

Agenda

February 20, 2025



**TRUST
LANDS**
ADMINISTRATION



Board of Trustees Meeting Agenda

102 Tower – 6th Floor Boardroom
102 South 200 East
Salt Lake City, Utah 84111
Thursday, February 20, 2025
10:00 a.m.

1. Welcome

2. Approval of Minutes

January 16, 2025

3. Confirmation of Upcoming Meeting Dates

March 20, 2025 – Regular Meeting

April 16 - 17, 2025 – Emery & Carbon County Projects Board Tour & Meeting

May 15, 2025 – Regular Meeting

June 19, 2025 – Regular Meeting

4. Trust Lands Funds in Action by Marla Kennedy, Director of Communications & Governmental Affairs for the Trust Lands Administration

5. Social Media Minute by Joelette Organista, Communications Specialist for the Trust Lands Administration

6. Public Comments

Trust Lands welcomes comments from the county advisory committee, the public, and other interested parties. The board sets aside 15 minutes at each meeting to hear from anyone wishing to speak. Each presenter is allowed one opportunity and has up to three (3) minutes for remarks. Any member of the public participating electronically who desires to comment shall use the "raise hand" feature during the Zoom meeting. The public comment segment of the board meeting is not the time for a question-and-answer discussion. Trust Lands staff is available for dialogue outside of board meetings.

7. Chair's Report by Warren Peterson, Chair of the Board of the Trust Lands Administration

8. Director's Report by Michelle McConkie, Executive Director of the Trust Lands Administration
a. Legislative Update

9. Advocate's Report by Kim Christy, Director of the Land Trusts Protection & Advocacy Office

10. Action Items

- a. Proposed Administrative Rule Revisions to U.A.C R850-30 Special Use Lease Agreements (SULAs) by Chris Fausett, Managing Director of Surface Resources
- b. Proposed Agreement to Issue an Oil, Gas & Associated Hydrocarbons OBA (ML 90041) with Anschutz Exploration Corporation, Uintah County (5,650.33 +/- acres) by Rachel Boyack, Lease Manager (SLC) for Energy & Minerals
- c. Proposed Agreement to Issue an Oil, Gas & Associated Hydrocarbons OBA (ML 54589, ML 54590) with Middle Fork Energy Uinta, LLC, Uintah County (1,091.43 +/- acres) by Tyson Todd, Assistant Managing Director (Vernal) for Energy & Minerals
- d. Proposed Agreement to Issue an Oil, Gas & Associated Hydrocarbons OBA (ML 54586) with Uinta Wax, LLC, Uintah County (156.44 +/- acres) by Heather Murray, Lease Manager (Vernal) for Energy & Minerals
- e. Proposed (continuation of) Agreement to Issue a Coal Mineral Lease OBA (ML 54417) with Bronco Utah Operations, LLC, Emery & Sevier Counties (2,159.02 acres) by Andy Bedingfield, Assistant Managing Director (SLC) for Energy & Minerals
- f. Proposed Agreement to Issue a Volcanic Material Exploration Agreement with Option to Lease OBA (ML 54585) with Graymont Western US, Millard County (675.56 acres) by Andy Bedingfield, Assistant Managing Director (SLC) for Energy & Minerals

11. Notification Items

- a. Minor Development Transaction: 1.618 acres in Kane County by Aaron Langston, Assistant Managing Director (Washington) for Real Estate Development

12. Annual Open Public Meetings Act (OPMA) & Government Records and Management Act (GRAMA) Training by Mike Johnson, Chief Legal Counsel for the Trust Lands Administration

13. Closed Session

Pursuant to §52-4-205(1), a closed meeting may be held for the following purposes: (d) Strategy sessions to discuss the purchase, exchange, or lease of real property, including any form of a water right or water shares, if public discussion of the transaction would: (i) Disclose the appraisal or estimated value of the property under consideration; or (ii) Prevent the public body from completing the transaction on the best possible terms. Also, Pursuant to §53C-1-201(8)(a), a closed meeting may be held for the following purposes: (ii) Conducting a strategy session to evaluate the terms of a joint venture or other business arrangement authorized under Subsection 53C-1-303(3)(e) if the terms of the joint venture or other business arrangement are publicly disclosed before the board approves the transaction and a public discussion of the transaction would: (A) Disclose the appraisal or estimated value of the trust assets under consideration; or (B) Prevent the board from completing the transaction concerning the joint venture or other business arrangement on the best possible terms. Specifically, the board will be hearing an update on a Saratoga Springs project.

14. Adjourn

Note: Board members may participate in this meeting electronically but may be seen and heard via electronic means at the anchor location (6th-floor Boardroom) specified above.

Interested parties, including members of the public or representatives of county governments or Utah Tribes, may attend the meeting in person or through the **registration link**: https://utah-gov.zoom.us/webinar/register/WN_GPcpwB6XRgSVoGNUbOxwAw. Those wishing to provide public comments electronically will be asked at the beginning of the period designated for such comments to use the "raise hand" feature at the bottom of the screen during the Zoom meeting so they may be called upon to provide comments.

Please call Lisa Stamps Jones at 801-891-7489 or email lstampsjones@utah.gov with questions any time before 4:30 p.m. on February 19, 2025.

Items may be heard in any order, at any time, at the Board's discretion.

Please be aware that the public portions of this meeting may be broadcast live over the Internet. Also, please note that an audio recording of the public portions of this meeting, along with any materials presented or distributed in the public portions of this meeting, will be posted on Utah's public notice website. Witnesses with questions, concerns, or handouts should contact staff.

Per the Americans with Disabilities Act, persons needing auxiliary communicative aids and services for this meeting should contact Lisa Stamps Jones at 801-891-7489, or by email at lstampsjones@utah.gov, at least three (3) days in advance.

I, Lisa Stamps Jones, Trust Lands Administration Board of Trustees Executive Assistant, hereby certify the foregoing agenda was posted on the Utah State Public Notice website, <https://www.utah.gov/pmn/index.html>.

Dated: Monday, February 10, 2025.

10a Surface

Administrative Rule Revisions:

U.A.C R850-30

Special Use Lease Agreements (SULAs)



**TRUST
LANDS**
ADMINISTRATION

BOARD MEMORANDUM

To: Board of Trustees (*Board*)
School and Institutional Trust Lands Administration (*TLA*)

From: Chris Fausett, Managing Director, Surface Resources

Re: Proposed Revisions to Administrative Rules for Surface Special Use Lease Agreements (R850-30)

Date: February 5, 2025

Summary

Staff proposes to amend Section R850-30 of the agency administrative rules governing surface special use leases to clarify that trust lands may not be leased for less than the fair market value of the leasehold. These proposed rule revisions are being made in response to a recommendation from the 2024 performance audit of the Trust Lands Administration by the Office of the Legislative Auditor General (“OLAG”).

Key Information and Background

Background: On August 20, 2024, the OLAG released “A Performance Audit of the School and Institutional Trust Lands Administration: Improving Controls, Accountability, and Proactive Management” (the “Audit”). Section 1.2 of the Audit concluded that the administrative rules for surface special use lease agreements and renewable energy lease agreements are unclear as currently written and could be misinterpreted as allowing for the receipt of less than fair market value for the lease of trust lands. Receiving less than fair market value for the lease of trust lands would be a violation of Utah Code. The relevant pages from the Audit are attached as **Exhibit A**. The OLAG offered the following recommendation in the Audit to address their concerns:

Recommendation 1.4

The School and Institutional Trust Lands Administration should revise the Administrative Rules for Special Use Lease Agreements and Renewable Energy Lease Agreements to ensure that the criteria for setting lease rates are clear and consistent with Utah Code pertaining to the receipt of no less than fair market value for the lease of trust lands.

Proposed Rule Revisions: The agency established an internal working group composed of management, lease managers, and legal staff to evaluate the Audit recommendation and draft proposed revisions to the administrative rules for surface special use leases to address the recommendation. The proposed rule revisions are attached as **Exhibit B**.

If the Board approves the revised rules for surface special use leases, the agency intends to propose similar revisions to the administrative rules governing renewable energy lease agreements (R850-170).

Rulemaking Process: If the proposed rule revisions are approved by the Board, the agency will file the proposed rule revisions with the Utah Office of Administrative Rules. The Office of Administrative Rules then submits the rules to the Governor’s Office of Management and Budget and the Legislature’s

Administrative Rules Review Committee for review. The proposed rules are also published for a 30-day public comment period. Once filed with the Office of Administrative Rules, it generally takes 3-5 months for the rules to become effective.

Surface Committee Review: The Surface Committee has reviewed the revised administrative rules and had no substantive comments or concerns.

Requested Action

The agency recommends that the Board approve the revised administrative rules for surface special use leases and offers the following proposed motion:

“Move to approve the revised administrative rules for surface special use leases as presented and direct the agency to proceed with the administrative rulemaking process.”



Administrative Rules Governing the Establishment of Certain Lease Rates Are Unclear, and Could Result in Less Than Fair Market Value

*Utah Code*¹² requires that SITLA receive fair market value for its land, a mandate that is reiterated in SITLA's *Administrative Rules*. However, *Administrative Rules* for Special Use Lease Agreements and Renewable Energy Leases Agreements are unclear. These *Administrative Rules* should be clarified to assure that the agency received fair market value for the lease of trust lands. SITLA reports that these types of leases generated about \$7.3 million in Fiscal Year 2023 (5% of SITLA's total revenue).

Administrative Rules state that the agency may base lease rates on a value other than the market value of the fee title to the subject property if the director determines that it is in the best interest of the beneficiaries and the agency has the right to terminate the lease before the end of its term. SITLA explained that the market value of the fee title to the subject property is separate and distinct from the market value of the leasehold (lease rate) that is being granted. The lease rate can be informed using various criteria outlined in *Administrative Rules*.

One of the criteria that may be used to inform the market value of the lease rate is to consider the market value of the fee title to the subject property (i.e. the appraised value as if it were being sold) and multiply it by an agency-determined interest rate. In some cases, SITLA runs this calculation and determines that if the lease rate were based solely upon this criteria that it would exceed the rate that has been negotiated with a prospective lessee. *Administrative Rules* allow for such negotiations for specific lease rate between a willing lessee and lessor after reasonable exposure in a competitive market, with the director's approval. SITLA explained the intent of the *Administrative Rules* is to prevent the issuance of long-term leases without an exit clause in these cases so that they can be terminated early if a better opportunity presents itself.



As written, *Administrative Rules* for some leases could be misinterpreted for the receiving of less than fair market value.

These sections of *Administrative Rules* are unclear as written and run the risk of being misinterpreted, potentially resulting in SITLA receiving less than fair market value for the lease of trust lands. SITLA should clarify the distinction between the market value of the leasehold and the market value of the subject property in *Administrative Rules* and ensure that they are in alignment with *Utah Code*.

