

Michael R. Brown, Chairman
Kevin S. Carter, Director

MINUTES OF THE MEETING OF THE
SCHOOL & INSTITUTIONAL TRUST LANDS ADMINISTRATION
BOARD OF TRUSTEES

DATE: NOVEMBER 18, 2010

PLACE: SALT LAKE CITY, UTAH

ATTENDING:

BOARD

Michael R. Brown
Dan Lofgren
Steve Ostler
Dave Ure
David Lambert
Louie Cononelos

STAFF

Kevin S. Carter
Kim Christy
Tom Mitchell
Tom Faddies
Lisa Schneider
Stephanie Barber-Renteria
Ron Carlson
Sonja Wallace
Doug Buchi
LaVonne Garrison
Chris Fausett
Dave Hebertson
Alexa Wilson
Kenny Wintch
John Andrews
Eric Baim
Jessica Kirby
Margie Candelaria
Lynda Belnap

OTHERS IN ATTENDANCE

Vicki Varela, VV Strategic Communications
Jill Flygare, Governor's Office of Planning & Budget
Paula Plant, Utah State Office of Education
Tyler Slack, Utah PTA
Carl Boyington, UASSP
Tim Donaldson, Utah State Office of Education
Margaret Bird, Utah State Office of Education
Phillip Lear, Sevier Exploration
Nitesh Gor, Sevier Exploration

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Chairman Brown welcomed Board members, Staff, and guests to the meeting. He thanked Staff for preparing for this meeting and Board members for coming prepared to the meeting.

1. Approval of Minutes

The Board approved the Board minutes of September 9, 2010.

Ure / Cononelos. Unanimously approved.

“I move we approve the Board minutes of September 9, 2010.”

Roll Call:

Mr. Lofgren - - yes	Mr. Ostler - - yes
Mr. Ure - - yes	Mr. Lambert - - yes
Mr. Cononelos - - yes	Mr. Brown - - yes

2. Confirmation of Upcoming Meeting

The Board, without motion, confirmed that there will be no meeting in December.

3. Consideration/Approval of 2011 Meeting Dates

The Board considered the following schedule of meetings for 2011:

January 20	Salt Lake City
February	No Meeting
March 16	Salt Lake City
April 14	Salt Lake City
May 11, 12	Moab
June 9	Salt Lake City
July	No meeting
August 11	Salt Lake City
September 8	Salt Lake City
October 12	St. George, tour
October 13	Salt Lake City, meeting
November 17	Salt Lake City
December	No meeting

3. Consideration/Approval of 2011 Meeting Dates (cont'd)

Director Carter noted that the Board could tour the first day on the out-of-town meetings and then come back to Salt Lake City for the meeting or stay and host a reception, etc. Chairman Brown stated he enjoys the opportunity to stay in the area and meet the people we deal with. Mr. Lofgren inquired if there are other parts of the state we should be visiting? Mr. Buchi stated he is working with the beneficiaries in scheduling a tour in April or May to St. George. If there are any Board members who want to attend that tour, they are welcome to do so. Mr. Connelos stated he thinks it is important to travel to places and stay in the area. Mr. Ure stated the Uinta Basin is a place where we have a lot taking place, and it would be interesting to tour there.

After some discussion, the Board felt like it would like to hear some options for tours. Board members felt the schedule was good, but the destinations in May and October will be determined. Director Carter asked if the Board would like to travel more than two times? It was generally felt twice is enough. Staff will research some places and report back to the Board in January with some different alternatives regarding places for tours.

Chairman Brown noted that it is important that we lock the days in as scheduled so that people can schedule business trips and vacations in advance. Mr. Ure stated Wednesdays are bad for him, but will make the two out-of-town trips work for him. Mr. Connelos noted he has a conflict on the January 20 date.

4. Initial Consideration of Petition for Review of Agency Action Finding Default Under Right of Entry 5470 by Permittee, Shane Simper

Ms. Stephanie Barber-Renteria is counsel for the Board, and Mr. Tom Mitchell is counsel for the Staff on this issue. The parties have reached an agreement on this matter and have brought before the Board a Motion to Dismiss.

Chairman Brown stated he is an environmental professional and has looked at the issues here. It appears the Staff has taken appropriate action in this situation. For the record, he would indicate that he has grave concern with people leasing our property that don't behave respectfully in treating the land the way it should be treated. He appreciates Staff auditing this matter. It is important that the permittee/lessee act in a proper manner going forward. Mr. Lofgren asked if the Staff is comfortable with this proposed action. Director Carter state we are.

