



United States Department of the Interior BUREAU OF LAND MANAGEMENT

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RETURN RECEIPT REQUESTED

Karl Watson, Jr.
President
CEMEX U.S. Operations
929 Gessner Road, Suite 1900
Houston, Texas 77024

Dear Mr. Watson:

Comments by CEMEX representatives at our recent meeting were underscored by recent news reports that CEMEX has informed the City of Santa Clarita that it is beginning work on updating its permits. You have publicly stated you intend to start operations at the Soledad Canyon mining project site. It has now been over fourteen years since the Bureau of Land Management (BLM) issued its Record of Decision (ROD) for the Soledad Canyon Sand and Gravel Mining Project. I am writing, in part, to remind CEMEX about key provisions in that decision and in the contracts. I am also writing to open discussions regarding the resolution of issues associated with the contracts.

The BLM's approval in August 2000 is subject to significant conditions. First, CEMEX is required to consult with and obtain approvals from the relevant regulatory agencies, including Los Angeles County, the California Department of Conservation, the California Regional Water Quality Control Board, the California State Water Resources Control Board, the South Coast Air Quality Management District, the Corps of Engineers, the California Department of Fish and Wildlife and the U.S. Fish and Wildlife Service. As the ROD notes, these agencies may require additional environmental analyses before granting any permits. CEMEX is also required to obtain any other permits or authorizations required by law. It is the BLM's assessment that CEMEX has not completed the necessary consultations and has not obtained all of the necessary approvals and permits to begin operations. For example, CEMEX has not obtained the necessary General Industrial Activities Stormwater Permit or the South Coast Air Quality Management District permits for fueling and maintenance facilities, equipment operations and dust emissions discharge.

Second, CEMEX must comply with the Mitigation and Monitoring Program included in Appendix A of the ROD, the mining reclamation plan provisions, and the bonding requirements described in the ROD.

Since the BLM gave its conditional approval in 2000, CEMEX has failed to exercise due diligence in fulfilling the terms of its two mineral materials sales contracts. Over the years, the BLM has repeatedly asked CEMEX for a written schedule and timeline for completing required activities under the contracts. Each time the BLM made these requests, CEMEX cited an ongoing “truce” it had with the City of Santa Clarita as the reason it had not yet secured the remaining permits. CEMEX entered into its so-called “truce” with the City of Santa Clarita just after it had succeeded in lawsuits challenging its development plans. The BLM was not a party to the “truce” between CEMEX and the City.

In fact, during the past fourteen years, the BLM provided extensive litigation support to CEMEX and granted extended time for CEMEX to fulfill the contract terms while repeatedly asking for timelines and schedules. CEMEX has not succeeded in producing mineral materials or informing BLM of a clear plan for fulfilling the contract terms.

Moreover, during the intervening fourteen years since the BLM conditionally approved the mining project, the situation has dramatically changed. Traffic loads on local highways and roads have changed. The San Gabriel National Monument was designated in 2014 and is adjacent to the mine site. Environmental analysis is no longer current, and it is unlikely that prior environmental documentation is adequate for the remaining permits. The opposition to the mining project has only grown stronger as the population of the City of Santa Clarita has grown.

In light of all of the changed circumstances, the BLM no longer believes that the old environmental analysis and record will be sufficient to support CEMEX in its efforts to obtain the remaining permits and authorizations. It is unclear how, or if, this development can proceed. At this stage, CEMEX’s lack of diligence in fulfilling the terms of the contracts, coupled with changed circumstances, makes a process to consider cancellation of the contracts legally available.

Despite CEMEX’s lack of diligence and the BLM’s view that cancelling the contract is now legally viable, the BLM is willing to discuss whether there are other avenues for bringing this matter to a close without development of the mineral materials at this site. The BLM would be open to exploring available options, including some combination of administrative and legislative options.

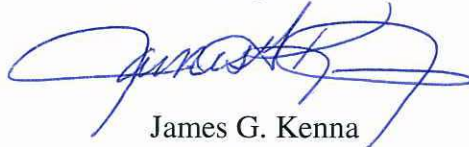
Over the years, a variety of legislative proposals have failed, in part because they were founded on a faulty understanding of CEMEX’s interests. The fundamental misunderstanding is that CEMEX holds some type of property interest, rather than recognizing that CEMEX has contractual obligations, which it has not fulfilled. None of the legislative proposals received support from the Department of the Interior because the proposed legislation would have required taxpayer funds and public lands to buy out contracts that CEMEX has not fulfilled and awarded exorbitant amounts of money not warranted by the terms of the contracts. Under section 4 of the contracts, CEMEX does not take title to any of the mineral materials sold at the site until the materials are severed, extracted or removed from the ground. In fact, CEMEX is obligated to make payments for production, or non-production. No payments beyond the bid deposit have been made. Consequently, today, because of CEMEX’s own actions, it does not have title to any of the mineral materials at the Soledad Canyon site.

During the past fourteen years, the BLM has supported CEMEX in litigation and done nothing to stand in CEMEX’s way to develop the materials under contract. Therefore, all of the delay in development has been based on CEMEX’s own actions and with its full agreement. For these reasons, we believe CEMEX should reconsider the monetary demands it is making when negotiating any resolution of

this matter. If CEMEX is willing to do so, we believe there is a way forward to resolve this matter amicably in an open dialogue between CEMEX, the California congressional delegation, the City of Santa Clarita and the BLM.

I look forward to working with you to resolve this important issue for California.

Sincerely,



James G. Kenna
State Director

cc: Cliff Kirkmyer, Executive Vice President, Aggregates & Mining Resources, CEMEX USA
Mayor Laurene Weste, City of Santa Clarita
Supervisor Michael Antonovich, Fifth District
Senator Barbara Boxer, United States Senate
Senator Dianne Feinstein, United States Senate
Congressman Steve Knight, U.S. House of Representatives
Congresswoman Judy Chu, U.S. House of Representatives
Congressman Brad Sherman, U.S. House of Representatives