¹² 53C-1-204(b)(iii): Policies established by SITLA's board shall "require the return of not less than fair market value for the use, sale, or exchange of school and institutional trust assets..."



In contrast, *Administrative Rules* for establishing the fair market value of surface group sale parcels are clear. We reviewed all of SITLA's land sales for its surface group dating back to 2013 and did not find a single case where SITLA received less than fair market value on those sales. Additionally, the Office of the State Auditor samples surface and development land sales each year to check whether they were sold for fair market value. Their tests for Fiscal Years 2021 to 2023 did not identify any instances where less than fair market value was received on those sampled transactions.



Reviews from our office and the Office of the State Auditor have not identified any land sales that went for less than fair market value.

RECOMMENDATION 1.4

The School and Institutional Trust Lands Administration should revise the *Administrative Rules* for Special Use Lease Agreements and Renewable Energy Lease Agreements to ensure that the criteria for setting lease rates are clear and consistent with *Utah Code* pertaining to the receipt of no less than fair market value for the lease of trust lands.

1.3 Controls over SITLA's Financial Operations Could Be Improved

Similar to its operational controls, SITLA's financial controls should also be improved. SITLA's internal control memo states that both the Division of Finance and the Office of the State Auditor audit SITLA and play a role in monitoring SITLA's internal controls. Monitoring from the Division of Finance has not been happening due to resource constraints and changing programs. This has left a gap in SITLA's controls that the board was not aware of.

SITLA's board is ultimately responsible for ensuring that the agency is managed according to law, including having sound internal controls. The board was unaware that some of SITLA's internal controls were incomplete. SITLA's internal control memo states that they ensure proper internal controls by



Discontinuation of some Division of Finance programs have left SITLA's internal control monitoring limited.

following the Division of Finance's Internal Control Program. This program requires agencies to establish the five elements of internal control: 1) the control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring. Section 1.1 of this chapter addressed

EXHIBIT B

R850. School and Institutional Trust Lands, Administration.

R850-30. Special Use Leases.

R850-30-100. Authorities.

This rule implements Sections 6, 8, 10, and 12 of the Utah Enabling Act, Articles X and XX of the Utah Constitution, and Subsections 53C-1-302(1)(a)(ii) and 53C-4-101(1) which authorize the director to establish criteria for the leasing of trust lands.

R850-30-150. Planning.

In addition to those other planning responsibilities described in this Rule R850-30, the agency shall:

1. Submit proposals to lease trust lands to the Resource Development Coordinating Committee (RDCC) unless the proposal is exempt from such review;
2. Evaluate comments received through the RDCC process; and
3. Evaluate comments received through the request for proposal process pursuant to Section R850-30-310 or the solicitation process pursuant to Section R850-30-500, as applicable.

R850-30-200. Terms of Leases.

Lease terms should not normally be for longer than 30 years, except that telecommunication and agricultural leases should not normally be for longer than 20 years. Extensions to a lease term should not normally be for longer than 20 years. The agency may issue leases for a term longer than 30 years or extend a term for longer than 20 years if a longer term is consistent with the land management objectives found in Rule R850-2.

R850-30-300. Categories of Special Use Leases.

Special use leases are categorized as follows:

1. Commercial;
2. Industrial;
3. Agricultural;
4. Telecommunications;
5. Residential; and
6. Governmental.

R850-30-305. Other Business Arrangements.

1. The agency may enter into other business arrangements (OBAs), such as joint venture and lease to sell agreements, that are consistent with the purposes of the Act.
2. OBAs are exempt from these R850-30 rules.
3. OBAs and any amendments to OBAs must be approved by the Board of Trustees.

R850-30-310. Requests for Proposals.

1. The agency may issue a request for proposals (RFP) for surface uses of trust lands.
2. The agency shall give notice of the RFP to lessees or permittees of record on the subject property and shall advertise the RFP by methods determined by the agency to increase exposure of the subject property to qualified applicants.
3. In response to the RFP, an applicant may propose a sale, lease, joint development, exchange, or other business arrangement.
4. The agency shall evaluate proposals using the following criteria:
 - (a) income potential;
 - (b) potential enhancement of trust lands;
 - (c) development timeline;

- (d) applicant qualifications;
 - (e) desirability of proposed use; and
 - (f) any other criterion deemed appropriate by the agency.
5. The agency may charge non-refundable application and review fees, as specified in the RFP.
6. Applicants selected in the RFP process are exempt from the application process in Section R850-30-500.

R850-30-400. Lease Rates.

1. The agency may not lease trust lands for less than the fair market value of the leasehold. The agency shall base the fair market lease rates on either the market value or income producing capability of the subject property and may require any commercially reasonable type of consideration, including rent, percentage rent, use payments, impact charges, escalating charges, balloon payments, and in-lieu payments. The agency may base lease rates on any of the following criteria, in combination or otherwise:

(a) the estimated market value of the subject property, as informed by an appraisal, market analysis, or other relevant data, multiplied by the current agency-determined interest rate;

(b) responses to RFPs, pursuant to Section R850-30-310, or solicitations for competing applications, pursuant to Section R850-30-500;

~~(c)~~ comparable lease data;

~~(d)~~ market value of the proposed use of the subject property;

~~(e)~~ rates schedules approved by the director;

~~(f)~~ the administrative costs of leasing the subject property and a desired minimum rate of return; and

~~(g)~~ a fixed rate per acre or a crop-share formula for agricultural leases providing that the lease rate is customary and reasonable.

2. If a lease rate is lower than the value calculated pursuant to Subsection R850-30-400(1)(a), the agency shall reserve ~~The agency may base lease rates on a value other than the market value of the subject property if the director determines it is in the best interest of the beneficiaries and the agency has the right to terminate the lease before the end of the term.~~

3. Lease Review and Adjustment Procedures.

(a) The agency shall review special use leases periodically as specified in the lease agreement and may adjust lease rates, the amount of financial guaranty, the amount of required insurance, and other similar lease provisions to ensure the agency receives no less than fair market value for the subject property and is adequately protected against a lessee's breach. Periodic lease reviews should normally be no less frequent longer than every five years.

(b) The agency may base lease rate adjustments on changes in market value including appreciation of the subject property, changes in established indices, or other methods that are appropriate and in the best interest of the trust beneficiaries.

(c) If the lease does not specify the rate of adjustment, the rate of adjustment will be based on the Consumer Price Index, published by the U.S. Bureau of Labor Statistics, All Urban Consumers, Western Region Average, All Items (1982-84 = 100), or if the Consumer Price Index is no longer published, a substitute index published by a governmental agency and comparable to the Consumer Price Index. The adjusted lease rate cannot be less than the lease rate for the immediately preceding review period.

(d) The director may suspend, defer, or waive lease adjustments in specific instances, based on a written finding that the suspension, deferral, or waiver is in the best interest of the trust beneficiaries.

R850-30-500. Solicitation of Competing Applications.

1. On acceptance by the agency of a completed special use lease application, the agency shall solicit competing interest in the subject parcel. The director may waive this requirement if it is in the best interest of the trust beneficiaries.

2. The following classes of leases are exempt from the requirements of Subsection R850-30-500(1):

- (a) Telecommunications; and
- (b) Mineral and oil and gas extraction facilities to extract the mineral estate of the subject property when the mineral estate is not a trust asset.

3. The agency shall solicit competing interest in the subject parcel by giving at least 30 days' notice by certified mail to:

- (a) the legislative body of the county in which the subject parcel is located;
- (b) lessees or permittees of record on the subject property; and
- (c) adjoining landowners as shown on readily accessible county records or other credible records.

4. In addition to the notices required under Subsection R850-30-500(3), the agency may solicit competing interest in the subject parcel by methods determined by the agency to increase exposure of the subject property to qualified applicants.

5. The notice of solicitation of competing interest must include:

- (a) a general description of the subject parcel and a brief description of its location, including township, range, and section;

(b) the contact information of the agency office where interested parties can obtain more information; and

(c) any other information that may create interest in the subject parcel that does not violate the confidentiality of the initial application. The successful applicant is responsible for the cost of the advertising.

6. The agency may solicit competing interests on trust lands when no application has been received by advertising a parcel pursuant to the process described in this Section R850-30-500 or any other means, when in the best interest of the trust beneficiaries.

7. In response to a solicitation, an applicant may propose a sale, lease, joint development, exchange, or other business arrangement.

R850-30-510. Competing Proposals.

1. If the agency receives credible competing proposals in response to the solicitation process conducted pursuant to Section R850-30-500, the agency may select a proposal using the following methods:

(a) Sealed Bid Process.

(i) The agency shall give the competing applicants notice setting forth the date on which the applicants must submit a final sealed proposal to the agency.

(ii) The agency may reject proposals received after the established due date.

(iii) The agency may require proposals for a lease to include the first year's rental, proposals for a sale to include a down payment on the proposed purchase price, and payments to cover the agency's costs of advertising and application fees.

(iv) The agency shall evaluate proposals using the following criteria:

- (A) income potential;
- (B) potential enhancement of trust lands;
- (C) development timeline;
- (D) applicant qualifications;
- (E) desirability of proposed use; and
- (F) any other criterion deemed appropriate by the agency.

(b) The agency may negotiate with the applicants or interested persons to create a proposal that best satisfies the objectives of Rule R850-2.

2. The agency may terminate the application process at any time in its sole discretion.

R850-30-550. Lease Determination Procedures.

The agency may not lease trust lands when leasing:

1. would be inconsistent with board policy or would not be in the best interest of the trust beneficiaries;
2. would create significant obstacles to future mineral development; or
3. would foreclose future development or management options that would likely result in greater long term economic benefit.

R850-30-600. Special Use Lease Provisions.

Each lease must contain provisions necessary to ensure responsible surface management, including those provisions enumerated under Section 53C-4-202, and the following provisions:

1. the term of the lease;
2. the lease rate and other payments due to the agency;
3. reporting of technical and financial data;
4. reservation for mineral exploration and development and other compatible uses, unless waived by the director;
5. operation requirements;
6. lessee's consent to suit in any dispute arising under the terms of the lease or as a result of operations carried on under the lease;
7. procedures of notification;
8. transfers of lease interest by lessee;
9. terms and conditions of lease forfeiture; and
10. protection of the state from liability associated with the actions of the lessee on the subject property.

R850-30-800. Financial Guaranties.

1. The agency may require a lessee to provide a financial guaranty to the agency to ensure compliance with lease terms including performance, payment, and reclamation. The financial guaranty must be in a form and in an amount acceptable to the agency.

2. If a lessee assigns a lease, the agency is not obligated to release the financial guaranty of the assignor until the assignee submits an equivalent replacement financial guaranty or any lease obligations, including reclamation, have been satisfied.

3. The agency may increase the amount of the financial guaranty in reasonable amounts at any time by giving lessee 30 days' written notice stating the increase and the reasons for the increase.

R850-30-900. Lease Assignments and Subleases.

1. Assignments.

(a) A lessee may only assign a lease if the agency consents to the assignment. Any assignment made without such approval is voidable in the agency's discretion.

