539-4036.

Sincerely,

A handwritten signature in blue ink that reads "Edwin L. Roberson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Edwin L. Roberson
State Director

Enclosure

cc:
BLM Price Field Office
Attn: Don Stephens

ONRR
Attn: LeAnn M. Martin

Utah Division of Oil, Gas & Mining
Attn: Dana Dean

bc:
Reading File
Lease Files (UTU-44076, UTU-147570, UTU-77114)
JMcKenzie:2/11/2019