Lofgren / Lambert. Unanimously approved.

“I move that we accept the Motion to Dismiss this appeal.”

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4. Initial Consideration of Petition for Review of Agency Action Finding Default Under Right of Entry 5470 by Permittee, Shane Simper (cont')

Roll Call:

Mr. Lofgren - - yes	Mr. Ostler - - yes
Mr. Ure - - yes	Mr. Lambert - - yes
Mr. Conanelos - - yes	Mr. Brown - - yes

Ms. Barber-Renteria has prepared an Order in this matter for the Chairman's signature.

5. Initial Consideration of Petition for Review of Agency Action Finding Default Under Special Use Lease Agreement No. 472 by Lessee, George S. Green

This item was considered just as the previous one was. Ms. Barber-Renteria had an Order for the Chairman's signature in this matter.

Lofgren / Ure. Unanimously approved.

"I move that we accept the Motion to Dismiss this appeal."

Roll Call:

Mr. Lofgren - - yes	Mr. Ostler - - yes
Mr. Ure - - yes	Mr. Lambert - - yes
Mr. Conanelos - - yes	Mr. Brown - - yes

A year from now the Board would like an update on both of these items to know that we are still in compliance with this agreement.

Director Carter noted we have not had a history of monitoring environmental compliance. About five years ago, we decided we didn't have the skills in-house to deal with this. A couple of years ago, we hired an environmental compliance officer. Since then, we have had all our surface leases reviewed. Whenever we do a lease review now, environmental compliance is part of that review. We are pleased with the results of this new program.

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6. Chairman's Report

a. Beneficiary Report

Ms. Margaret Bird recognized and introduced people from the educational community: Tyler Slack from Utah PTA and Carl Boyington, who is the Executive Director of the Secondary Principals' Association. Both of these gentlemen are members of the Trust Lands Advisory Committee.

Ms. Bird gave the Board and Staff a handout showing the investment balances on the beneficiaries' funds. They total over \$1 billion. On behalf of all the beneficiaries and schoolchildren, she thanked the Board members and Staff for all they have done and all they do. The money that is put into the funds makes a difference in needs for increased enrollment, etc. The schools and community councils are very thankful for this fund. It is less than one percent of the total school funding, but is the most flexible of all the money they receive. She is awed that people with extreme qualifications and talent are willing to sit on this Board to make this difference in the lives of children.

Ms. Bird noted she printed out an article in today's paper regarding a bill that has been filed on providing education in the schools on natural resources to provide the teachers with the training they need to help children understand this more. This is an attempt to have energy literacy be part of the school curriculum.

b. Report From Hunter Access Committee

Mr. Dave Ure, chairman of this committee, reported on their meeting. The committee consists of Mr. Ure, Mr. Mower, Mr. Christy, and Ms. Bird. They have met two or three times. He and Mr. Christy visited with Director Styler and Jim Karpowitz. They had some good conversations with them, and they all agree that the money is owed to us. They are going to work within their means to pay the entire amount of money owed this year. They intend to live up to the contract. We are working in partnership with one another with the legislature to get this funding. He is hopeful that we will get the full amount.

Director Carter inquired of Ms. Flygare if this money was recommended in the Governor's budget to be appropriated. Ms. Flygare stated DNR did make a strong plea for the money. It is on the table for consideration. Mr. Ure noted that a letter sent a year ago has been retracted and another letter issued from us regarding the owing of the money.

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6. Chairman's Report (cont'd)

b. Report From Hunter Access Committee (cont'd)

Mr. Cononelos asked what would be the legislative "fix" for this? Mr. Christy stated that all the parties agree that the funding source was intended to be restricted funds. With DNR agreeing that this was intended to be appropriated out of restricted funds, it makes it better able to be appropriated.

Ms. Bird stated she wants to make sure that Ms. Flyfare stated "it is on the table". That doesn't mean it is in the Governor's budget recommendation. She suggests that anyone who can make contacts to encourage the Governor to put it in his budget. If it is not in the Governor's budget, DNR is prohibited from fighting for it.