(b) On the effective date of the assignment, the assignee is bound by the terms of the lease to the same extent as if the assignee were the original lessee, any conditions in the assignment to the contrary notwithstanding.

(c) An assignee must provide the agency with a copy of the assignment document, which must be a sufficient legal instrument, properly executed, with the lease number, the land involved, the name and address of the assignee, and the interest transferred clearly indicated.

(d) As a condition of the approval of an assignment, the agency shall require:

- (i) the assignee to accept the most current applicable lease form unless continuation of the existing form is clearly in the best interests of the trust beneficiaries; and
- (ii) the assignee be satisfactory to the agency.

2. Subleases.

(a) A lessee may only sublease a lease if the agency consents to the sublease. A sublease made without such approval is voidable in the agency's discretion.

(b) The lessee must indemnify the agency for actions or inactions of the sublessee and the agency may look to either the lessee or the sublessee for compliance with the lease.

(c) A lessee must provide the agency with a copy of the sublease document, which must be a sufficient legal instrument, properly executed, with the lease number, the land involved, the name and address of the sublessee, the interest subleased, and the financial benefit to lessee clearly indicated.

(d) The agency may require lessee and sublessee to provide annual financial documentation that clearly identifies the revenue generated on the property by sublessee and the revenue paid by sublessee to lessee.

(e) The agency may charge the lessee sublease rates based on the then current market rental value of the subject property, the revenue paid by sublessee to lessee, and such other factors as the agency deems reasonable.

(f) Rather than approve the sublease, the agency may require that the proposed sublessee enter into a new lease with the agency for the subleased portion of the property.

R850-30-1000. Lease Amendments.

1. The agency may amend a lease if the amendment would be consistent with Rule R850-2. Unless waived by the director, the agency shall solicit competing interest pursuant to Section R850-30-500 if:

- (a) the total amended acreage exceeds 150% of the original acreage;
- (b) the lease term, including any extensions is longer than 50 years; or
- (c) the proposed amended purpose of the lease is substantially different from the original purpose.

2. The agency may condition approval of an amendment on the lessee accepting the current lease form.

KEY: administrative procedures, leases, trust land management, request for proposals

Date of Last Change: August 8, 2022

Notice of Continuation: May 26, 2022

Authorizing, and Implemented or Interpreted Law: 53C-1-302(1)(a); 53C-4-101(1); 53C-4-202

10b Energy & Minerals

Agreement to Issue Oil, Gas & Associated Hydrocarbon Lease OBA:

ML 90041

with Anschutz
Exploration Corporation



**TRUST
LANDS**
ADMINISTRATION

BOARD MEMORANDUM

Date: February 20, 2025

To: Board of Trustees, School and Institutional Trust Lands Administration

From: Rachel Boyack, Lease Manager

Re: ML 90041 OBA Other Business Arrangement (OBA)
Oil Gas & Associated Hydrocarbons

Applicant: Anschutz Exploration Corporation
555 17th Street, Suite 2400
Denver, CO USA 80202

Lands: ML 54587 OBA
T9S R24E, Section 16: N2N2, SE4NW7, S2SW4 – approximately 280.00 acres

ML 54588 OBA
T9S R23E, Section 36: All – approximately 640.00 acres

ML 53922

T7S R25E, Section 16 All - 640 Acres

ML 53923

T7S R25E, Section 36 Lots 1-4, W2W2 – 257.76 Acres

ML 53924

T12S R23E Section 36 All – 640 Acres

ML 53925

T13S R23E, Section 2 LOTS 1, 2, 5, 6, S2NE4, SE4NE4NW4, N2NE4SE4NW4, SE4NE4SE4NW4, E2SE4SE4NW4, E2NE4NE4SW4, N2N2NE4SE4, N2NE4NW4SE4, W2NW4SE4, W2SW4SE4 – 248.09 Acres

ML 53973

T12S R22E, Section 32 All – 640 Acres

ML 53977

T13S R22E, Section 2 Lots 1-4, S2N2, S2 – 640.88 Acres

ML 53998

T11S R18E, Section 2 Lot 3, SW4NW4, SW4SE4 & 16 NW4 N2SW4, SW4SW4 – 559.80 Acres

ML 54050

T10S R24E, Section 36 E2E2 – 160.00 Acres

ML 54051

T10S R25E, Section 32 All – 640 Acres

ML 54052

T10S R25E, Section 36 Lots 1-4, W2W2 – 303.80 Acres

Total Acreage: 5,650.33 acres, more or less

Fund: Schools

Summary

The Energy & Minerals Team recommends that the Board approve the ML 90041 OBA and issue two new Oil Gas & Associated Hydrocarbons Leases to Anschutz Exploration Corporation (AEC) (Anschutz) on 920.00 acres of trust lands located in Uintah County and extend the primary term of ten Oil Gas & Associated Hydrocarbon leases for an additional three-years on 4,730.33 acres of trust lands located in Uintah County. Pursuant to Utah Code § 53C-2-401(1)(d)(ii), the agency may enter an OBA with Board approval. This action requires Board approval because the proposed lands are not being offered for lease via the competitive lease process.

Key Information and Background

The parcels that make up the two new leases, and the wells located thereon, were previously operated by WestStar Exploration Company (WestStar). WestStar declared bankruptcy and abandoned the wells and associated infrastructure. These wells have been shut in for more than two years.

AEC proposes to take over 16 oil and gas wells located on the leases. AEC will evaluate the wells and determine which of the wells can be brought back into production and which will be plugged and abandoned. AEC will operate any wells that can be brought back on, and, working with the Division of Oil, Gas and Mining (DOGM), AEC will plug and abandon the remaining wells.

The Resource: Oil Gas & Associated Hydrocarbons

The Applicant: AEC is fully bonded and has a history as a responsible operator. AEC has followed through on all obligations made under previous OBAs with the agency.

Material Terms of the Transaction

Term: The two new leases will be issued with a five-year primary term, but we expect the leases to be held by production as soon as AEC can bring wells back on.

- AEC will be granted operatorship of the 16 wells and will have 12 months to test the integrity of the wellbores and their ability to produce in commercial quantities.
- At the end of the 12-month period, or sooner if AEC makes an election prior to the deadline, AEC will elect to keep and continue to produce any number of the 16 wells with no obligation besides those listed immediately below:
 - AEC will pay delinquent property taxes for viable wells.
 - For wells that AEC does not elect to produce, they will begin the process of plugging and abandonment.
- For acquiring the abandoned wells, AEC will receive a three-year extension of the primary term for the following 10 leases: ML 59322, 59323, 53924, 53925, 53973, 59377, 53998, 54050, 54051 and 54052.

Payments to Trust Lands Administration:

- The royalty rate for the existing 16 wellbores will be 12.5%.
- Any new well drilled after the effective date of the leases will have a royalty rate of 16.67%
- Rentals will be \$2.00/acre.

Work/Expenditure Requirements:

As noted above, AEC will evaluate all wells, conduct all necessary work to bring wells it elects to keep back on, and will create a plugging and abandonment program schedule for those wells it does not elect to keep.

Data Reporting Requirements: The agency will require all geologic data from wells drilled.

Board Committee Discussion:

The committee discussion focused on Anschutz's ability to ensure that the 16 remaining WestStar wells were either properly plugged and abandoned or brought online for use as injection wells, as determined by Anschutz and approved by DOGM. Staff noted that they had been in contact with DOGM regarding Anschutz's proposal, and DOGM was receptive to working with Anschutz on the WestStar wells. Additionally, staff briefed the committee on a recent amendment to one of the alternative proposals received. However, the partner in question lacked the same level of experience operating wells as Anschutz, and staff had not discussed this proposal with DOGM. Based on this, staff suggested—and the committee agreed—that Anschutz was the best partner for the OBA in this instance.

Requested Agency Action

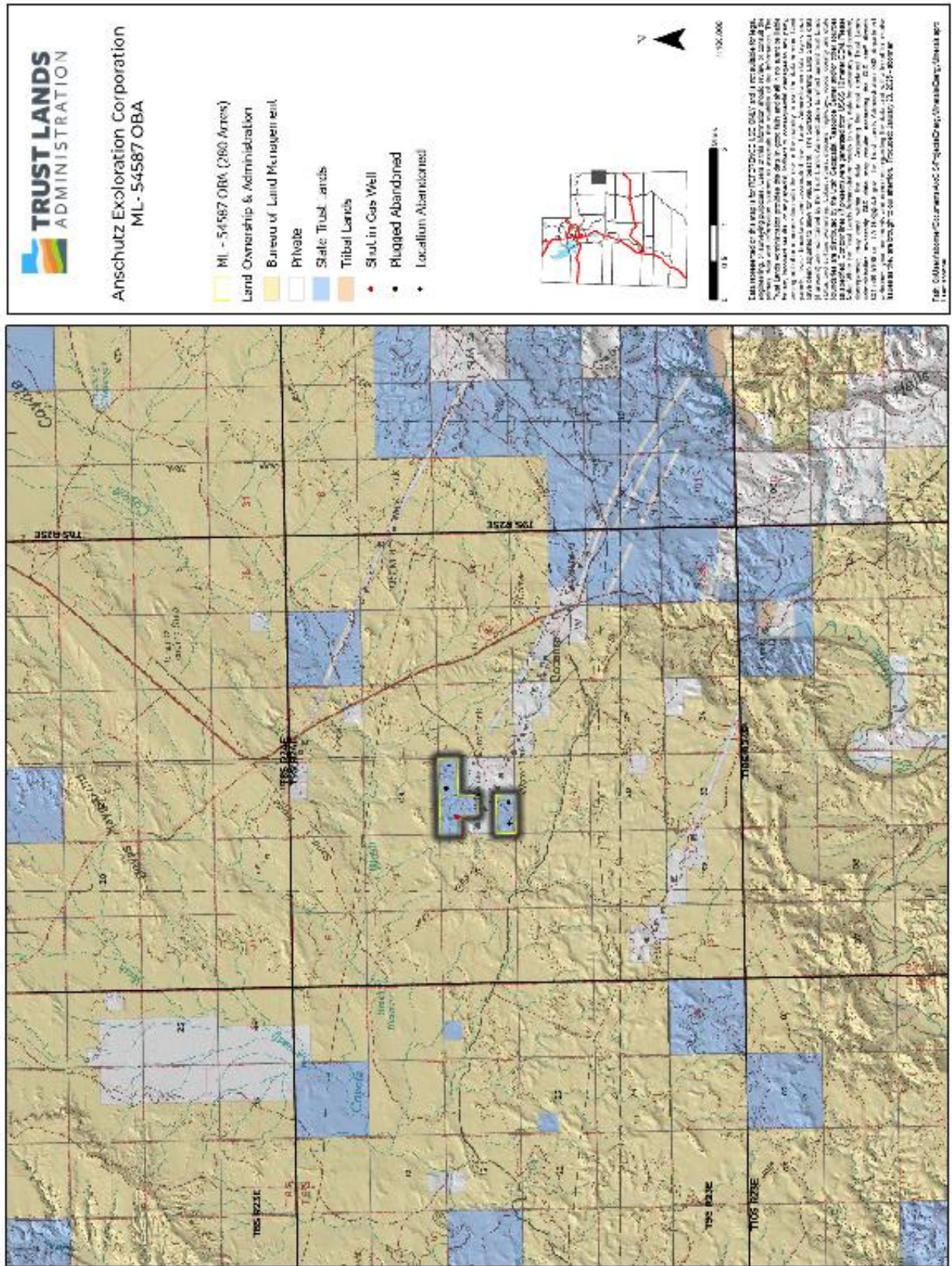
The agency requests that the Board approve the OBA and offers the following proposed motion:

"I Move to approve the OBA with Anschutz Exploration Corporation on the terms set forth in the Board Memorandum and to have the agency take all further actions necessary to finalize the transaction."

