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OK

03/18/02

TO: Paul Grubbaugh-Littig, DOGM
Fax 801-359-3940

From: Ron Singh, OSM

Subject: Correct lease boundary description
Lila Canyon Tract - Horse Canyon Mine

Attached are the correct lease boundary descriptions for 6 Federal Coal leases in the above subject mine, as provided to me by Stan Perkes on 02/14/02.

Please correct your pending permit applⁿ. accordingly.

Jory Davis
Incoming
3/07/02

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DIVISION OF
OIL, GAS AND MINING

North Block Logical Mining Unit

The Mineral Leasing Act (MLA) of February 25, 1920, as amended by the Federal Coal Leasing Amendments Act (FCLAA) of 1976, authorizes the consolidation of coal leases into a logical mining unit (LMU). An LMU is an area of land which the coal resources can be developed in an efficient, economical and orderly manner as a unit with due regard to conservation of coal resources and other resources.

As a result of a modification to an application for an LMU designation filed by Intermountain Power Agency (IPA), the North Block LMU is approved effective January 1, 1994, and provides as follows:

1. **Unit Area:** The area specified on the map attached hereto marked Exhibit A being hereby designated the LMU area, containing 5,544.01 acres as described as follows:

Federal Coal Lease SL-066145 *Horse Canyon*
 T. 16 S., R. 14 E., SLM, Utah
 Sec. 3, Lots 1-3, 7-11, SE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$;
 Sec. 10, E $\frac{1}{2}$;
 Sec. 11, W $\frac{1}{2}$;
 Sec. 14, NW $\frac{1}{4}$;
 Sec. 15, N $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$.

Contains 1,404.20 acres.

Federal Coal Lease SL-066490
 T. 16 S., R. 14 E., SLM, Utah
 ✓ Sec. 11, E $\frac{1}{2}$;
 Sec. 12, W $\frac{1}{2}$;
 Sec. 13, W $\frac{1}{2}$;
 Sec. 14, E $\frac{1}{2}$, SW $\frac{1}{4}$;
 Sec. 15, E $\frac{1}{2}$ SE $\frac{1}{4}$;
 Sec. 22, NE $\frac{1}{4}$ NE $\frac{1}{4}$;
 Sec. 23, N $\frac{1}{2}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$;
 Sec. 24, NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$;
 Sec. 26, N $\frac{1}{2}$ NE $\frac{1}{4}$.

Contains 2,440.00 acres more or less.

✓ Federal Coal Lease U-014218
 T. 16 S., R. 14 E., SLM, Utah
 Sec. 12, E $\frac{1}{2}$.

Contains 320.00 acres more or less.

Federal Coal Lease U-0126947
 ✓ T. 16 S., R. 14 E., SLM, Utah
 Sec. 13, E $\frac{1}{2}$;
 Sec. 24, E $\frac{1}{2}$;
 Sec. 25, N $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$.

✓ T. 16 S., R. 15 E., SLM, Utah
 Sec. 19, Lots 3 & 4, SE $\frac{1}{4}$ SW $\frac{1}{4}$;
 Sec. 30, Lots 1 & 2, E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$.

Containing 1,059.81 acres more or less

✓ Federal Coal Lease U-014217
 T. 16 S., R. 14 E., SLM, Utah
 Sec. 25, SW $\frac{1}{4}$ NE $\frac{1}{4}$.

Containing 40.00 acres more or less.

✓ Federal Coal Lease SL-069291
 T. 16 S., R. 14 E., SLM, Utah
 Sec. 24, E $\frac{1}{2}$ SW $\frac{1}{4}$;
 Sec. 25, NW $\frac{1}{4}$;
 Sec. 26, SE $\frac{1}{4}$ NE $\frac{1}{4}$.

Containing 280.00 acres more or less.

2. **Unit Operator:**

Intermountain Power Agency
 111 North Hope Street, Room 1107
 Los Angeles, CA 90012

3. **Stipulations:** As a consideration to the approval of the LMU, the operator/lessee consents to the following stipulations which make all Federal leases within the LMU subject to uniform requirements of this Resource Recovery and Protection Plan (R2P2), LMU recoverable reserves exhaustion, diligent development, continued operation, maximum economic recovery, advance royalty and royalty reporting periods. As of January 1, 1994, the diligence terms and conditions of the Federal lease are subject to or are superseded by the diligence requirements imposed on the LMU.

