



State of Utah

DEPARTMENT OF NATURAL RESOURCES
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January 24, 1997

TO: Lynn Vellinga, Assistant Controller
Division of Finance

FROM: Lowell P. Braxton, Deputy Director *LPB*

RE: Establishment of an Expendable Trust Fund for the Division of Oil, Gas and Mining Bond Forfeitures

Pursuant to our January 23, 1997, meeting with Carl Roberts, I am asking that Finance establish an Expendable Trust Fund for deposit of monies collected by the Division of Oil, Gas and Mining as a result of bond or surety forfeitures. As we discussed, monies from forfeited bonds and sureties, together with accrued interest will be used to reclaim the mine or plug and abandon the well that was subject to the forfeiture action, in fulfillment of the requirements of the Division of Oil, Gas and Mining.

An example of the regulations supporting establishment of this trust fund is found at Utah Administrative Code R. 645-301-860.243, "any interest paid on a cash account will be retained in the account and applied to the bond value of the account unless the Division (of Oil, Gas and Mining) has approved the payment of the interest to the operator."

I provided you with a copy of a January 16, 1997 letter from Patrick J. O'Hara, Assistant Attorney General that substantiates the need to establish an Expendable Trust Fund specifically to receive an \$800,000 payment for partial settlement of bond forfeitures resulting from the bankruptcy of the Sunnyside coal mine. This letter also discusses the mandate to the Division of Oil, Gas and Mining to utilize interest from forfeited bonds or sureties to further reclamation of the subject property rather than allowing the interest to satisfy obligations other than the reclamation for which the bond or surety was originally established.

Thank you for your help in establishment of the Expendable Trust Fund, and for the advice freely given in this morning's discussion. If additional information is required, please advise.

vb

cc: J. Carter
C. Roberts
M. Wright

EXPENDTRUSTLTR

