M0470032
cc: April

Paul Baker <paulbaker@utah.gov>

Update on Letter of Credit for Tar Sands Holdings II

5 messages

Dragoo, Denise <ddragoo@swlaw.com> Wed, Dec 31, 2014 at 3:06 PM
To: Steve Alder <stevealder@utah.gov>, Paul Baker <paulbaker@utah.gov>
Cc: Scott Rasmussen <srasmussen@scalleyreading.net>, Brent Andrewsen <bandrewsen@kmclaw.com>

Steve and Paul, I contacted Brent Andrewsen today in response to your inquiry on the status of the bond increase for the Asphalt Ridge 2 Mine. Tar Sands Holdings II has made arrangements for a letter of credit, but has not been able to complete the documentation. On behalf of TSHII, we request additional time to finalize the bond increase until next Friday, January 9, 2015. TSHII has made excellent progress with Uintah County. Attached is an article from the Vernal Express which confirms that the parties have entered into a Global Settlement Agreement providing for the transfer of the Uintah County Mine Permit to TSHII. Thanks for your consideration in this matter. Denise

RECEIVED E-Mail
DEC 3 1 2014
Div. of Oil, Gas & Mining

Denise A. Dragoo

Snell & Wilmer L.L.P.

15 West South Temple

Suite 1200

SLC, UT 84101

Phone: 801-257-1998

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Snell & Wilmer

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Vernal Express Article 12-23-14.pdf
727K

Brent Andrewsen <bandrewsen@kmclaw.com> Wed, Dec 31, 2014 at 5:12 PM
To: "Dragoo, Denise" <ddragoo@swlaw.com>, Steve Alder <stevealder@utah.gov>, Paul Baker <paulbaker@utah.gov>
Cc: Scott Rasmussen <srasmussen@scalleyreading.net>

Steve and Paul,

I can share that the holidays slowed the application process down with various personnel at Zions out. We have no doubt the process will be completed shortly, and I have a call scheduled with Zion's on Monday, hopefully to finalize the details.

Thanks and Happy New Year,

Brent

Brent A. Andrewsen

Shareholder

KIRTON | McCONKIE

60 E. South Temple, Suite 1800

Salt Lake City, UT 84111

P: 801-323-5946

F: 801-212-2012

bandrewsen@kmclaw.com

From: Dragoo, Denise [mailto:ddragoo@swlaw.com]
Sent: Wednesday, December 31, 2014 3:06 PM
To: 'Steve Alder'; 'Paul Baker'

Cc: 'Scott Rasmussen'; Brent Andrewsen
Subject: Update on Letter of Credit for Tar Sands Holdings II

[Quoted text hidden]

Steve Alder <stevealder@utah.gov> Fri, Jan 2, 2015 at 3:28 PM
To: Paul Baker <paulbaker@utah.gov>

Paul, I see little advantage in objecting to this request. I guess we could ask for something more to tighten our grip, but i don't see anything that we have left off, except to maybe move the February 28 date to the date of the Feb board hearing which is the 25th. Otherwise I'd let it go.
--------- Forwarded message ---------
From: **Dragoo, Denise** <ddragoo@swlaw.com>
Date: Wed, Dec 31, 2014 at 3:06 PM
Subject: Update on Letter of Credit for Tar Sands Holdings II
[Quoted text hidden]

--
Steve Alder
Assistant Attorney General
1594 West North Temple St. #300
Salt Lake City, UT 84116
tel 801 538 5348
stevealder@utah.gov

Vernal Express Article 12-23-14.pdf
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Paul Baker <paulbaker@utah.gov> Tue, Jan 6, 2015 at 12:46 PM
To: "Dragoo, Denise" <ddragoo@swlaw.com>

I'll work on an approval letter, but it may not go out today. I've been off since last Tuesday, so I'm trying to get a few things caught up.
[Quoted text hidden]
--
Paul Baker
Minerals Program Manager
Utah Division of Oil, Gas and Mining
801-538-5261
M-W, F

Dragoo, Denise <ddragoo@swlaw.com> Tue, Jan 6, 2015 at 1:12 PM
To: Paul Baker <paulbaker@utah.gov>

Thanks Paul!

From: Paul Baker [mailto:paulbaker@utah.gov]
Sent: Tuesday, January 06, 2015 12:46 PM
To: Dragoo, Denise
Subject: Re: Update on Letter of Credit for Tar Sands Holdings II

[Quoted text hidden]

County relinquishes large mine permit

By Mary Bernard
mbernard@ubmedia.biz

The Uintah County Road Department received a large mine permit about 25 years ago for the recovery of oil sands from local deposits on Asphalt Ridge.

Some time later, a different group of county officials elected to give up access rights, locking out the department from mining asphalt from the section-sized permit area.

Reasons for the sale were never clear, particularly since the county "retained the permit but released the access," said Commissioner Mike Mckee.

Thereafter, the county began paying for asphalt it formerly owned.

Under the existing permit, the county has an obligation to reclaim the previously mined area, totaling about 75 percent of the permit area at a cost of roughly $175,000.

Because reclamation would have to start within a year after the permit expired, the county has paid $500-per-year to keep the permit active.

To make matters worse, the county's permit property in "Section 30 is owned, occupied and being enjoyed entirely by Tar Sands Holding II" – actively mining the site, according to a July 2014 County letter advising the State Minerals Program.

The situation has left the county with endless permit fees, mounting road materials costs, looming reclamation liability and unresolved permit boundaries.

Time to unravel this tangled mess.

Commissioners met on Friday, Dec. 12, to discuss entering into a settlement agreement with Tar Sands Holding II to resolve the issue.

"Tar Sands Holding II, whose permit properties overlap with the county's permit has expressed an interest in finding someone who will develop the property," said Commissioner Mark Raymond.

However, the Utah Division of Oil, Gas and Mining wants to see the reclamation proceed while transferring the permit.

Friday's agreement will allow the county to "transfer the large mine permit to Tar Sands Holding II in exchange for payment of $175,000 to them," said Raymond.

In return, they will allow the Road Department to acquire 5,468.75 tons of asphalt.

Uintah County Attorney Jon Stearmer said that last month the county paid $14-per-ton for asphalt with a richness of 9 percent. Current price point of asphalt is $32-per-ton for high quality materials.

"Under the agreement, the base price is $15-per-ton, with a richness between 11 and 13 percent oil content, and the amount above will be applied to the liability," he said.

Stearmer says it's a good deal with the county getting a good product at a really good price.

Uintah County will no longer be responsible for any of the reclamation on the permit as Tar Sands Holdings II will assume the liability.