Mr. Lofgren thanked the committee for making this breakthrough on this issue. Mr. Ure noted it was a team effort.

c. Procurement Audit

Ms. Schneider reviewed this item with the Board through a power point presentation as follows:

- * Major issues
 - * Sole source
 - * Excessive use
 - * Lack of justification
 - * Notification
 - * Lack of publishing or advertising RFPs
 - * Administrative
 - * Written bids not obtained
 - * Failure to document selected provider
 - * Excessive change orders
 - * Provider not on pre-qualified list
 - * Purchases made without a contract
 - * No review of Director's purchasing card transactions

6. Chairman's Report (cont'd)

c. Procurement Audit (cont'd)

* Actions taken

- * Director has ceased issuance of sole-source contracts
- * BidSync has been implemented
- * All purchases in excess of \$20,000 must be made under a contract
- * Implementation of a standardized checklist for documentation
- * Director's purchasing card transactions are reviewed by the agency auditor

Ms. Schneider noted that we had asked for an independent audit of one of our vendors. We contracted with the State Auditor's office to do an audit on our entire procurement process. After the audit came out in March, a team was created to come up with a method to fix the deficiencies and changes were made. She thanked Mr. Carlson, Mr. Gritzmacher, and Ms. Wilson for reviewing these and coming up with some new forms and procedures.

Ms. Schneider also noted that we just received the results of our financial audit. There were three findings:

- * The amount we have chosen to use as the royalty accrual
- * In 2009 they found some forfeitures of sale and a bankruptcy that closed in FY 10. They made us reverse the entry to show it in the fiscal year it occurred. The Finance people didn't back those out for FY 10 so they had to fix those again.
- * The person who gets the notice on insufficient fund checks is also the person who reconciles the bank statement. However, the supervisor reviews all that work so it would be difficult to do anything wrong with it. We have changed, however, who will handle insufficient fund checks.

7. Director's Report

a. Director's Update on Issues

Director Carter reviewed the following issues with the Board:

- * Trust Lands Management Act - - Representative Barrus will be the sponsor. Senator Urquhart will run it in the Senate. He reviewed the changes that are being proposed in the statute. Most of the language being changed is obsolete. Major modifications are:
 - * Input on PCIB spending
 - * Rulemaking procedure
 - * Fee agency
 - * Board member tenure
 - * Land Acquisition
 - * Adjudicative procedures and scope
- * Western States Land Commissioners Association Meeting
 - * Will be in Long Beach January 9 - 13
 - * If any of the Board members are interested in attending, let us know; and we will make arrangements.
- * Budget presentation
 - * Went very well. Director out of town. Mr. Christy was Acting Director. He and Lisa Schneider attended, along with Chairman Brown.
- * Office Location
 - * Showed Board information on proposed location
 - * We will now take numbers, etc., to the Real Estate Committee and also start discussions with the legislative leadership.

7. Director's Report (cont'd)

b. Surface Group Report

I. Concurrence in Changes to R850-60- - Cultural Resources Rules

Mr. Christy stated that, as part of the five-year plan project, Surface was scheduled last year to redo the archaeological rules. We felt it was premature to this before a policy was adopted. The Board adopted policy last year, and we now have the changes in the cultural resources rules before the Board for concurrence. He thanked Mr. Wintch and Ms. Barber-Renteria for working on this process.

Director Carter reviewed the rulemaking process with the Board. Staff brings a policy to the Board. The Board adopts it, and the agency promulgates a rule for the Board's review and concurrence.

Mr. Wintch reviewed the rule with the Board. He also reviewed six goals Staff is pursuing to bring the cultural resources rule into proper compliance. Mr. Lofgren asked who is not going to like these changes and why? Mr. Wintch stated some parts of the archaeological community who think our process should be more like the federal process may not like some of it. Mr. Lofgren asked if, on Goal 3 that defines the "area of potential effects", this could lead to some bad decisions? Director Carter stated this is a difficult balancing act. Trying to stretch the review to other than trust lands is very difficult. We are trying to balance an obligation the legislature has given us with our mandate to generate revenue for the beneficiaries. We had to draw a fine line in this area. Mr. Lofgren asked if we are immune from "consequential damages". Director Carter stated we are not immune from our charge, but we have to do the best we can. Mr. Lofgren asked if we are doing the things we should be doing in this area. Mr. Wintch stated this is a balanced approach, and he feels good about it.

Mr. Mower noted he has read these rules, and he thinks they do leave us in a position to be responsible and provides the opportunity to work with other agencies as necessary. Mr. Wintch stated the proof is really how we behave, and he thinks we have done a great job in showing responsibility to the resource. We have administered this program over the years to the degree that the federal government has decided that transferring land to us is not an "undertaking". This has taken a long time to get to this point.

