

Outgoing
C0070041
OK

From: Daron Haddock
To: OGMCOAL
Date: 10/22/2012 4:23 PM
Subject: Fwd: Re: Westridge Mine Royalty Rate Reduction Application
Attachments: 2011.01.24 01242011 State of Utah Concurrence.pdf; West Ridge Royalty Rate ReductionTonnage Verification Memo to State Office.pdf

>>> Daron Haddock 10/22/2012 4:22 PM >>>

Jeff,

After reviewing the proposed royalty rate reduction supplemental information, the Division of Oil Gas and Mining is in accord with the BLM's recommendation for the West Ridge mine to accept the figure of 1,480,252 tons for Royalty Rate Reduction. Our January 24, 2012 letter does not change and we still support granting the royalty reduction as requested by UEI. Thank you for the opportunity to participate in this process. Please let us know if you need any further information.

Sincerely,

Daron R. Haddock
Coal Program Manager
Utah Division of Oil, Gas & Mining
(801) 538-5325

>>> "McKenzie, Jefferson D" <jmckenzi@blm.gov> 10/22/2012 10:53 AM >>>

Earlier this year we received your letter of concurrence:

This letter provides for a 5% royalty rate for a two year period. However, the projected tonnage was 1.008 million high ash tons at that time.

Now, after the process of time in reviewing the application, we have calculated the actual tonnage to be some 1.64 million high ash tons. This is greater than the Westridge updated application for 1,480,252 actual high ash tons:

We are prepared to proceed with this higher tonnage, pending concurrence from the BLM Washington Office.

Please let us know if the State of Utah concurs with this adjusted maximum tonnage.

Thank you.



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Outgoing
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January 24, 2011

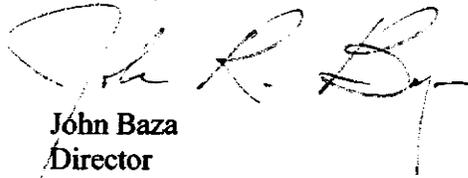
Roger Bankert
Bureau of Land Management
P. O. Box 45155
Salt Lake City, Utah 84145-0155

Subject: Lease Numbers SL068754 and UTU 78562, West Ridge Resources. C/0070041

Dear Mr. Bankert:

I have reviewed the request by West Ridge Resources to reduce the royalty rate for the referenced federal coal leases to five percent (5%) for a two-year period. Based on the BLM's geologic and economic analysis of the situation, I am offering Utah's support in favor of the BLM granting West Ridge Resources the royalty reduction that they are requesting.

Sincerely,



John Baza
Director

DD/vs
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United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Green River District, Price Field Office
125 South 600 West
Price, UT 84501
<http://www.blm.gov/ut/st/en/fo/price.html>

OCT 18 2012

IN REPLY REFER TO:
SL-068754
3485(UTG023)

Memorandum

To: Chief, Branch of Solid Minerals, Utah State Office

From: Patricia A. Clabaugh *Patricia A. Clabaugh*
Field Manager

Subject: Royalty Rate Reduction Application, Supplemental Information, West Ridge Mine,
UtahAmerican Energy, Inc., Lessee

On October 9, 2012, UtahAmerican Energy, Inc. (UEI), submitted to your office supplemental information regarding their Royalty Rate Reduction (RRR) application filed in 2009. This office has been asked to verify the coal production tonnage reported by UEI for the requested Category 1 RRR.

The supplemental information from UEI contains mine maps showing areas that have been mined for RRR consideration. UEI reports 1,480,252 tons of coal produced from these areas (shaded on the mine map). We have made a volumetric calculation from the mine map of the tonnage and calculate approximately 1,640,000 tons. This is within 10% of the reported UEI tons and well within acceptable variances for these small scale maps. Reported production for royalty purposes from all areas of the mine has been checked and verified (from October 15th to 17th and completed on October 17, 2012). In addition, the tonnage reported for RRR consideration has all come from areas in the mine where coal quality issues (in-seam rock splits, weak roof rock, etc.) have been noted and verified by inspections which supports UEI's reason for a RRR (> 14% ash). Hence, UEI's supplemental information is reasonable and we recommend that UEI's figure of 1,480,252 tons be accepted for RRR consideration. If you have any questions, please contact Steve Rigby at 435-636-3604.

cc: Bill Stringer (UTG000)