

0/05/018 Incoming



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
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IN REPLY REFER TO:
3473
UTU-88554
(UT-9223)

JUL 19 2011

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JUL 20 2011

MEMORANDUM

DIV. OF OIL, GAS & MINING

To: ONRR, ACM, Solid Minerals Staff, Attn: LeeAnn Martin, MS62300B, Box 25165, Denver, CO 80225-0165

From: Roger L. Bankert, Chief, Branch of Minerals

Subject: New Coal Lease Created by Reversion, Setting Up Lease Account

Pursuant to the Agreement to Exchange, pertaining to the Utah Schools and Land Exchange Act of 1998, Pu. L. No. 105-335, between the State of Utah (Utah School Trust Lands) and the United States of America executed on May 8, 1998, Section 3 Paragraph (K) "The United States' mineral interest in the coal located in the Mill Fork Tract" was transferred to the State of Utah. In accordance with Sec. 3 Paragraph (K) "If the state disposes of all or part of the coal mineral interest conveyed as provided by subparagraph (F) (i) here of, the entire coal mineral interest shall revert to the United States when 22.3 million tons of coal have been produced from the tract." The production from the Mill Fork Tract was 7,000 tons short of reaching 22.3 million ton at the miners' vacation shutdown. Production restarted on July 11th and it is estimated that the reversionary threshold was met on the afternoon shift on July 11th.

The legal description for the Mill Fork Lease (Utah State Lease No. ML-48258 and Federal Coal Lease No. UTU-88554) is:

- T. 16 S., R. 6 E., SLM, Utah
- sec. 1, SE $\frac{1}{4}$;
- sec. 10, E $\frac{1}{2}$ E $\frac{1}{2}$ SE $\frac{1}{4}$;
- sec. 11, all;
- sec. 12, all;
- sec. 13, all;
- sec. 14, all;
- sec. 15, E $\frac{1}{2}$ E $\frac{1}{2}$;
- sec. 22, lots 1, 2, 4-7, E $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$ N $\frac{1}{2}$ SE $\frac{1}{4}$;
- sec. 23, N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$;
- sec. 24, N $\frac{1}{2}$;

T. 16 S., R. 7 E., SLM, Utah
sec. 6, lots 5-8, S½SE¼;
sec. 7, all;
sec. 8, NW¼NW¼;
sec. 18, lots 1,2, NE¼.

Containing 5,562.82 acres, more or less.

The lease is effective April 1, 1999, with a rental rate of \$3.00 per acre or fraction thereof per year, and a production royalty rate of 8% of the value of all coal severed and removed from the Leased Premises. For all coal sold pursuant to an arm's-length contract, the value shall be determined on the basis of the gross proceeds received by the Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced.

A copy of the reverted lease form and the accounting advice for this reverted coal lease is attached.

/S/ Roger L. Bankert

Enclosures:
As Stated

cc: Price Field Office
PacifiCorp, 1407 West North Temple, Suite 310, Salt lake City, Utah 84116
State of Utah, School & institutional Trust Lands Administration, 675 East 500 South, Suite
500, Salt lake City, Utah 84102-2818
Mr. John Baza, Director, UDOGM, Box 145801, Salt Lake City, Utah 84114-5801