7. Director's Report (cont'd)

b. Surface Group Report (cont'd)

I. Concurrence in Changes to R850-60- - Cultural Resources Rules (cont'd)

Ms. Bird had some questions regarding people we authorize to do work on our lands who turn their records over to us. Don't they also have to turn over what they find on the land? Mr. Wintch stated they don't take the artifacts from the property. Ms. Bird asked if the rules have dealt with extraordinary things that should leave the site and go to a museum, etc. Ms. Barber-Renteria stated the rule states that anyone who takes anything has to have written approval from the agency. Leaving them in place is the best thing to do for improving understanding of the site. Mr. Wintch noted anything taken from trust lands and put in a museum has to be marked or tagged as being taken from trust lands. Mr. Lofgren asked if those resources have any economic value? Mr. Wintch explained that the statute is explicit that artifacts and specimens from trust lands cannot be sold. The economic benefit would be very indirect. We might could enhance the marketability of the land with cultural resources. Society has accepted that the value of that resource lies in its information value. Mr. Cononelos noted he deals with this issue in both American and foreign countries, and he feels this rule does want we need it to do.

Lofgren / Cononelos. Unanimously approved.

"I move we concur in this rule."

Roll Call:

Mr. Lofgren - - yes

Mr. Ostler - - yes

Mr. Ure - - yes

Mr. Lambert - - yes

Mr. Cononelos - - yes

Mr. Brown - - yes

The rule is as follows:

R850. School and Institutional Trust Lands, Administration.

R850-60. Cultural Resources.

R850-60-100. Authorities.

This rule implements Sections 6, 8, 10, and 12 of the Enabling Act, Articles X and XX of the Utah Constitution, and Subsections 53C-1-302(1)(a)(ii) and 53C-2-201(1)(a) which authorize the Director of the School and Institutional Trust Lands Administration to prescribe the management of cultural resources on trust lands. This rule

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7. Director's Report (cont'd)

b. Surface Group Report (cont'd)

I. Concurrence in Changes to R850-60- - Cultural Resources Rules (cont'd)

outlines the manner by which the agency shall, pursuant to Section 9-8-404, take into account the effect of trust land uses on any historic property and provide the State Historic Preservation Officer with a written evaluation of the effect of the expenditure or undertaking on the historic property. This rule also outlines the manner by which the agency shall authorize pursuant to Section 9-8-305(3)(c) surveys and excavations on trust lands.

R850-60-200. Definitions.

For purposes of this rule:

1. "Area of potential effects" means the trust lands identified by the agency within which a land use activity will take place that has the potential to cause changes in the character or use of historic properties, if any such properties exist on the surface estate of such trust lands.

2. "Discovery property" means any site or archaeological resource that is encountered, found or otherwise made known during the course of land use conducted subsequent to approval of that use by the agency.

3. "Expenditure" means use of the agency's funds for an "undertaking" as defined herein.

4. "National Register" means the National Register of Historic Places, maintained by the United States Secretary of the Interior.

5. "Undertaking" means any trust land use that can result in changes in the character or use of historic properties, if any such historic properties are located in the area of potential effects.

7. Director's Report (cont'd)

b. Surface Group Report (cont'd)

I. Concurrence in Changes to R850-60- - Cultural Resources Rules (cont'd)

R850-60-300. Authorization of Cultural Resource Work.

1. No person shall alter, remove, injure or destroy antiquities or cultural resources on trust lands, without written permission from the agency.

2. For purposes of Section 76-6-902 "consent" to alter, remove, injure or destroy antiquities or cultural resources covered by a restrictive deed covenant means either:

(a) an amendment to the certificate of sale or patent evincing the agency's release of the deed covenant; or

(b) other specific written permission and an archaeological permit issued under Section 9-8-305.

3. No person shall conduct an archaeological survey or excavate (as defined by Section 9-8-302) any cultural resources on trust lands without first obtaining a permit under Section 9-8-305 and written authorization from the agency that fulfills the requirement set forth in R850-41-500.

(a) A condition of such written authorization shall be that the principal investigator, as defined by Section 9-8-302, shall provide the agency with a copy of any records resulting from all such investigations on trust lands that are conducted under the written authorization.

(b) Non-professional documentation of the location, nature, extent and condition of cultural resources on trust lands shall also be subject to R850-60-300(3)(a).

4. A person found in violation of R850-60-300 may be subject to civil and criminal penalties under Sections 76-6-903 and 53C-2-301.

R850-60-400. Archaeological Excavation Permits.

1. Subsection 9-8-305(3)(c) allows for delegation of authority to issue excavation permits to agencies that meet specified criteria. Should the agency obtain such delegation, it shall issue excavation permits for sites on trust lands in accordance with Section 9-8-305 and Rule R694-1.

