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State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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August 15, 1994

TO: Daron Haddock, Permit Supervisor

FROM: Wayne H. Western, Reclamation Engineer *WHW*

RE: Castle Gate Bond Escalation, AMAX Coal Company, Castle Gate Mine, ACT/007/004, Folder #2, Carbon County, Utah

According to your request I have analyzed Castle Gate's bond escalation calculations and determined they are accurate. AMAX Coal Company has calculated the bond amount to be \$4,415,505 in year 2000. I recommend that the Division accept the bond amount. The actual cost of reclamation should be less since the Operator has done a considerable amount of reclamation work and there has been no bond release.

In 1991 the Operator calculated the bond amount to be \$3,698,782.87 and escalated this in 1994 to \$3,920,910, by using Means' historical cost index. Using the current escalation rate the Operator escalated the bond for year 2000 dollars. The escalation rate used to project the bond to January 2000 was the average of Means' for the past three years. That method has been used by the Division to adjust the bond without doing detailed bond calculations.

CASTLEB.WHW