This is a detailed topographical map of the Los Angeles basin and surrounding areas. The map includes a grid of latitude and longitude lines. Key geographical features include the San Gabriel River flowing through the center, the Los Angeles River to the west, and the San Diego River to the east. Major cities such as Los Angeles, San Diego, and San Bernardino are labeled. The map also shows various mountain ranges, including the San Gabriel Mountains and the San Diego Mountains. Several yellow squares are marked on the map, indicating specific locations of interest. These squares are located in the following approximate coordinates (Latitude, Longitude): (34.0, 118.0), (34.0, 117.5), (34.0, 117.0), (34.0, 116.5), (34.0, 116.0), (34.0, 115.5), (34.0, 115.0), (34.0, 114.5), (34.0, 114.0), (34.0, 113.5), (34.0, 113.0), (34.0, 112.5), (34.0, 112.0), (34.0, 111.5), (34.0, 111.0), (34.0, 110.5), (34.0, 110.0), (34.0, 109.5), (34.0, 109.0), (34.0, 108.5), (34.0, 108.0), (34.0, 107.5), (34.0, 107.0), (34.0, 106.5), (34.0, 106.0), (34.0, 105.5), (34.0, 105.0), (34.0, 104.5), (34.0, 104.0), (34.0, 103.5), (34.0, 103.0), (34.0, 102.5), (34.0, 102.0), (34.0, 101.5), (34.0, 101.0), (34.0, 100.5), (34.0, 100.0), (34.0, 99.5), (34.0, 99.0), (34.0, 98.5), (34.0, 98.0), (34.0, 97.5), (34.0, 97.0), (34.0, 96.5), (34.0, 96.0), (34.0, 95.5), (34.0, 95.0), (34.0, 94.5), (34.0, 94.0), (34.0, 93.5), (34.0, 93.0), (34.0, 92.5), (34.0, 92.0), (34.0, 91.5), (34.0, 91.0), (34.0, 90.5), (34.0, 90.0), (34.0, 89.5), (34.0, 89.0), (34.0, 88.5), (34.0, 88.0), (34.0, 87.5), (34.0, 87.0), (34.0, 86.5), (34.0, 86.0), (34.0, 85.5), (34.0, 85.0), (34.0, 84.5), (34.0, 84.0), (34.0, 83.5), (34.0, 83.0), (34.0, 82.5), (34.0, 82.0), (34.0, 81.5), (34.0, 81.0), (34.0, 80.5), (34.0, 80.0), (34.0, 79.5), (34.0, 79.0), (34.0, 78.5), (34.0, 78.0), (34.0, 77.5), (34.0, 77.0), (34.0, 76.5), (34.0, 76.0), (34.0, 75.5), (34.0, 75.0), (34.0, 74.5), (34.0, 74.0), (34.0, 73.5), (34.0, 73.0), (34.0, 72.5), (34.0, 72.0), (34.0, 71.5), (34.0, 71.0), (34.0, 70.5), (34.0, 70.0), (34.0, 69.5), (34.0, 69.0), (34.0, 68.5), (34.0, 68.0), (34.0, 67.5), (34.0, 67.0), (34.0, 66.5), (34.0, 66.0), (34.0, 65.5), (34.0, 65.0), (34.0, 64.5), (34.0, 64.0), (34.0, 63.5), (34.0, 63.0), (34.0, 62.5), (34.0, 62.0), (34.0, 61.5), (34.0, 61.0), (34.0, 60.5), (34.0, 60.0), (34.0, 59.5), (34.0, 59.0), (34.0, 58.5), (34.0, 58.0), (34.0, 57.5), (34.0, 57.0), (34.0, 56.5), (34.0, 56.0), (34.0, 55.5), (34.0, 55.0), (34.0, 54.5), (34.0, 54.0), (34.0, 53.5), (34.0, 53.0), (34.0, 52.5), (34.0, 52.0), (34.0, 51.5), (34.0, 51.0), (34.0, 50.5), (34.0, 50.0), (34.0, 49.5), (34.0, 49.0), (34.0, 48.5), (34.0, 48.0), (34.0, 47.5), (34.0, 47.0), (34.0, 46.5), (34.0, 46.0), (34.0, 45.5), (34.0, 45.0), (34.0, 44.5), (34.0, 44.0), (34.0, 43.5), (34.0, 43.0), (34.0, 42.5), (34.0, 42.0), (34.0, 41.5), (34.0, 41.0), (34.0, 40.5), (34.0, 40.0), (34.0, 39.5), (34.0, 39.0), (34.0, 38.5), (34.0, 38.0), (34.0, 37.5), (34.0, 37.0), (34.0, 36.5), (34.0, 36.0), (34.0, 35.5), (34.0, 35.0), (34.0, 34.5), (34.0, 34.0), (34.0, 33.5), (34.0, 33.0), (34.0, 32.5), (34.0, 32.0), (34.0, 31.5), (34.0, 31.0), (34.0, 30.5), (34.0, 30.0), (34.0, 29.5), (34.0, 29.0), (34.0, 28.5), (34.0, 28.0), (34.0, 27.5), (34.0, 27.0), (34.0, 26.5), (34.0, 26.0), (34.0, 25.5), (34.0, 25.0), (34.0, 24.5), (34.0, 24.0), (34.0, 23.5), (34.0, 23.0), (34.0, 22.5), (34.0, 22.0), (34.0, 21.5), (34.0, 21.0), (34.0, 20.5), (34.0, 20.0), (34.0, 19.5), (34.0, 19.0), (34.0, 18.5), (34.0, 18.0), (34.0, 17.5), (34.0, 17.0), (34.0, 16.5), (34.0, 16.0), (34.0, 15.5), (34.0, 15.0), (34.0, 14.5), (34.0, 14.0), (34.0, 13.5), (34.0, 13.0), (34.0, 12.5), (34.0, 12.0), (34.0, 11.5), (34.0, 11.0), (34.0, 10.5), (34.0, 10.0), (34.0, 9.5), (34.0, 9.0), (34.0, 8.5), (34.0, 8.0), (34.0, 7.5), (34.0, 7.0), (34.0, 6.5), (34.0, 6.0), (34.0, 5.5), (34.0, 5.0), (34.0, 4.5), (34.0, 4.0), (34.0, 3.5), (34.0, 3.0), (34.0, 2.5), (34.0, 2.0), (34.0, 1.5), (34.0, 1.0), (34.0, 0.5), (34.0, 0.0), (34.0, -0.5), (34.0, -1.0), (34.0, -1.5), (34.0, -2.0), (34.0, -2.5), (34.0, -3.0), (34.0, -3.5), (34.0, -4.0), (34.0, -4.5), (34.0, -5.0), (34.0, -5.5), (34.0, -6.0), (34.0, -6.5), (34.0, -7.0), (34.0, -7.5), (34.0, -8.0), (34.0, -8.5), (34.0, -9.0), (34.0, -9.5), (34.0, -10.0), (34.0, -10.5), (34.0, -11.0), (34.0, -11.5), (34.0, -12.0), (34.0, -12.5), (34.0, -13.0), (34.0, -13.5), (34.0, -14.0), (34.0, -14.5), (34.0, -15.0), (34.0, -15.5), (34.0, -16.0), (34.0, -16.5), (34.0, -17.0), (34.0, -17.5), (34.0, -18.0), (34.0, -18.5), (34.0, -19.0), (34.0, -19.5), (34.0, -20.0), (34.0, -20.5), (34.0, -21.0), (34.0, -21.5), (34.0, -22.0), (34.0, -22.5), (34.0, -23.0), (34.0, -23.5), (34.0, -24.0), (34.0, -24.5), (34.0, -25.0), (34.0, -25.5), (34.0, -26.0), (34.0, -26.5), (34.0, -27.0), (34.0, -27.5), (34.0, -28.0), (34.0, -28.5), (34.0, -29.0), (34.0, -29.5), (34.0, -30.0), (34.0, -30.5), (34.0, -31.0), (34.0, -31.5), (34.0, -32.0), (34.0, -32.5), (34.0, -33.0), (34.0, -33.5), (34.0, -34.0), (34.0, -34.5), (34.0, -35.0), (34.0, -35.5), (34.0, -36.0), (34.0, -36.5), (34.0, -37.0), (34.0, -37.5), (34.0, -38.0), (34.0, -38.5), (34.0, -39.0), (34.0, -39.5), (34.0, -40.0), (34.0, -40.5), (34.0, -41.0), (34.0, -41.5), (34.0, -42.0), (34.0, -42.5), (34.0, -43.0), (34.0, -43.5), (34.0, -44.0), (34.0, -44.5), (3

Trish Collins/abome.com; Amanda McClellan/abome.com; Michelle/abome.com

Appendix A Continued:



[illegible]

10c Energy & Minerals

Agreement to Issue Oil, Gas & Associated Hydrocarbon Lease OBA:

ML 54589, ML 54590

with Middle Fork
Energy Uintah, LLC



**TRUST
LANDS**
ADMINISTRATION

BOARD MEMORANDUM

Date: February 20, 2025

To: Board of Trustees, School and Institutional Trust Lands Administration

From: Tyson Todd, Assistant Managing Director

Re: Glen Bench - Other Business Arrangement (OBA)
Oil Gas & Associated Hydrocarbons

Applicant: Middle Fork Energy Uinta, LLC
1401 Wynkoop St., Suite 300
Denver, CO 80202

Lands: ML 54589, ML 54590
See Map
Uintah County

Total Acreage: 1,091.43 acres, more or less

Fund: Schools

Summary

The Energy & Minerals Team recommends that the Board approve the Glen Bench OBA and issue two new Oil Gas & Associated Hydrocarbons Leases to Middle Fork Energy Uinta, LLC (Middle Fork) on approximately 1,091.43 acres of trust lands located in Uintah County, with ML-54589 covering 490.30 acres and ML-54590 covering 601.13 acres. Pursuant to Utah Code § 53C-2-401(1)(d)(ii), the agency may enter an OBA with Board approval. This action requires Board approval because the proposed lands are not being offered for lease via the competitive lease process.

