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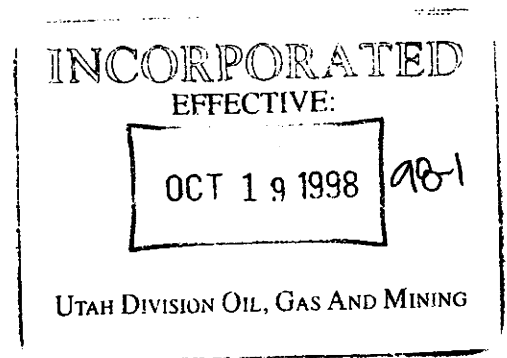
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DIV OF OIL GAS & MINING

CHAPTER 8  
BONDING AND INSURANCE

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## CHAPTER 8 BONDING AND INSURANCE

### 810 BONDING DEFINITIONS AND DIVISION RESPONSIBILITIES

This chapter provides information regarding the bonding for coal mining and reclamation operations at the Dugout Canyon Mine. CFC will have on file with the Division a bond or bonds made payable to the Division for performance of all the requirements of the State Program.

### 820 REQUIREMENT TO FILE A BOND

The disturbed area (53.8 acres plus 2.7 Pace Canyon Fan Facility = 56.5) covered by the bond is outlined on Plates 5-2, RA 5-1 and PC 5-2 of this M&RP. The disturbed area and specific acres to be reclaimed are discussed in Section 340. The performance bond period is for the duration of the coal mining and reclamation operations including the extended period designated by the Division. The bond is in the form of a surety bond and is described in Section 860.

### 830 DETERMINATION OF BOND AMOUNT

The reclamation bond for the Dugout Canyon Mine is \$2,400,000 (2007 dollars). The most current formulas from the Office of Surface Mining, *Handbook for Calculation of Reclamation Bond Amounts*, April 2000 were used to determine the coverage necessary for reclamation (Means, 2002). Additional details concerning the estimate can be found in Section 540, 550, and Appendix 5-6.

The present bond on file with the Division should be sufficient to cover the reclamation bond. However, if an adjustment in the bond coverage is necessary, the amount will be increased/decreased per the Division's requirements.

#### 840 GENERAL TERMS AND CONDITIONS OF THE BOND

The performance bond is in the amount determined by the Division as described in Section 830 and payable to the Division. In the event the surety company becomes insolvent, the Division will be notified by CFC. The surety company and permittee will notify the Division of any changes in the bonding terms for Canyon Fuel Company, LLC and its subsidiary Soldier Creek Coal Company. Duration of the bond is described in Section 820.

#### 850 BONDING REQUIREMENTS FOR UNDERGROUND COAL MINING AND RECLAMATION ACTIVITIES

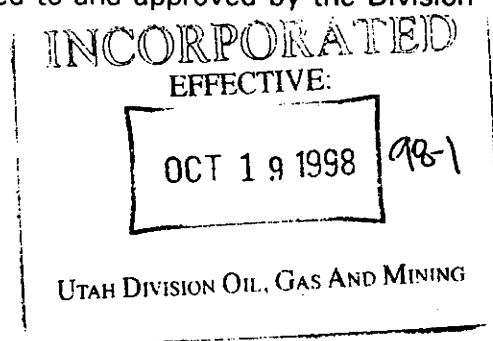
Dugout Canyon Mine qualifies for a long-term period of liability and therefore will comply with the stipulation that the bond coverage be extended 30 days prior to the expiration of the bond term. A performance bond for a new term will be submitted to the Division 30 days prior to expiration of coverage of the previous bond.

#### 860 FORMS OF BONDS

The surety bond for the applicant will be executed by a corporate surety licensed in the state of Utah when this M&RP has been approved. The surety bond will be noncancellable during its term except with the prior consent of the Division.

#### 870 REPLACEMENT OF BONDS

CFC does not plan to replace the bond for the disturbed area. However, should a replacement bond be required, the replacement bond will be submitted to and approved by the Division prior to the cancellation of the original bond.



Canyon Fuel Company, LLC  
SCM/Dugout Canyon Mine

Mining and Reclamation Plan  
September 1998

### 880 REQUIREMENTS TO RELEASE PERFORMANCE BONDS

The applicant will comply with the requirements described in Section R645-301-880 of the Division regulations when applying for the release of performance bonds.

### 890 TERMS AND CONDITIONS FOR LIABILITY INSURANCE

Certificates of Insurance issued for the Dugout Mine are included as Appendix 1-2. The policy provides for personal injury and property damage protection concurrent with the minimum amounts designated in R645-301-890.100. Certificates of Insurance are applicable to coal mining and reclamation operations as proposed in this M&RP.

The insurance policy will be maintained in full force during the life of the mining permit including the liability period necessary to complete all reclamation operations. The policy will include a rider stating that the Division be notified of any changes in the policy including termination or failure to renew.

