

*file G.C. 306 mine file
Act/007/017*



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March 9, 1992

Reply to:
Vernal

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DIVISION OF
OIL GAS & MINING

Ms. Pam Grubaugh-Littig, Permit Supervisor
Utah Division of Oil, Gas & Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Dear Ms. Grubaugh-Littig:

As we discussed on the telephone last week, our firm represents the Utah Division of State Lands and Forestry in several cases involving coal royalties. These cases stem from audits that were conducted in 1985 which showed that five State coal lease operators had not paid the correct royalty on those leases. Beaver Creek Coal Company was one of those five companies. There is no litigation currently pending with Beaver Creek because it was mutually agreed that both parties would wait until the other four cases were resolved before initiating a lawsuit. There is however, a dispute regarding bypassed coal which should be resolved before discussing other royalty issues.

The bypass coal issue involves a bond that was established to protect the State from loss due to the bypass proposed by Beaver Creek. It has been determined that the bond was not sufficient to cover that loss. We are in the process of reviewing this issue with Beaver Creek.

We would like your assistance in participating in these discussions with Beaver Creek and acting as an expert for the State. I am sending you the information we have on this issue for your review. Please contact us when you have had a chance to review this material and let us know if you can be of help to us.

Very truly yours,

MCKEACHNIE & ALLRED

Marnie Johnson

Marnie Johnson
Legal Assistant

Called ms Johnson 3/19

*Indicated perhaps more appropriate
that Lands provide their own support-*

*I indicated we would help state Lands
if they need help but the basic responsibility*

Enclosures

To convey this is not ODBM's.

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