Key Information and Background

The lands in this OBA are near the KJ2 and Red Wash Units, both prolific gas-producing units in Uintah County that are operated by Middle Fork. There have been several wells drilled in the past on these parcels but have all since been plugged. The first parcel located at T7S R21E Sec. 2, ML-54589, has been leased multiple times, most recently expiring at the beginning of 2024. This parcel is adjacent to the KJ2 unit that is being actively developed with a regular drilling program. The second parcel is located at T8S R22E Sec. 2, ML-54590. The previous lease on the parcel expired November 30, 2024, as part of an OBA that was never drilled. It is immediately adjacent to the Red Wash Unit.

The Resource: Oil Gas & Associated Hydrocarbons

The Applicant: Middle Fork is a large natural gas producer whose core Utah acreage is adjacent to both of these parcels. The company produces approximately 240 MMCF a day in gas and has two drilling rigs running in the Basin. Since Middle Fork moved into the Basin in 2019, they've drilled 220 wells, mostly in the Red Wash and KJ2 Units. Middle Fork recently acquired Caerus

Uinta, LLC's position directly to the south of their main acreage and have plans for a long, active tenure in the basin. They've been good partners who are communicative, maintain clean and orderly locations, stay current on their financials, and drill wells.

Material Terms of the Transaction

The terms of the OBA are the same as the agency's standard oil and gas lease.

Term: The lease will have a five-year primary term.

Payments to Trust Lands Administration:

- The royalty rate for the Leases will be 16.67%.
- Middle Fork will pay a yearly rental of \$2/acre
- Middle Fork will pay TLA a bonus payment of \$546,500 (\$500/acre)

Work/Expenditure Requirements:

Each lease will only be held in its secondary term by production/operations on each respective lease.

Data Reporting Requirements: The agency will require all geologic data from wells drilled.

Committee Discussion

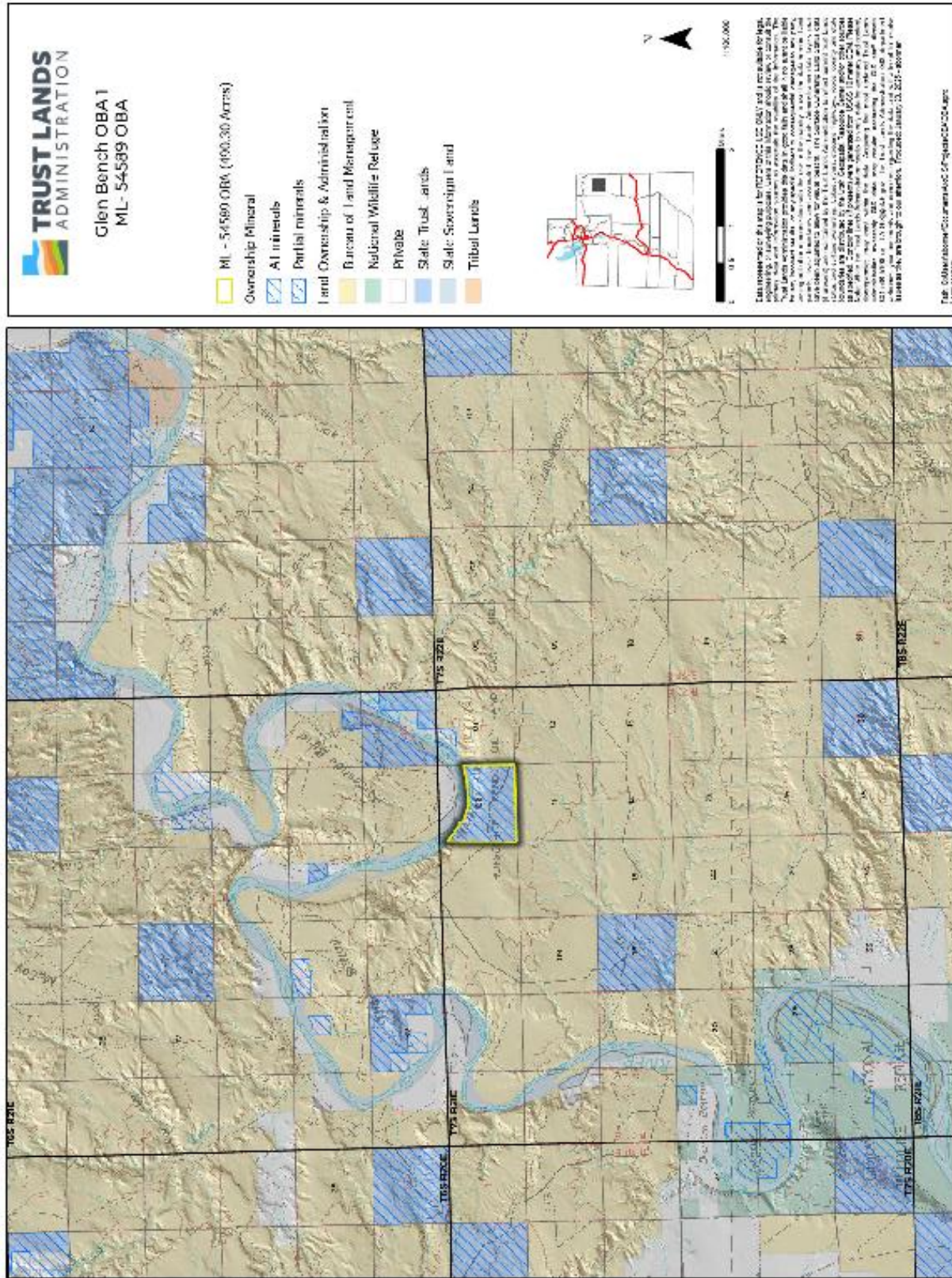
The committee discussion generally focused on Middle Fork being a valued partner to TLA and the local community. Middle Fork drilled many new wells on existing leases and has generated significant new royalties for the trust. Middle Fork provides additional bonding for large pad construction, and most recently have altered powerline construction plans to avoid paleontologically sensitive lands per our requests. It was also brought up that we visited Middle Fork's drilling rig and production facilities for a board tour in fall of 2023 at which time the board was impressed with Middle Fork's exemplary operations.

Requested Agency Action

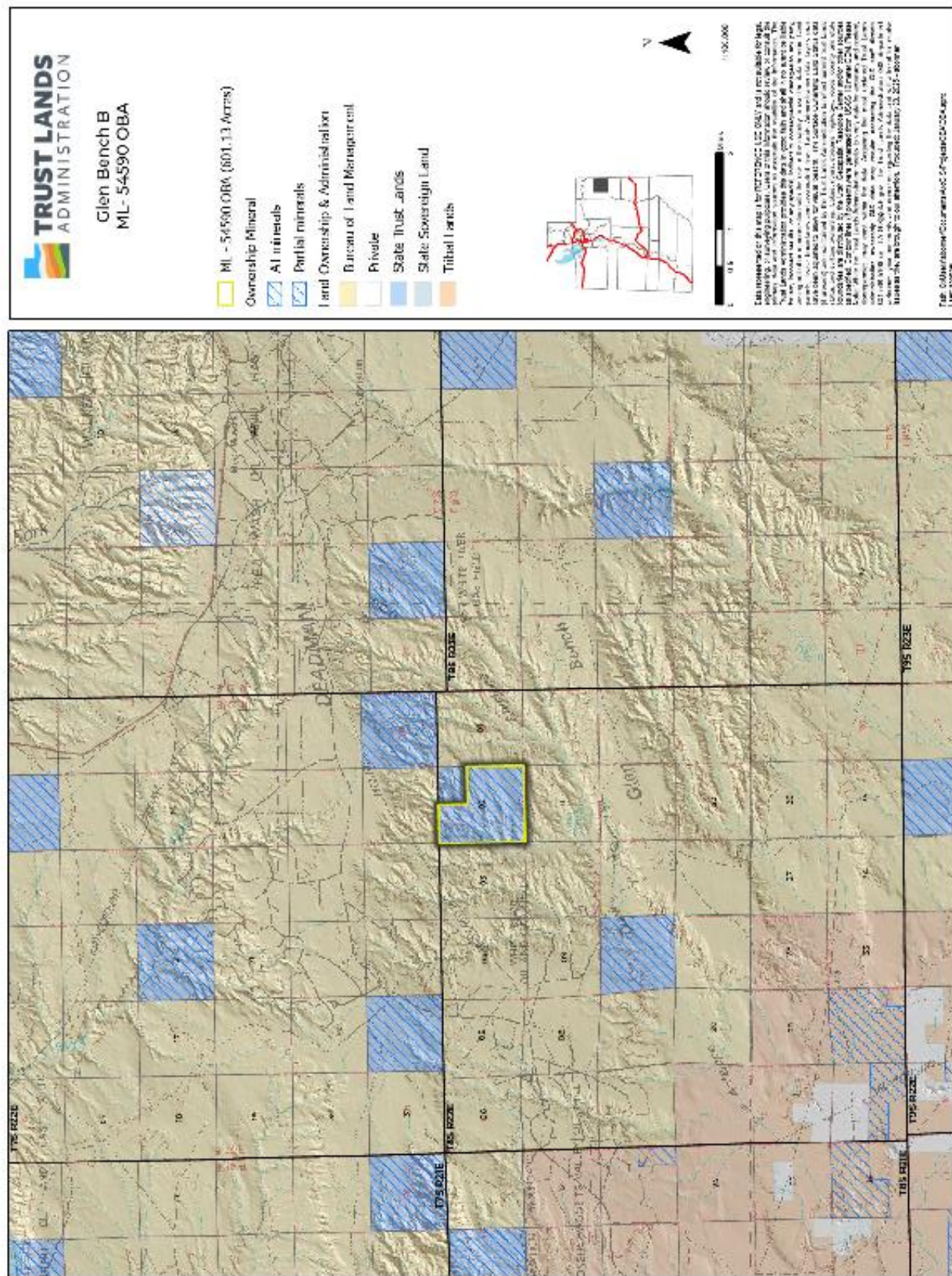
The agency requests that the Board approve the OBA and offers the following proposed motion:

"I Move to approve the Glen Bench OBA on the terms set forth in the Board Memorandum and to have the agency take all further actions necessary to finalize the transaction."