7. Director's Report (cont'd)

b. Surface Group Report (cont'd)

I. Concurrence in Changes to R850-60- - Cultural Resources Rules (cont'd)

2. Applications for excavation permits shall be made on forms created and maintained by the Public Lands Policy Coordination Office and submitted to the agency in a timely manner and with enough lead time to allow for review and modification of the excavation plan or research design for the proposed investigation.

(a) The agency shall respond to an application for excavation permit in a timely manner.

(b) The agency may request information other than what is required by Section 9-8-305 and Rule R694.

3. All excavation permits shall be issued with the following requirements:

(a) The permittee shall provide reports documenting results of the work and data obtained, and deliver relevant records, site forms, and reports to the agency within the time specified in the permit.

(b) Any permittee who discovers human remains shall notify the agency and other appropriate agencies pursuant to Section 76-9-704 and Rule R850-61.

(c) The agency may include other requirements as necessary.

4. Unless the proposed excavation is being conducted to facilitate execution of an expenditure or undertaking that is already the subject of Section 9-8-404 compliance, then the issuance of an excavation permit by the agency shall be considered an undertaking for purposes of Section 9-8-404.

R850-60-500. Identifying Historic Properties.

1. Following the agency's determination that a proposed trust land use constitutes an undertaking, the agency shall establish the undertaking's area of potential effects. Thereafter, the agency shall collect and review existing information about historic properties that may be located within the area of potential effects. As part of this process, the agency may seek information from the State Historic Preservation Officer (SHPO), Indian tribes, local governments, other state or federal agencies or any other interested parties likely to have knowledge or concerns about cultural resources in the area. The agency may delegate this collection of information to an appropriate person.

2. Based on this review, the agency shall make a reasonable and good faith effort to identify historic properties that might be affected by an undertaking and shall gather sufficient information to evaluate the eligibility of these properties for the National Register.

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7. Director's Report (cont'd)

b. Surface Group Report (cont'd)

I. Concurrence in Changes to R850-60- - Cultural Resources Rules (cont'd)

R850-60-600. Identification Responsibilities.

1. The agency may conduct cultural resource surveys on trust lands in the order of priority determined by the agency. The agency shall assign a higher priority to those cultural resource surveys for proposed uses which the agency has determined will best fulfill the trust land management objectives in R850-2-200. Agency personnel shall not normally conduct cultural resource surveys for mineral exploration or development, for easements, for surface use leases, or for projects where federal, other state or local government agencies are the applicants.

2. The director shall decide whether a cultural resource survey shall be conducted on behalf of the agency, by whom it shall be conducted, and the scope and extent to which it shall be conducted.

3. The director shall decide who will pay the cost of the cultural resource survey, when that cost shall be incurred, how much of the total cost shall be recovered, and from whom it shall be recovered. The agency may request from an applicant or interested party payment of the cost of a cultural resource survey prior to the survey being conducted.

(a) If the party providing payment for the cultural resource survey is successful in his or her bid for the use or purchase of the trust land in question, then the agency shall not reimburse the bidder for the cost of the survey.

(b) If the party providing payment for the cultural resource survey is unsuccessful in his or her bid for the trust land in question, the agency shall reimburse that party the same amount the agency received as payment for the cultural resource survey.

R850-60-700. Evaluating Eligibility.

1. The agency shall make a determination of the eligibility for the National Register for each site identified within the undertaking's area of potential effects. The passage of time, changes in the nature of the undertaking or changing perceptions of significance may justify re-evaluation of sites that were previously determined to be eligible or ineligible for purposes of Section 9-8-404.

7. Director's Report (cont'd)

b. Surface Group Report (cont'd)

I. Concurrence in Changes to R850-60- - Cultural Resources Rules (cont'd)

2. If the agency finds that either there are no historic properties present within the area of potential effects or there are historic properties present but the undertaking will have no effect on them as defined herein, the agency shall make a finding of "No Historic Properties Affected" and provide the SHPO with a written evaluation in support of that finding. If the SHPO does not reply within the time specified in Subsection 9-8-404(3)(a) or within the time period agreed to by the parties, then the agency may presume that the SHPO concurs with the agency.

3. If the agency finds that there are historic properties within the area of potential effects and the undertaking may cause changes in the character or use of historic properties, the agency shall make an assessment of effect in accordance with R850-60-800.

R850-60-800. Assessing Effects.

1. The agency shall assess the effect of a proposed trust land use or disposition on historic properties by applying the following:

(a) Criteria of adverse effect. An adverse effect is found when an undertaking may alter, directly or indirectly, any of the characteristics of a historic property that qualify the property for inclusion in the National Register in a manner that would diminish the integrity of the property's location, design, setting, materials, workmanship, feeling, or association. Adverse effects may include reasonably foreseeable effects caused by the undertaking that may occur later in time, be farther removed in distance or be cumulative.

