



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Tres Rios Field Office
29211 Highway 184
Dolores, Colorado 81323



In Reply Refer To

3600 (CYS010)
COC-071138

M-1980-038

BLM MATERIAL CONTRACT

NOVEMBER 6, 2012

CERTIFIED MAIL -- Return Receipt Requested -- 7011 0470 0001 0908 2921

Ronald Ebberts
Ebberts Construction Co., Inc.
PO Box 223
Egnar, CO 81325

RECEIVED
NOV 15 2012
Durango Field Office
Division of Reclamation,
Mining and Safety

RE: Mineral Material Contract Request, Determination of Cost Recovery and Fair Market Value (Appraisal) Determination for Disappointment Sand and Gravel Pit.

Dear Mr. Ebberts,

On May 03, 2012 we issued you a 1 year extension on mineral material contract COC-71138 to allow you to remove the remaining quantity of material which you had paid for, but not yet removed. In September 2012, you contacted the BLM about acquiring another contract in that quarry when your current contract runs out on May 03, 2013.

Our records show that the pit has been there since at least 1980, perhaps longer. An environmental assessment (EA) was signed 01/29/1980, in accordance with the National Environmental Policy Act (see attached). The EA covered a sale of 40,000 cubic yards (EA p. 1) of material in an area of 2-5 acres (EA p. 5) over the life of the project. Subsequent sales out of this pit were as follows:

Based on these estimations (see table), we are within 48 cubic yards of the original 40,000 cubic yard volume evaluated in the original EA, or as much as 16968 cubic yards past this volume. Additionally, an inspection conducted on 09/14/2012 indicated that the present disturbance area, as measured by GPS at the outside footprint of the berm, is 6.0 acres -- greater than the 2-5 acres evaluated in the original EA (see map). So, in any event, this indicates that a new Environmental Assessment will need to be performed prior to issuing any new permits.

In addition to this, BLM is required by law to sell mineral materials for "fair market value" (43 CFR 3602.13). Periodically we re-assess the fair market value and adjust the royalty rate accordingly. The most recent appraisal statewide mineral materials were performed in 2009, but did not address your pit specifically. In 2007 the royalty for your pit was assessed at \$0.72/ton. Using the producer price index (PPI) for cut stone and stone products from May of 2007 to September 2012 we have adjusted the royalty to \$0.86/ton. We feel that this amount represents

the fair market value of your material. If you think that the royalty amounts do not reflect the fair-market value of the material, please send us a letter explaining why you think the fair market value is different than calculated.


Serial COC #	Amount	Authorized	Closed	Notes
55947	19230 (pmt) CY 3846 (produced) (?)	02/04/80	02/03/82(exp.) 02/07/94(closed)	\$0.26/CY
56167	2000 CY (pmt)	02/07/94	05/07/1997	\$0.53/CY
59065	7000 CY (pmt)	03/12/1996	07/24/2002	\$0.57/CY
60119	11600 CY (pmt)	11/25/1996	12/31/2002	\$0.54/CY
66633	12500 TN (pmt) (~7812 CY) 9729 TN (prod.) (~6081 CY)	01/23/2003	12/14/2004	\$0.60/T (@1.6 Ton/Ls.Cu.Yd)
66633	13000 TN (pmt) (8125 CY)	01/28/2005	05/02/2007	\$0.60/T
71138	12000 TN (pmt) (7500 CY)	05/03/2007	05/03/2013	\$0.72/T
(lower total CY)	39852 Loose Cubic Yards			
(upper total CY)	56968 LCY			

Table: Summary of Mineral Material Contracts for Disappointment Pit

Lastly, in 2005, BLM enacted a "cost recovery" policy for processing solid minerals actions (43 CFR 3000.11). This means that we are required to estimate the amount it will cost to process an application and charge the customer that amount to process the application. Attached to this document is a cost estimate for completing a new EA for a revised 10-20 year mine plan and the issuance of a new approximately 5-year ~10,000 ton contract(s) for those materials. The cost is based on the estimated time required by staff to perform the necessary field work and document preparation to process your proposal, and an indirect cost ratio of 19.7%. This cost estimate is for a mine plan which stays within the existing pit boundaries. If the pit is to be expanded, the archeological survey would need to be redone outside the existing pit area, resulting in higher costs. Alternately, an Environmental Assessment could be prepared which evaluates issuance of a new permit within the existing 6 acre pit boundary, with the stipulation that additional surveys would need to be completed prior to any expansion. This would expedite things in the short term.

You have the option of hiring an independent contractor to prepare the new EA and revised mine plan, but there will still be a fee assessed for the time it takes BLM to review these documents. Please contact James Blair at 970-882-6862 to discuss this project. After you have discussed this with him, if you decide to proceed, please submit a proposed action (mine and reclamation plan) indicating, which Mr. Blair can assist you in developing, so that a finalized cost recovery estimate can be developed. We look forward to working with you.

Sincerely,


for Connie Clementson
Field Manager

Enclosures:

Cost Recovery Estimate (preliminary)
Cost Recovery Rule
Royalty Rate Calculation
1980 Environmental Assessment
LR-2000 Serial Register Pages for Pit 1980-Present

CC: CDRMS - Durango
Files

