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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

March 2, 2015

Brent Andrewsen
Tar Sands Holdings II LLC
60 East South Temple, Suite 1800
Salt Lake City, Utah 84111

Subject: Reclamation Surety Amount Agreements, Uintah County Tar Sands and Asphalt Ridge 2 Mines, M/047/0022 and M/047/0032, Uintah County, Utah

Dear Mr. Andrewsen:

On February 23, 2015, representatives of the Division of Oil, Gas and Mining met with Denise Dragoo, Scott Rasmussen and Linda Matthews to discuss reclamation surety amounts for the referenced mines. The parties made the following agreements concerning the amount of surety to be submitted for these mines:

Uintah County Asphalt Mine, M/047/0022	
Surety Currently Held	$115,900.00
Additional Surety to be Submitted by March 2, 2015	$69,022.00
Total	$184,922.00
Asphalt Ridge 2 Mine, M/047/0032	
Surety Currently Held	$490,000.00
Additional Surety to be Submitted by March 2, 2015	$188,000.00
Total	$678,000.00

Based on current site conditions, the Division will consider these amounts to be adequate for one year. Changes in the sites, such as additional disturbance, new facilities, or reclamation, could change the amount of surety required.

The Division acknowledges receipt of account control agreements for the full amounts as shown above except in the case of the Uintah County Asphalt mine (M/047/0022) where the additional surety submitted was $69,359.00 for a total of $185,259.00.

The amount required for the Asphalt Ridge 2 mine is based on calculations done in 2013. As shown below, the Division has received updated escalation figures since then which would change the amount required, but the amount required remains the same. The Division has received this amount ($188,000.00).

The following calculations were considered in determining the amount for the Uintah County Asphalt mine:

Reclamation Cost Estimate in 2013 Dollars	$186,989.00
Amount Adjusted to 2015 (two years of deflation)	$182,730.00 = $186,989 * 0.9869 * 0.9902
One-year escalation	$184,922.00 = $182,730 * 1.012
Three-year Escalation	$189,387.00 = $182,730 * 1.012^3
Five-year Escalation	$193,960.00 = $182,730 * 1.012^5

The following are the calculations for the Asphalt Ridge 2 mine, but, as mentioned above, the additional amount submitted was $188,000.00.

Asphalt Ridge 2 Mine	
Reclamation Cost Estimate in 2013 Dollars	$678,446.00
Amount Adjusted to 2015 (two years of deflation)	$662,930.00 = $678,446 * 0.9869 * 0.9902
One-year escalation	$670,885.00 = $662,930 * 1.012
Three-year Escalation	$687,083.00 = $662,930 * 1.012^3
Five-year Escalation	$703,672.00 = $662,930 * 1.012^5

Thank you for your cooperation. Please call me at 801-538-5261 if you have questions about this letter.

Sincerely,

Paul Baker
Minerals Program Manager

PBB:pb
cc: Denise Dragoo, Snell and Wilmer (ddragoo@snlaw.com)
Scott Rasmussen (srasmussen@scalleyreading.net)
Linda Matthews, Stantec (linda.matthews@stantec.com)
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