Appendix A



Appendix A - Continued



10d Energy & Minerals

Agreement to Issue Oil, Gas & Associated Hydrocarbon Lease OBA: ML 54586

with Uinta Wax, LLC



**TRUST
LANDS**
ADMINISTRATION

BOARD MEMORANDUM

Date: February 20, 2025

To: Board of Trustees, School and Institutional Trust Lands Administration

From: Heather Murray, Lease Manager

Re: Uinta Wax ML 54586 Other Business Arrangement (OBA) – Oil & Gas

Applicant: Uinta Wax, LLC
6000 Western Plaza, Suite 1000
Fort, TX 77075

Lands: **Uintah County**
T2S R1E Section 18: Lot 3, Lot 4, E2SW4

See Appendix A Map

Acreage: 156.44 acres, more or less

Fund: Schools

Summary

The Energy & Minerals Team recommends that the Board approve the ML 54586 OBA and issue one new Oil, Gas & Associated Hydrocarbons Lease to Uinta Wax, LLC (Uinta Wax) on approximately 156.44 acres of trust lands located in Uintah County. Pursuant to Utah Code § 53C-2-401(1)(d)(ii), the agency may enter an OBA with Board approval. This action requires Board approval because the proposed lands are not being offered for lease via the competitive lease process.

Key Information and Background

Uinta Wax is currently making plans to file a permit to drill the 1280-acre drilling and spacing unit (DSU) comprised of Sections 18 and 19 in Township 2 South, Range 1 East. This DSU was approved on May 10, 2018, and established overlapping 640-acre drilling units and overlapping 1,280-acre drilling units for the production of oil, gas, and associated hydrocarbons from the Lower Green River and Green River-Wasatch Formations.

Uinta Wax currently owns a controlling interest in Section 19 and owns the largest leasehold position in Section 18. Uinta Wax would meet the required 50% ownership necessary for an approved permit in the DSU by acquiring unleased trust lands minerals. Uinta Wax currently holds 48%. The next highest Interest owner holds 11% and would commit to being a non-operator.

The Resource: Oil & Gas

The Applicant: Uinta Wax has been a Lessee with TLA since 2019. Uinta Wax has been in good standing and has been a reputable operator.

Material Terms of the Transaction

- The lease will have a 2-year primary term.
- Lease will follow all other lease terms found in a standard lease

Payments to Trust Lands Administration:

- The royalty rate for the Leases will be 18.75%.
- Uinta Wax will pay a yearly rental of \$500.00.
- Uinta Wax will pay TLA a bonus payment of \$235,500 (\$1,500/acre)

Committee Discussion

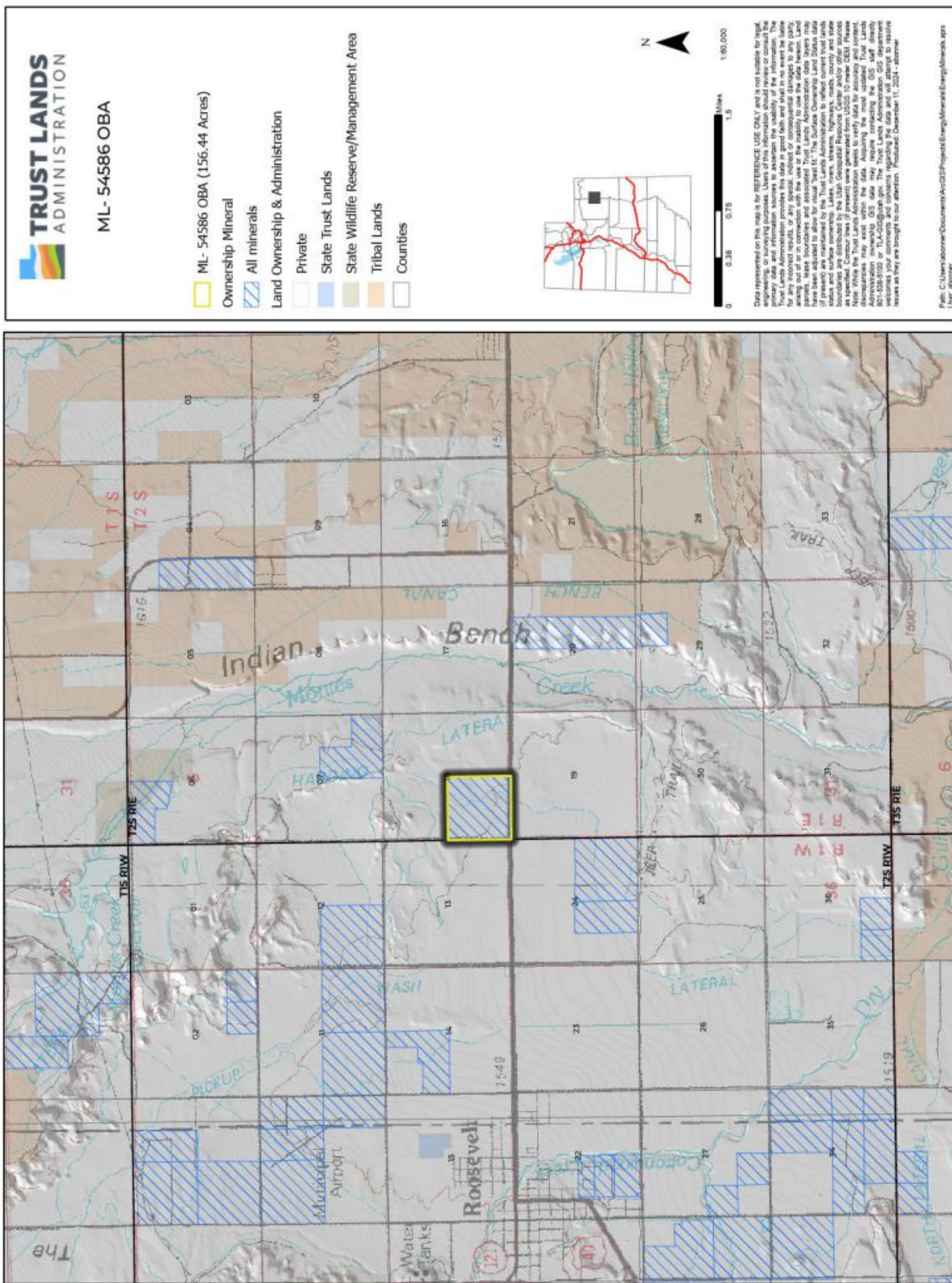
This OBA was previewed before the committee during its December meeting, prior to the terms being finalized with the applicant. During the discussions, the agency highlighted the fact that Uinta Wax was the logical partner for this oil and gas lease since it had a 48% interest in the drilling and spacing unit (DSU) that was being proposed with the Division, and the issuance of this lease would increase its interest to over 50%. Additionally, the other oil and gas company holding working interests in the DSU was a non-operator and had previously agreed to sign a joint operating agreement for the well. Based on the December committee discussion, as well as the presentation and discussion during this committee meeting, the committee supported staff moving forward to present the OBA to the Board at the February meeting.

Requested Agency Action

The agency requests that the Board approve the OBA and offers the following proposed motion:

"I Move to approve the ML 54586 OBA on the terms set forth in the Board Memorandum and to have the agency take all further actions necessary to finalize the transaction."

Appendix A:



10e Energy & Minerals

(Continuation of) Agreement to Issue Coal Lease OBA: ML 54417

with Bronco Utah
Operations, LLC



**TRUST
LANDS**
ADMINISTRATION

BOARD MEMORANDUM

Date: February 20, 2025

To: Board of Trustees, School and Institutional Trust Lands Administration

From: Andy Bedingfield, Assistant Managing Director, Energy & Minerals

Re: Continuation of Approval for Other Business Arrangement (OBA)
ML 54417
Coal Mineral Lease

Applicant: Bronco Utah Operations, LLC
P.O. Box 527
Emery UT 84522

Lands: **See Map
Emery and Sevier Counties**

Acreage: Containing in all 2,159.02 acres

Fund: To Be Determined - LEDA

Summary

This Other Business Arrangement was approved by the Board on February 15, 2024. The lease has not yet been finalized as the execution of the coal lease is contingent upon the final completion of the Dingell Exchange. As per Board Policy No. 2007-01, transactions that are not executed within a one-year time period must be re-submitted to the Board for review and action. Staff is seeking a "re-approval" of the OBA in anticipation of the closure of the Dingell Exchange and the subsequent issuance of this Coal Lease. This action requires Board re-approval because the proposed lands are not being offered on the standard lease form via the competitive lease process and the lease was not executed within a one-year period from Board approval.

Key Information and Background

These lands are located along S.R. 10 south of the town of Emery and north of I-70. The lands are currently owned and managed by the Bureau of Land Management and are known as the Walker Flat Coal Tract. These lands are part of the John D. Dingell, Jr. Conservation, Management, and Recreation Act passed into law on March 12, 2019 (Public Law 116-9). The land exchange process has been ongoing for several years and is nearing completion for much of the land, including the Walker Flat Coal Tract. A lease or OBA lease cannot be issued for these lands until the title is obtained by TLA via the land exchange. It is the desire of both Bronco Coal and TLA staff to facilitate leasing of these lands for coal immediately after the land exchange is completed.

The Walker Flat Coal tract was originally a federal "lease by application" (LBA) which was submitted to BLM by Bronco Coal around 2015. As the federal government was not completing the LBA in a timely manner and the Dingell Land Exchange was forming, this coal tract was included in the land exchange to facilitate leasing and development of the

coal resources. The coal lease will be subject to the Land Exchange Distribution Account (LEDA) whereby 50% of the royalties paid will be transferred to the State of Utah and the other 50% will be retained with TLA to be distributed to the beneficiary. It is anticipated that this coal tract will be in production within two years of a lease being issued.

The Resource: Bituminous Coal used as feedstock for Hunter and Huntington Power Plants amongst other industrial uses. The coal has high btu and low sulfur and is desirable for the local market.

The Applicant: Bronco Utah Operations is located in Utah with a positive track record.

Material Terms of Transaction

Term: Bronco Coal will receive a coal lease with a primary term of ten years which can be extended upon diligent operations

Payments to Trust Lands Administration:

- 1) Bonus Payment of \$50,000
- 2) An additional bonus payment of 1% of Gross Sales will be paid as coal is sold on a monthly basis throughout the term of the lease
- 3) Production Rate of 8% for underground coal
- 4) Annual Rental of \$3/acre

Data Reporting Requirements: The agency will require all geologic data from exploration activities conducted on the subject lands. The applicant has submitted all previously performed exploration data within the coal tract.

