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DIVISION OF
OIL GAS & MINING

December 30, 1991

Dr. Dianne Nielson, Director
Division of Oil Gas & Mining
335 West North Temple
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

Dear Dr. Nielson:

Re: Five-Year Permit Renewal Review, Southern Utah Fuel Company's Convulsion Canyon Mine

Submitted herewith are fourteen (14) copies of the Southern Utah Fuel Company Mining and Reclamation Plan renewal application. This response meets the schedule outlined by the Division. The material presented in this Mining and Reclamation Plan renewal represents document updates and pertains to mining activities during the next five years.

Should a review of this submittal identify the need for additional information or for clarification of any items, please notify us immediately.

We appreciate the assistance and cooperation of your staff in the preparation of this renewal application.

Sincerely yours,

Vernal J. Mortensen
Senior Vice President

VJM/ak/1815

Coastal States Energy Company
A SUBSIDIARY OF THE COASTAL CORPORATION
175 E. 400 SOUTH, SUITE 800 • SALT LAKE CITY • UTAH 84111
801/596-7111
FAX 801/534-3297

ACT/041/002 #2

The Salt Lake Tribune
LOCAL II

News Desk: 237-2045

WEDNESDAY, December 25, 1991

Land Swap for Coal Royalties Hits Snag

By Jim Woolf
THE SALT LAKE TRIBUNE

A proposed swap of 80,000 acres of state-owned land for millions of dollars in federal coal-lease royalties has bogged down in a dispute over how much money the state should receive.

State officials are trying to revive the deal. They have hired a private attorney to help sort the legal issues, traveled last week to Washington, D.C., to lobby top officials of the U.S. Bureau of Land Management, and enlisted Utah's congressional delegation to help them.

"I was encouraged by my meetings in Washington," said Kevin Carter, assistant director of the Utah Division of State Lands and Forestry.

Utah owns 80,000 acres scattered through seven national forests in the state. This land was given to the state by the federal government to generate money for the school system, but these scattered parcels in the middle of national forests produce little or no revenue.

The state has proposed several land swaps to obtain more productive parcels elsewhere, but all have failed. Proposals for massive land exchanges worry local elected officials, the federal government and environmental activists.

State officials earlier this year proposed a new solution. Rather than trading land for land, they offered to trade their land for coal royalties generated by a mine operating on federal land in central Utah.

An appraisal of the 80,000 acres has not been completed yet, but state officials believe the value will be somewhere between $10 million and $50 million. BLM has agreed to purchase this land with federal royalty payments from Southern Utah Fuel Corporation's Convulsion Canyon Mine in Sevier County. This mine generates about $3 million a year in royalty payments.

The deal has bogged down, however, because about half of the royalty payments paid by the mine already are being returned to the state for a variety of non-educational purposes. Much of this money is turned over to the Community Impact Board to finance public projects in areas affected by energy or mineral development.

If the federal government diverts all of the coal royalties from this mine to acquire the 80,000 acres, these other state programs would lose their $1.5 million annual payments until the land is paid off. Administrators of these programs aren't happy about losing this money.

State officials contend they are entitled to the existing $1.5 million payments and the $3 million payments for the land. The state's solution for this problem is for the BLM to provide it with a larger share of royalties from a second coal mine. This would assure that Utahns are fully compensated.

Bob Papworth, acting associate state director for BLM, said attorneys for his agency don't believe federal law allows them to divert more coal royalties from another mine to the state. This question is being researched, however.

Even if it is legal, he said the BLM is not certain it wants to set this precedent for future trades.

Rep. Wayne Owens, D-Utah, has written a letter to BLM Director Cy Jamison on behalf of the state.

"The practical effect [of BLM's position] is to offer to the state only half of the value of the coal royalties that the state deserves. The appraisal process cannot legitimately ignore the state's current one-half interest in existing royalties," he wrote.

State officials are hoping to resolve this issue by March.