(b) Examples of adverse effects. Adverse effects on historic properties include:

i) physical destruction of or damage to all or part of the property;

ii) alteration of a property, including restoration, rehabilitation, repair, maintenance, stabilization, hazardous material remediation;

iii) removal of the property from its historic location;

iv) neglect of a property which causes its deterioration, except where such neglect and deterioration are recognized qualities of a property; or

v) disposal of trust lands without adequate restrictions or conditions to ensure long-term preservation of the property's historic significance.

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7. Director's Report (cont'd)

b. Surface Group Report (cont'd)

I. Concurrence in Changes to R850-60- - Cultural Resources Rules (cont'd)

(c) Finding of no adverse effect. The agency may make a finding of no adverse effect when the undertaking's effects do not meet the criteria of paragraph (1)(a) of this section or the undertaking is modified or conditions are imposed to avoid adverse effects.

2. The agency shall consult the SHPO regarding the finding of effect. If the SHPO does not provide the agency with comment within the time frame set forth in Section 9-8-404, the SHPO is presumed to agree with the agency's finding of effect.

3. The director may establish treatment options in consultation with the SHPO that may include:

- (a) archaeological data recovery;
- (b) "alternative" or "creative" mitigation;
- (c) physical treatment to alleviate or minimize the adverse effect(s);
- (d) historic property documentation; or
- (e) simple case documentation.

The director will make the final decision regarding any treatment options.

R850-60-900. Discoveries.

1. Upon discovering a site, a user of trust lands shall immediately cease all activities until such time as the discovery has been evaluated and treated to the director's satisfaction.

R850-60-1000. Emergency Undertakings.

The director may waive cultural resource management considerations when responding to wildland fires, flood control and other emergency actions.

R850-60-1100. Programmatic Agreements.

The agency may enter into programmatic agreements with the SHPO, or with other state or federal agencies, and with local governments for compliance with Section 9-8-404 or other pertinent state statutes. The agency may also cooperate with federal agencies in federal programmatic agreements where practicable and appropriate.

7. Director's Report (cont'd)

b. Surface Group Report (cont'd)

I. Concurrence in Changes to R850-60- - Cultural Resources Rules (cont'd)

R850-60-1200. Records.

1. The agency shall submit one copy each of all site forms, survey and data recovery, treatment or mitigation reports prepared by the agency to the SHPO. All permittees preparing similar data or conducting work in accordance with R850-60-400 shall furnish two sets of the results of their work, one of which the agency will submit to the SHPO.

2. Records and data containing site location information which could jeopardize the integrity of those sites shall be provided protected records status pursuant to Subsection 63G-2-305(26).

II. LaSal OHV Project Follow-up

Mr. Christy and Chris Fausett reviewed this project with the Board. They gave the Board some maps showing the trail system on the North and South LaSal blocks. These are two of our premier blocks. We have a very good collaborative effort with stakeholders and other agencies on this project. We now have a road grid of approximately 135 miles. Mr. Christy noted that Ms. Vicky Varela, a professional PR specialist, helped us with this project. Ms. Varela reviewed with the Board what our overall PR strategy was and how we did things to build SITLA's reputation as a steward of the land. We did this through a massive information campaign; i.e., interactive website, an organized event on the ground, engaging high-profile users, and using the traditional news media. We are also using some of these people to put together a video on proper use of OHVs and responsible use on trust lands. We have a good partnership with the Division of Parks and Recreation. We are having a contest and will give some good prizes, donated by those putting it together. This project will launch in early March and go through May. We are also continuing to collaborate with all the stakeholders. We sent over 150 e-mails regarding our stewardship on this area. Ms. Varela showed the Board a video that will run in Moab every day on their t.v. station for about a year. She noted she got better acquainted with SITLA while working on this project and was very impressed with its leadership and great stewardship.

Mr. Christy stated this project took much time and energy on our part. We used the OHV surcharge to fund this project. He thinks this transcends beyond this specific project and will help us in the future on other issues. He expressed appreciation to our great Staff who worked hard on this project.