Board Committee Discussion:

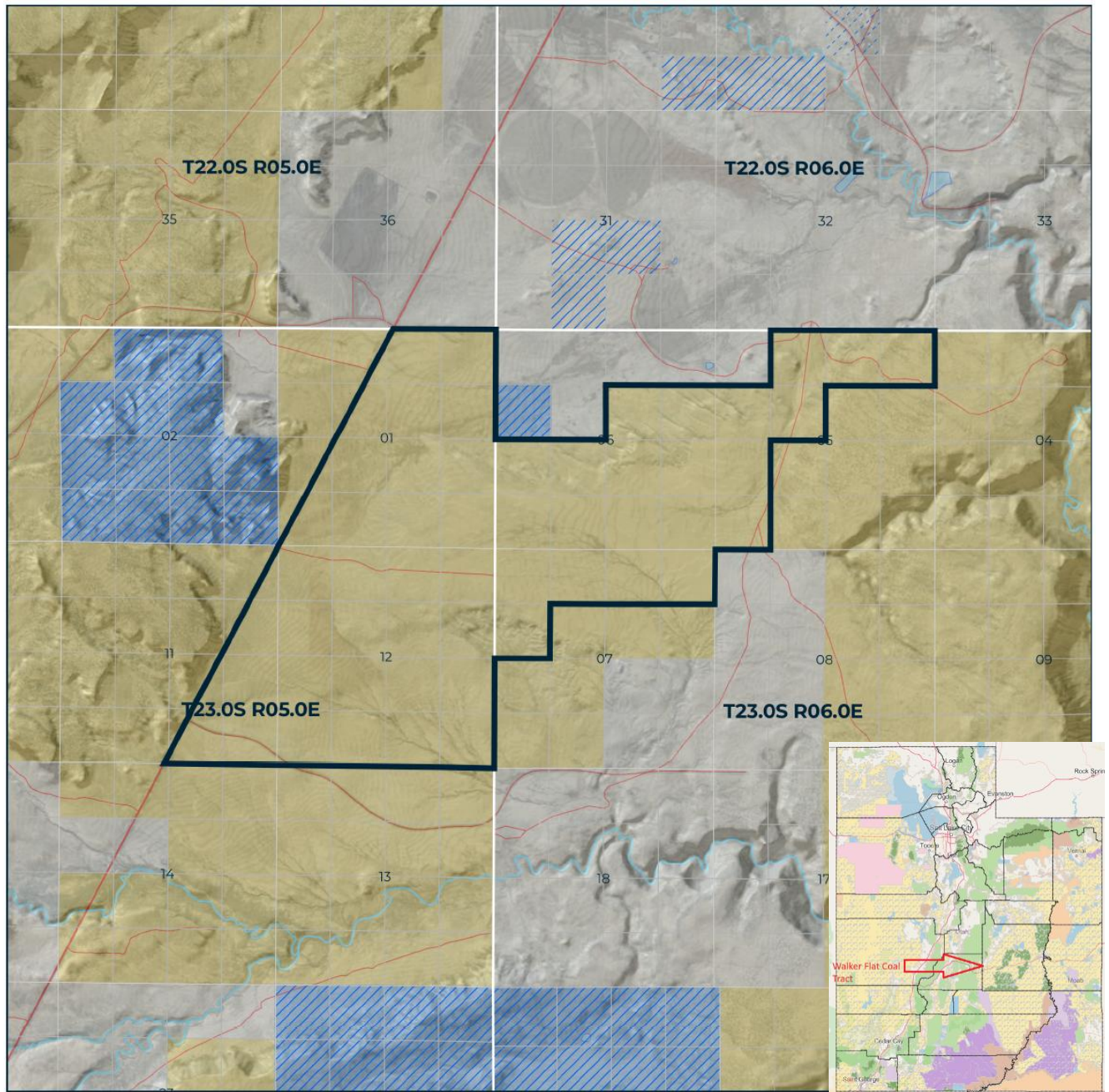
The committee discussion centered around the status of the Dingell Exchange, which appears to be close to closing. Due to the change of federal administration, the State Office is not authorized to execute the documents necessary to finalize the transaction; however, the State Office has elevated its request to act to BLM's headquarters and anticipates receiving approval to move forward soon.

The committee inquired about what would be the new deadline for the agency to act if the Board re-approved the existing OBA, and staff confirmed that the new approval would give the agency another one year to execute the coal lease with Bronco.

Requested Agency Action

The agency requests that the Board extend its approval for the agency to enter into the OBA and offers the following motion:

"I Move to extend our approval of the Coal Mineral Lease OBA with Bronco Utah Operations and to have the agency issue ML 54417 following the TLA's acquisition of the Walker Flat Coal Tract."



10f Energy & Minerals

Agreement to Issue a
Volcanic Material Exploration
Agreement with Option to
Lease OBA:

ML 54585

with Graymont Western US



**TRUST
LANDS**
ADMINISTRATION

BOARD MEMORANDUM

Date: February 20, 2025

To: Board of Trustees, School and Institutional Trust Lands Administration

From: Andy Bedingfield, Assistant Managing Director, Energy & Minerals

Re: Other Business Arrangement (OBA) ML 54585
Volcanic Material Exploration Agreement with Option to Lease

Applicant: Graymont Western US
585 W. Southridge Way
Sandy, UT 84070

Lands: **Township 24 South, Range 8 West, SLB&M
Section 2: All**

Acreage: Containing in all 675.56 acres

Fund: SCH – School Fund

Summary

The Energy & Minerals Team recommends that the Board approve this Volcanic Materials Exploration Agreement with the Option to Lease OBA for lands in Millard County. Pursuant to Utah Code § 53C-2-401(1)(d)(ii), the agency may enter an OBA with Board approval. This action requires Board approval because the proposed lands are not being offered on the standard lease form via the competitive lease process.

Key Information and Background

These lands are located to the northwest of Cove Fort in southern Millard County. The proposed agreement includes 675.56 acres of surface and mineral estate. The lands were acquired via US Confirmatory Patent 43-65-0179 through the Enabling Act in 1896. The lands are currently managed largely for grazing.

The applicant is seeking a three-year exploration agreement with an option to lease, which will allow them to explore the area for suitable perlite. Perlite is a lightweight volcanic mineral that is used for a variety of industrial uses, including ceiling tiles and soil amendments. The applicant has a long history of mining in Millard County operating the Cricket Mountain Mine. Perlite will be a new product the company is hoping to produce.

The Resource: Volcanic Material, specifically perlite

The Applicant: Graymont Western US. Graymont Western operates a large limestone/dolomite mine and processing plant in Millard County.

Material Terms of the Transaction

Term: The applicant will receive a three-year exploration agreement wherein the applicant may explore for minerals and have the option to enter into a lease following the exploration period.

Payments to Trust Lands Administration:

- 1) Bonus Payment of \$10,000
- 2) Production Rate \$3.50 per short ton
- 3) Annual Rental of \$3/acre

Work/Expenditure Requirements: Graymont Western will conduct exploration activities as it deems necessary. A report summarizing the drilling and testing data is required prior to executing a lease. If they exercise the option to lease, the standard diligent operations requirements to extend a volcanic materials lease will be applicable. The applicant has submitted a detailed exploration plan and is very eager to commence drilling activities (winter/spring 2025).

Data Reporting Requirements: The agency will require all geologic data from exploration activities conducted on the subject lands.

Board Committee Discussion

The committee discussion focused on the importance of ensuring that sufficient bonding was in place prior to the company beginning work on the proposed lease. It was noted that the company would need to get an exploration permit from DOGM which includes appropriate reclamation bonding. Similarly, should the project move into a mining phase, the company will need to get a mine permit from DOGM which incorporates reclamation bonding amongst other regulatory requirements. During the discussion, provisions in the agency's mining lease were highlighted. Specifically, the agency retains the right under the lease to seek a bond in addition to the one in place with the Division and the agency can request that the company provide estimates of reclamation costs before determining appropriate bonding amounts. The agency may ask for additional bonding for either reclamation or performance issues if bonding amounts are inadequate.

The discussion also focused on the agency's positive history in working with Graymont Western as well as the fact that the company has a rig near the location and would like to drill the proposed OBA as soon as possible. The agency has two other existing perlite leases; however, neither of those is in production yet.

Requested Agency Action

The agency requests that the Board approve the OBA and offers the following proposed motion:

"I Move to approve the OBA with Graymont Western US on the terms set forth in the Board Memorandum and to have the agency take all further actions necessary to finalize the transaction."

11a Real Estate Development Minor Development Transaction in Kane County

with Church Wells Special
Service District



**TRUST
LANDS**
ADMINISTRATION

Memorandum

TO: Board of Trustees, School and Institutional Trust Lands Administration (Board)

FROM: Aaron Langston, Assistant Managing Director, Real Estate Development Group, Utah South

DATE: February 20, 2025

RE: Minor Development Transaction: 1.618 acres in Church Wells, UT

PROPERTY: T43s R1e within Section 1 – Church Wells Navajo Hills subdivision

DEVELOPER: *Church Wells Special Service District*

BENEFICIARY: Schools

Summary

The purpose of this memorandum is to notify the Board of a Minor Development Transaction that Staff intend to sell approximately 1.618 acres of land that is part of an existing subdivision plat in Church Wells, Kane County, known as the Navajo Hills Subdivision Plat as Amended.

- TLA acquired T43s R1e Section 2 at statehood through the Enabling Act US Confirmatory Patent 43-65-0181, January 4, 1896.
- A portion of the lands in Section 2 (the subject lands north of Highway 89) were later sold (Certificate of Sale c-23732 dated October 1, 1957, and Patent P-17997 dated February 17, 1961). This is where Church Wells is.
- TLA acquired T43s R1e Section 1 through the Lands Exchange 2-5 – Grand Staircase Patent 43-99-0005, January 8, 1999.

The Navajo Hills subdivision (T43sR1e Section 2) was recorded in April of 1960. It was later amended in August of 1987 and again in April of 2003. The Navajo Hills subdivision plat was supposed to be entirely within Section 2, within Church Wells, on those lands that were sold in 1957, but due to a survey mistake, approximately 1.618 acres of the platted land crossed the section line into Section 1, which came into TLAs ownership in 1999. Thus, lands for a road totaling 0.83 acres and land from 11 lots totaling 0.79 acres within the Navajo Hills Plat are owned by TLA.

Staff intend to sell those lands (the 11 lot segments to the current lot owners, and the road section to the proper road jurisdiction) for fair market value.

Key Information and Background--Minor Development Transaction

Background: A representative from the Church Wells Special Service District (CWSSD) reached out in October 2023, requesting that TLA convey the lands in Section 1 within the Navajo Hills subdivision plat for the future road named Red Butte Drive. TLA Staff researched historic ownership records and hired a surveyor to survey the land that appeared to be on TLA. These efforts made it clear that the eastern portion of the Navajo Hills subdivision had in fact crossed into Section 1 and therefore an encroachment of 1.618 acres did exist, of which approximately 0.79 acres across 11 lots and 0.83 acres for Red Butte Drive.

CWSSD wishes to install a waterline in Red Butte Drive and wishes to have those lands conveyed into its ownership. Red Butte Drive is the intended access for the 11 lots it fronts on TLA lands, thus selling the lot segments to the respective remnant lot owners is critical.

Staff attended a CWSSD meeting on March 7, 2024, with the County Commissioners in attendance. Staff represented that TLA would not be able to convey the subject land for free, but that it would continue doing what it could to help figure things out and to work to convey those subject lands to CWSSD.

Staff ran a Request for Proposal (RFP) and posted the information in the local newspaper. No additional offers were received.

On December 18, 2024, CWSSD reported that it had funding for the portion of Red Butte Drive on TLA lands.

