



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>

7007/041 Franchising

IN REPLY PLEASE REFER TO:
3485
UTSL-068754
UTU-78562

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DIV. OF OIL, GAS & MINING

DECISION

Westridge Resources, Inc.	:	Coal Leases
P.O. Box 1077	:	SL-068754
Price, Utah 84501	:	UTU-78562

Category 3 Royalty Rate Reduction For Coal Leases SL-068754 and UTU-78562 Approved

On November 13, 2007, Westridge Resources, Inc filed on behalf of ANDALEX Resources, Inc. and Intermountain Power Agency, the lessees of these leases, for a Category 3 royalty rate reduction (RRR) on coal mined from Federal leases SL-068754 and UTU-78562, which are part of the Westridge Mine. Westridge Resources, Inc. requested a reduction of the royalty rate to 5%.

The Bureau of Land Management (BLM) has examined the Westridge Resources Inc. application for the RRR on these coal leases and determined that the mining of coal from these leases is at a cost that exceeds market revenue. The mine is relatively very deep, has high methane levels, and high sulfur levels which makes the coal product relatively costly to produce and less attractive in the market place.

BLM hereby approves a RRR from 8% to 5% effective March 1, 2008 but as a Category 1 RRR. The reduced royalty rate will apply to 2.5 million tons of coal mined from Federal leases SL-068754 and UTU-78562, or a period of not more than 2 years from the effective date, whichever occurs first.

Excess royalties paid on production between the effective date of the RRR and the approval date shall be recouped as a credit from prospective production royalty payments from leases SL-068754 and UTU-78562. In no case shall a lessee be entitled to or ever receive a cash refund once an RRR has been approved. A lessee may recoup past royalty overpayments only from succeeding royalty obligations for the same lease account for which a RRR has been granted. Reporting of royalty recoupments shall be made in accordance with the Minerals Management Service's (MMS) payer handbook.

The lease accounts are in good standing with MMS. The Utah Division of Oil, Gas and Mining as well as the Washington Office of the BLM have sent letters of concurrence to the RRR.

Lessees receiving a reduced royalty rate under this category must submit annual accounting reports for each related RRR period showing negative profitability without the royalty rate reduction and a certified statement that the conditions that justified the granting of the RRR continue to exist. This certified statement shall be submitted on or before the anniversary date (in this case March 1, 2008) or 90 days following receipt of this approval letter for the first anniversary year. Failure to submit this annual certification shall result in the immediate termination of the royalty rate reduction, at which time the production royalty rate shall automatically revert to the production rate specified in the lease.

This decision may be appealed to the Board of Land Appeals, Office of the Secretary, in accordance with the regulation at 43 CFR Part 4 and the enclosed Form 1842-1. If an appeal is taken, your notice of appeal must be filed in this office within 30 calendar days following at the end of the compliance period. The appellant has the burden of showing that the decision appealed from is in error.

If you wish to file a petition pursuant to regulation 43 CFR 4.21 (58 FR 4939, January 19, 1993) for a stay of the effectiveness of this decision during the time that you appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and the petition for a stay must also be submitted to the Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay

Except as otherwise provided by law or other pertinent regulation, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards;

- (1) The relative harm to the parties if a stay is granted or denied;
- (2) The likelihood of the appellant's success on the merits;
- (3) The likelihood of the immediate and irreparable harm if the stay is not granted, and;
- (4) Whether the public interest favors granting the stay.

If you have any questions, please contact either Stan Perkes at the BLM State Office (801-539-403) or myself.

/s/ Jeff Rawson

ACTING Selma Sierra
State Director

Enclosures

Form 1842-1 (1 p)

Cc: Mr. John Baza, Director, UDOGM, Box 145801, Salt Lake City, Utah 84114-5801
Price BLM Coal Office
MMS. MRM. Solid Minerals Staff, Attn: Patrick Mulcahy, MS390B2, Box 25165,
Denver, CO 80225-0165
Westridge Resources, Inc. Attn. David Hibbs P.O. Box 1077 Price, Utah 84501
Intermountain Power Agency, Coal Business Manager, Los Angeles Department of
Power and Water, 111 North Hope Street, Room 1263, Los Angeles California,
90012-2694

WestridgeRRRApril2009Approval LetterJM-SA-4-16-09