



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>

IN REPLY REFER TO:
3474
U-07064-027821 et. al.
(UT-924)

J. [Signature]
2/007/0018 ✓
2/007/0035

APR 02 2004

RECEIVED

APR 06 2004

CERTIFIED MAIL – Return Receipt Requested

DECISION

DIV. OF OIL, GAS & MINING

Canyon Fuel Company, LLC.
c/o Arch Coal Inc.
City Place One, Suite 300
St. Louis, MO 63141

: Coal Leases
: U-07064-027821
: UTU-69635
:
:

Surety:
St. Paul Fire & Marine Ins. Co.
385 Washington Street
St Paul, MN 55102

: Current Bond Amount: \$8,000
: Bond No: 400SA1538
: Current Bond Amount: \$2,140,000
: Bond No.: 400SA1544

Bond Increase Required Bond Reduction

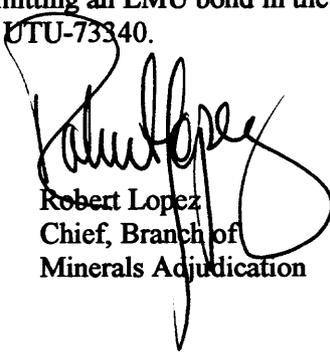
Canyon Fuel Company, LLC currently has on file with the Utah State Office of the Bureau of Land Management two coal lease bonds, a \$8,000 surety bond to cover coal lease U-07064-027821, and surety \$2,140,000 surety bond to cover coal lease UTU-69635. The surety for these bonds is St. Paul Fire & Marine Ins. Co. The surety bond numbers are 400SA1538 and 400SA1544, respectively. The BLM Bond No. is UT1243.

Regulations at 43 CFR 3504.60 allow for the amount of any bond to be increased/decreased when additional/less coverage is determined to be appropriate. The Utah State Office, in conjunction with the Price Field Office, is requiring that your bond for coal lease U-07064-027821 be increased to \$900,000 based on the present production covered by this lease. In the alternative a determination that the bond covering coal lease UTU-69635 can be reduced to \$7,000, based on the production covered by this coal lease.

These bond amounts may be increased/decreased by either a rider to the current bonds, or by submitting an entirely new bond for the required amounts. Enclosed are forms and instructions for submitting a new bond. If you do not agree with the bond amount, you must submit written justification to this office clarifying your position for a lesser bond amount.

A compliance period of 30 days from the receipt of this decision will be allowed to submit the above bond.

Note that you also have the alternative of submitting an LMU bond in the amount of \$917,000 to cover the Soldier Creek/Dugout Federal Coal LMU UTU-73340.



Robert Lopez
Chief, Branch of
Minerals Adjudication

Enclosures

1. Bond Cost Estimates
2. Surety Bond Form

cc: State Division of Oil, Gas and Mining
Price Field Office

BOND CALCULATION FOR FEDERAL COAL LEASE U-07064-027821

Average monthly production - 175,000 tons

Average monthly production for 3 months - 525,000 tons

3 months average production times price per ton

$525,000 \times \$20.00 = \$10,500,000$

Total selling price times royalty rate

$\$10,500,000 \times 8\% = \$840,000$

Rental, acres times rental rate

$2,416.14 \times \$3.00 = \$7,248.42$

Bond total (royalties and rental)

\$840,000

7,248.42

\$847,300 rounded to \$900,000

RECOMMENDED BOND AMOUNT IS \$900,000

ATTACHMENT

BOND CALCULATION FOR FEDERAL COAL LEASE SL-051279-063118

Average monthly production - 0

Average monthly production for 3 months - 0

3 months average production times price per ton

0

Total selling price times royalty rate

0

Rental, acres times rental rate

1,548.31 x \$3.00 = \$4,644.93

Bond total (royalties and rental)

0

4,644.93

\$4,644.93 rounded to \$5,000

RECOMMENDED BOND AMOUNT IS \$5,000

ATTACHMENT

. BOND CALCULATION FOR FEDERAL COAL LEASE U-69635

Average monthly production - 0 tons

Average monthly production for 3 months - 0 tons

3 months average production times price per ton

0

Total selling price times royalty rate

0

Rental, acres times rental rate

2,177.52 x \$3.00 = \$6532.56

Remaining secured obligation amount (residual bonus bid amount)

0

Bond total (royalties and rental)

\$0

6532.56

\$6532.56 rounded to \$7,000

RECOMMENDED BOND AMOUNT IS \$7,000

ATTACHMENT

BOND CALCULATION FOR FEDERAL COAL LEASE U-50722

Average monthly production - 0

Average monthly production for 3 months - 0

3 months average production times price per ton

0

Total selling price times royalty rate

0

Rental, acres times rental rate

440 x \$3.00 = \$1320.00

Bond total (royalties and rental)

\$0

1320.00

\$ 1,320.00 rounded to minimum amount of \$5,000

RECOMMENDED BOND AMOUNT IS \$5,000

ATTACHMENT

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number

Bond Number

BOND* UNDER LEASE FOR
MINING DEPOSITS

KNOW ALL MEN BY THESE PRESENTS, That

of _____, as principal,

and

of _____, as suret _____,

are held and firmly bound unto the United States in the sum of _____ dollars

(\$ _____), lawful money of the United States, for the payment of which, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, and successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such, that whereas the said principal entered into a lease of the lands described therein and upon conditions therein expressed, which lease bears the above serial number.

NOW, THEREFORE, if the said principal, his heirs, executors, administrators, or successors, shall faithfully carry out the obligations and observe the requirements of said lease, and shall duly keep, perform, and abide by each and every term and provision of said lease as therein stipulated and agreed, then this obligation shall be null and void; otherwise to remain in full force and effect.

Signed on this _____ day of _____, 19 _____, in the presence of:

(Signature of Witness)

(Signature of Principal)

(Address of Witness)

(Address of Principal)

(Signature of Witness)

(Signature of Surety)

(Address of Witness)

(Address of Surety)

(Signature of Witness)

(Signature of Surety)

(Address of Witness)

(Address of Surety)

* This form of bond may be used in connection with coal, phosphate, and sodium leases, Act of February 25, 1920, as amended (30 U.S.C. 181 *et seq.*); potassium leases, Act of February 7, 1927, as amended (30 U.S.C. 281 *et seq.*); sulphur leases, Act of April 17, 1926, as amended (30 U.S.C. 271 *et seq.*); all such leases involving acquired lands, Act of August 7, 1947 (30 U.S.C. 351), and asphalt leases, Act of June 28, 1944 (58 Stat. 463, 483-485), by inserting the particular mineral applicable in the space provided therefor. *If this bond is executed by a corporation, it must bear the corporate seal.*