Key Terms of Transaction: CWSSD will pay the appraised value of the subject 0.83-acre Red Butte Drive as soon as Staff has the paperwork ready. It is anticipated that most, if not all of the lot segments, will also be sold in 2025, but to help ensure that fair market value is being achieved, an annual price increase of 5% will be added each January 1st for any lot segments not sold in 2025.

Economic Analysis: Because there were no additional offers, a comprehensive analysis was not performed. However, the June 4, 2024 appraisal valued the full 1.618-acre encroachment at \$14,500.

Staff intend to charge administrative fees of \$1,000 for each transaction, which will generate \$12,000 in revenue above the appraised value and will help offset the admin costs, the cost for the appraisal, and the costs for the survey work, as shown below:

Lot	SF	Appraisal (2025)	Sales Price (2025)
25	44	9.05	1,009.05
26	1,407	289.46	1,289.46
27	2,928	602.38	1,602.38
28	3,871	796.39	1,796.39
29	4,313	887.32	1,887.32
30	3,870	796.18	1,796.18
31	3,768	775.20	1,775.20
32	3,665	754.01	1,754.01
33	3,563	733.02	1,733.02
34	3,460	711.83	1,711.83
35	3,615	743.72	1,743.72
Red Butte	35,978	7,401.82	8,401.82
	70,482	14,500.40	26,500.40

Competitive Process: A request for solicitations ran for 3 weeks in the local newspaper. No additional offers were received.

Staff Conflicts of Interest: None.

Legal Risks: None.

Subordination of Trust Assets: None.

Notice Staff will prepare all needed paperwork to sell each of the 11 lot segments, and the Red Butte Road segment to the proper owners at appraised value, as outlined in this memorandum.

Exhibit A

Navajo Hills plat (lots 25-35 and Red Butte Drive partially on TLA lands)

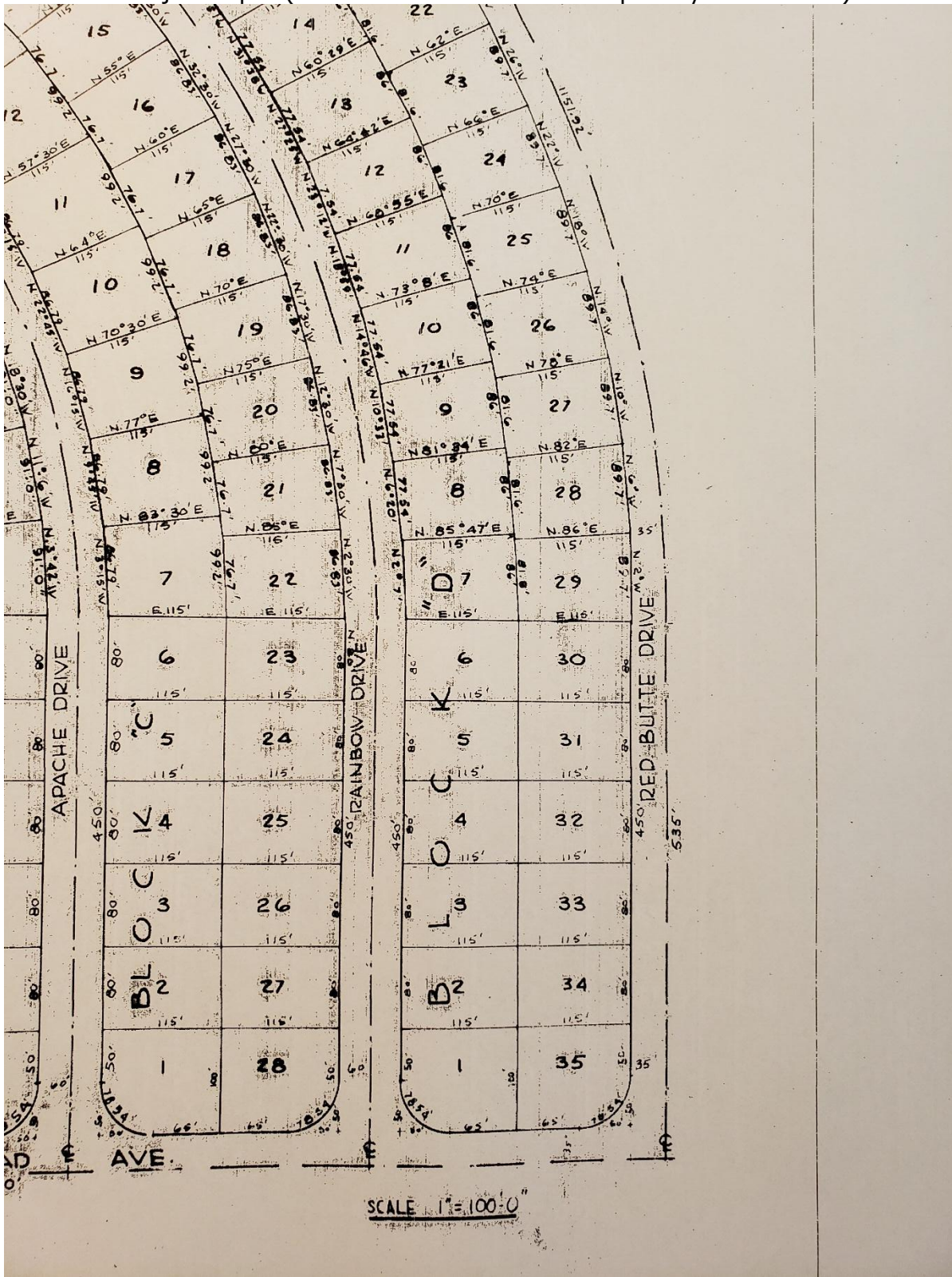


Exhibit B

Navajo Hills plat (showing lots 25-35 and Red Butte Drive partially on TLA lands encroaching onto Section 1)

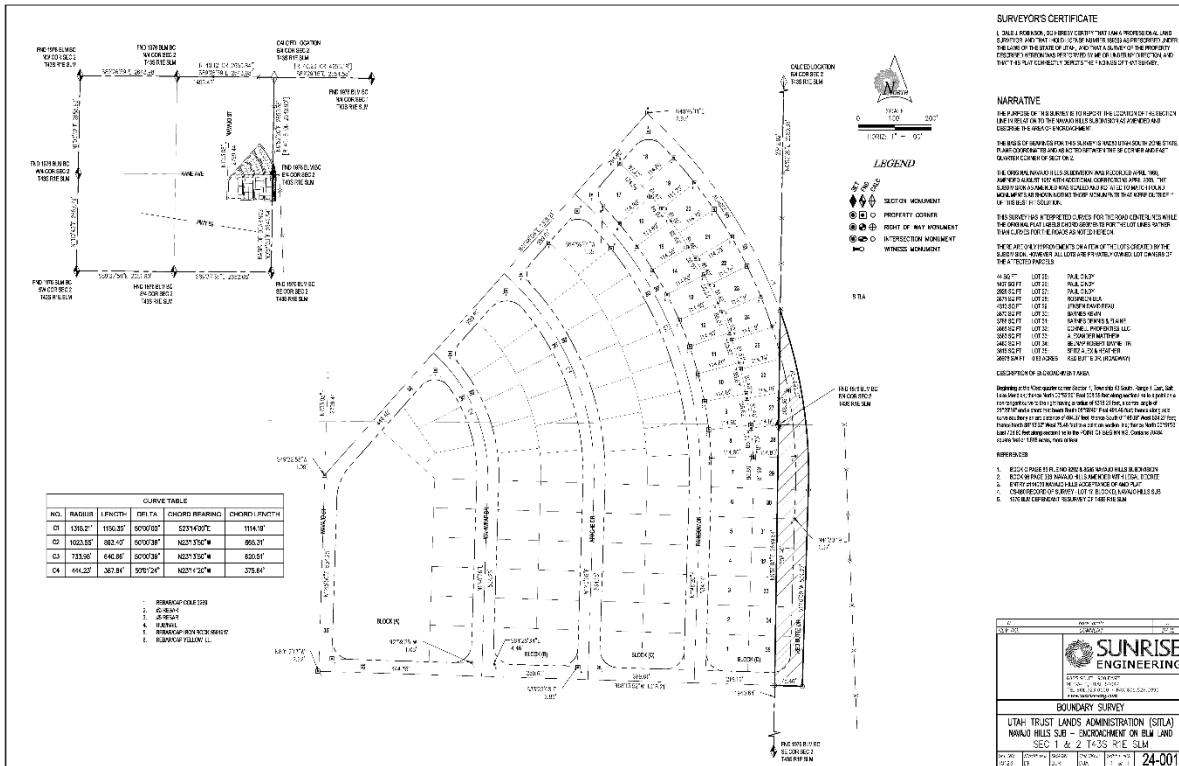



Exhibit C

Navajo Hills plat (lots 25-35 and Red Butte Drive partially on TLA lands)



**TRUST
LANDS**
ADMINISTRATION

Subdivision No. 167 - Navajo Hills Encroachment
Township 43 South, Range 1 East, SLB&M;
Within Section 1;
Kane County




Subdivision No. 167 - 1.62 Acres

- Lots - 0.79 Acres
- Road - 0.83 Acres

Land Ownership and Administration

- Private
- State Trust Lands

Data represented on this map is for REFERENCE USE ONLY and is not suitable for legal, engineering, or surveying purposes. Users of this information should review or consult the primary data and information sources to ascertain the usability of the information. The Trust Lands Administration provides this data in good faith and shall in no event be liable for any incorrect results, or any special, indirect or consequential damages to any party, arising out of or in connection with the use or the inability to use the data hereon. Land parcels, lease boundaries and associated Trust Lands Administration data layers may have been adjusted to allow for visual "best fit." The Surface Ownership Land Status data (if present) are maintained by the Trust Lands Administration to reflect current trust lands status and surface ownership. Lakes, rivers, streams, highways, roads, county and state boundaries are distributed by the Utah Geospatial Resource Center and/or other sources as specified. Contour lines (if present) were generated from USCS 10 meter DEM. Please Note: While the Trust Lands Administration seeks to verify data for accuracy and content, discrepancies may exist within the data. Acquiring the most updated Trust Lands Administration ownership GIS data may require contacting the GIS staff directly 801-588-3100 or TLA-GIS@utah.gov. The Trust Lands Administration GIS department welcomes your comments and concerns regarding the data and will attempt to resolve issues as they are brought to our attention. Produced: January 13, 2025 - katestaley



Detail Area

Esri, NASA, NGA, USGS, FEMA, Sources: Esri, TomTom, Garmin, FAO, NOAA, USGS, © OpenStreetMap contributors, and the GIS User Community

Document Path: V:\GIS-Share\GIS\GIS_Group\Kane\Templates\LeaseMaps_NEW\Development_Group_PRO_8x11.aprx

Coordinate System: NAD 83 UTM Zone 12N