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7. Director's Report (cont'd)

b. Surface Group Report (cont'd)

II. LaSal OHV Project Follow-up (cont'd)

Mr. Cononelos stated this was a commendable job on this project. He asked how students are being contacted to be informed on this. Ms. Varela stated we are working through Parks and Recreation, who has worked with students and the State Office of Education in the past. We will do things on U-Tube. Mr. Cononelos stated this is a great way of re-enforcing to teachers the value of trust lands. Mr. Lofgren asked Staff if they think we make more money from the surcharge than we would by leasing this out to someone who would make us money on it. Mr. Christy stated the statute states we can't use the money to make more money with it, but only to improve the land, etc. We get about \$100,000 per year on commercial activities on OHV uses. We might could double or triple that. Director Carter noted that many of these trails are recognized by the county, and it would cause us great stress to try to lease them. Mr. Ure stated this video shows using the land and having respect for it. Maybe we can use the same concept in the hunter access issue.

III. Update on October 2010 Land Sale

Mr. Christy reviewed the highlights of the October 2010 land sale as follows:

- * Two parcels offered
 - * Montezuma Creek - Parcel G (4.2 acres) - Sold
 - * Montezuma Creek - Parcel E (1.25 acres) - Unsold

- * Sale Income: \$201,000

- * Parcel H (1.46 acres) offered/sold
 - * May 2010 for \$89,500

Mr. Christy reviewed the land history in the Montezuma Creek area and our relationship with the Navajo Nation. He reviewed the environmental work the agency has done on the land in this area. In the October sale, the only parcel that was sold was to the Red Mesa Express. We are not spending any more money on environmental issues.

7. Director's Report (cont'd)

c. Oil and Gas Report

I. Oak City Other Business Arrangement Discussion and Presentation

Ms. Garrison explained that this is an OBA that has been negotiated on the Oak City block. She reviewed it with the Board through a power-point presentation.

- * Oak City Request for Proposals 2011 objective
- * Objective: Review and evaluate OBA applications on the Oak City block. If an acceptable bid is received, bring OBA proposal to the Board for approval. (Review other undrilled blocks to see if there are any others that would lend themselves to an OBA using the RFP proposal).
- * Request for Proposal Process
 - * Prepare RFP for target audience - - 90 days to respond by August 31, 2010
 - * Mail to 300+ addressees on our OG lease offering list
 - * Sent to OHS for publication in its national booklet
 - * Review bids received
 - * Notified successful bidder - September 14, 2010, of the agency's intent to continue negotiations with them.
 - * Met with company principals
 - * Draft agreement prepared by bidder's staff
 - * Revisions made
 - * Revised agreement reviewed by the SITLA Legal Group and approved as to form
 - * Agreement presented to the Board for comment and approval.
- * Terms of Agreement
 - * Bonus due at signing - - \$100,000
 - * Five-year initial drilling term to earn interest in 29,108.88 mineral acres (25,485.06 surface)
 - * Geophysical commitment
 - * Year 1-2 - - airborne surveys over entire block and 3D seismic on 20 percent of the block or drilling equal to an expenditure of \$500,000 additional
 - * Year 3 - - 3D up to 10 percent additional acreage
 - * Year 4 - - 3D up to 40 percent additional acreage
 - * Year 5 - - 3D balance of acreage

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7. Director's Report (cont'd)

c. Oil and Gas Report (cont'd)

I. Oak City Other Business Arrangement Discussion & Presentation (cont'd)

- * Drilling commitment
 - * May drill a well in year 1 to offset the \$500,000
 - * Drill every six months to discovery
 - * Drill to earn by section with option to lease four contiguous sections for \$5/acre
- * Lease Terms
 - * 17.5 percent landowner royalty
 - * \$2.5/acre annual rental
 - * Five-year term
- * Option to extend for an additional five years by demonstrating diligence in drilling wells at the end of the first five-year period.
- * Option to unitize at some point in the future

Mr. Phil Lear, attorney for Sevier Exploration, prepared the agreement for our review. He and Mr. Nitesh Gor, of Sevier Exploration, appeared before the Board to answer any questions. Mr. Gor gave the Board some background information on Sevier Exploration. This is their first venture in the United States. They will engage engineers, etc., for the drilling, but the project will be managed by Mr. Gor.

Mr. Lambert stated he has reviewed the exploration agreement and thinks it looks good and has a great royalty for us. The other options would be to open this land up for bid, and it would probably cause less activity and less aggressive exploration. To block it up is an asset to us.

Lambert / Ostler. Motion approved.

“I move that we approve this agreement.”