a. **Supervision:** Bureau of Land Management
 Price Field Office
 125 South 600 West
 P.O. Box 7004
 Price, Utah 84501

The Price Field Office Manager located at the above location is responsible for the review and approval of exploration plans and operations, and modifications thereto, prior to the commencement of mining operations within a permit area approved pursuant to the Surface Mining Control and Reclamation Act (SMCRA) of 1977. The Manager is also responsible for review and approval of resource recovery and protection plans and modifications thereto, and is also responsible for inspection and enforcement, including production verification, of such operations and all lands and all coal within the LMU, and for implementing all other applicable provisions of the 43 CFR 3400 rules for the LMU.

b. **Diligent Development and Continued Operation requirements:** Pursuant to 43 CFR 3480.0-5 (a)(13)(B), the diligent development period for the LMU began on February 1, 1995. Therefore, the LMU must have production of commercial quantities (1 percent of the total recoverable reserves) by February 1, 2005. IPA must then mine 380,260 tons from anywhere within the North Block LMU to achieve diligent development. The LMU must maintain continued operation requirements (mining commercial quantities) or a request to be allowed to pay advance royalty in lieu of continued operation. This request must be submitted to BLM 30 days prior to the start of the continued operation year. The LMU will be required to maintain production of commercial quantities on an annual basis and the date will be determined by the month after diligence is met.

c. **Advance Royalty:** The number of years for which advanced royalty may be paid in lieu of continued operation is ten (10). Advance royalty may be paid in lieu of continued operation only until February 1, 2015. No advanced royalty paid prior to that date may be credited against production royalty after that date.

d. **Reporting Period:** The rental amount for Federal coal leases is to be prorated to the effective date of the LMU. Thereafter, rental for Federal coal leases contained in the LMU will be due, in a lump sum, annually on the anniversary date of the LMU approval, January 1, 2000. Upon approval and for the duration of this LMU, no Federal rentals may be credited against production royalties for any Federal coal lease contained in the LMU, even though the Federal Coal lease terms may have allowed for such credits prior to the effective date of the LMU.

Royalties for Federal recoverable reserves produced within the LMU will be paid on the appropriate Minerals Management Service (MMS) Production and Operations reports every royalty reporting period. The LMU royalty reporting period will be on a monthly basis beginning with the royalty period after the date that coal is first produced following the effective date of the LMU. If coal is being produced on the effective date of the LMU approval, the first royalty reporting period will begin on the first day of the month following the effective date of the LMU. Since all production within an LMU is credited to the entire LMU, a certified record of all non-Federal LMU coal production must be provided to the Price Office Manager on an annual basis. Progress maps and reports required by 43 CFR 3483.2 will show all Federal and non-Federal production from anywhere within the LMU.

e. **Recoverable Coal reserves Exhaustion:** The 40-year LMU recoverable coal reserves exhaustion period commences the date the coal is first produced from the LMU, following the effective date of LMU approval. If there is production occurring within the LMU on the effective date of LMU approval, the 40-year clock begins on the effective date of LMU approval.

f. **Other:** If the LMU of which Federal coal leases SL-066145, SL-066490, U-014218, U-0126947, U-014217, SL-069291 are a part, fails for whatever reason, the above-mentioned leases terms will automatically revert to the original terms and conditions as if they not been included in an LMU.

g. **Waste Certification:** The lessee shall provide upon abandonment and/or sealing off a mined area and prior to lease termination/relinquishment, certification to the lessor that, based upon a complete search of all the operator's records for the mine and upon their knowledge of past operations, there has been no hazardous substances per (40 CFR 302.4) or used oil as per Utah State Management Rule R-315-15, deposited within the lease, either on the surface or underground, or that all remedial action necessary has been taken to protect human health and the environment with respect to any such substances remaining on the property. The back-up documentation to be provided shall be described by the lessor prior to the first certification and shall include all documentation applicable to the Emergency Planning and Community Right-to-know Act (EPCRA, Public Law 99-499), Title III of the Superfund Amendments and Reauthorization Act of 1986 or equivalent.

h. **Underground Inspection:** All safe and accessible areas shall be inspected prior to being sealed. The lessee shall notify the Authorized Officer in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground.

The Authorized Officer may participate in this inspection. The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and State Management Rule R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the lessee's expense and shall be submitted to the Authorized Officer as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the Authorized Officer has granted a written approval. Any on-lease disposal of non-coal waste must comply with 30 CFR § 817.89.

Intermountain Power Agency.

By _____

Title

Date