Roll Call:

Mr. Lofgren - - yes	Mr. Ostler - - yes
Mr. Ure - - absent at vote	Mr. Lambert - - yes
Mr. Connelos - - yes	Mr. Brown - - yes

7. Director's Report (cont'd)

d. Mineral Revenue Sharing Discussion

Mr. Ron Carlson gave the Board a power-point presentation on this issue as follows:

- * Federal Mineral Revenue sharing
 - * U.S. General Mining Act of 1872
 - * Hydrocarbons classified as locatable
 - * U.S. Mineral Leasing Act of 1920
 - * Hydrocarbons reclassified from locatable to leasable
 - * Granting states 50 percent of leasing and production revenues
 - * Participating states use this money in various ways
 - * Utah's share is directed by state statute

- * SITLA Mineral Revenue Sharing
 - * Started with the Monument Exchange in FY 99
 - * Funds result from leasing hydrocarbons
 - * Significant participating tracts in Carbon and Emery Counties
 - * UCA 53C-3-202 directs disbursement of collected funds
 - * 27 out of 29 counties participate in the revenue stream

Mr. Carlson gave the Board a chart showing collections and allocations from FY 1999 through FY 2010. This was for information to the Board.

e. Associate Director's Report

I. Update on Recreation Land Exchange

Mr. Andrews stated the Recreation Land Exchange was passed in August 2009. It provided for a NEPA review. There was some dispute on this. BLM has finally figured out how to process this exchange, and it is awaiting final approval by the BLM Director. The Moab BLM office has been assigned NEPA review, and it is underway. There is an endangered plant in the Uinta Basin. It is found primarily on areas that host oil shale. Some want to use this as the reason not to see oil shale development. At the time of the exchange, we thought we had a handle on this plant issue. He didn't think this was part of the exchange. The Bush Administration didn't think the lands were included. There is now a law suite to delist this plant. However, as far as we know, all the lands with these plants have been taken out of the exchange package. We need to

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7. Director's Report (cont'd)

e. Associate director's Report (cont'd)

I. Update on Recreation Land Exchange (cont'd)

do some surveying to make sure we will be geared up for full appraisals at the beginning of this spring. The exchange is progressing, but is about a year behind the formal schedule. We should be closing the exchange about a year from now.

Mr. Andrews also updated the Board on the BLM administrative process on exchanges. This is even worse than the legislative process. It makes it impossible to deal with minerals in exchanges. We have about a \$12 million exchange in the St. George area.

II. Army Corp of Engineers Discussion

Mr. Andrews noted that this item needed to be discussed in closed session due to the possibility of litigation.

Lofgren / Oster. Unanimously approved.

“I move we go into closed session for the discussion of potential litigation and land strategy.”

Roll Call:

Mr. Lofgren - - yes

Mr. Ostler - - yes

Mr. Ure - - yes

Mr. Lambert - - yes

Mr. Cononelos - - yes

Mr. Brown - - yes

The Board went into closed session at 12:56 p.m. Those in attendance were Board members, Kevin Carter, John Andrews, Kim Christy, Tim Donaldson, Margaret Bird, Paula Plant, Doug Buchi, LaVonne Garrison, and Lynda Belnap.

The Board stayed in closed session for the discussion of the next two items.

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7. Director's Report (cont'd)

e. Associate director's Report (cont'd)

III. Discussion of Potential Litigation

The Board continued this item in closed session as noted in the above item.

IV. Discussion of Strategy to Deal With Land Tenure Issues

The Board continued in closed session as noted above. Mr. Lofgren left the meeting during this discussion.

The Board returned to open session at 1:45 p.m.

Ure / Ostler. Motion approved.

"I move that we return to open session."

Roll Call:

Mr. Lofgren - - absent at vote	Mr. Ostler - - yes
Mr. Ure - - yes	Mr. Lambert - - yes
Mr. Cononelos - - yes	Mr. Brown - - yes

8. Consent Calendar

Approval:

a. Other Business Arrangement - Thunderbird Energy, Inc. - Carbon County, Utah

There were no comments on this item, so it is approved.

b. White Dome Phase IV Acquisition by The Nature Conservancy

There were no comments on this item, so it is approved.

8. Consent Calendar (cont'd)

Notification:

c. Fire Station Sale - - Castle Valley - - Grand County, Utah

The Board had no comments on this item.

d. Second Amendment to Ivory Development Lease #754

Mr. Lofgren noted that this provides for a parcel of land that is unuseable to be sold to an adjoining landowner. He thinks at this time, it is fine, but thinks this begs a policy issue on an ongoing basis. He suggests that the Board accept this, but that the Real Estate Committee be directed to prepared a policy on it. This item was for notification to the Board, and this overall matter will be sent to the Real Estate Committee to prepare a policy on this issue for future cases.

Meeting adjourned at 1:46 p.m.