



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

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August 27, 1997

TO: File

THRU: Daron Haddock, Permit Supervisor *DH*

FROM: Wayne H. Western, Senior Reclamation Specialist *WHW*

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

Summary:

The Division and Permittee reviewed the bond calculations for the Castle Gate Mine. Some errors in the Division's calculations were corrected and the indirect costs were adjusted.

Analysis:

The Division and the Permittee reviewed the bond calculations and discovered a subtraction error for the Sowbelly project. That error was corrected.

The Permittee asked if the bond could be reduced for the demolition work done at Hardscrabble. The Division reminded the Permittee that a bond reduction can only be given as part of a bond release. The Permittee has not requested bond release for Hardscrabble Canyon.

The Division reviewed the indirect costs and reduced the contingency amount. The Division knows that most of the demolition work at Hardscrabble was completed. In the event that the Permittee forfeited the bond the Division would not have to pay for demolition. The purpose of the contingency is to cover costs that will occur but are not yet identified. If the Division did in counter unidentified cost, the money that would have been used for demolition could be used to cover those expenses. The Division's decreased the contingency amount decreased from 10% to 5%.

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A summary sheet for the bond calculations is attached to this memo. The Division determined the bond amount for the Castle Gate Mine to be \$1,798,000.

Recommendation:

The bond for the Castle Gate Mine should be set a \$1,798,000.

**Total Bond Amount Castle Gate Mine
Until Dec. 1999**

Adit No. 1	\$123,000
Hardscrabble	\$1,305,000
Sowbelly	\$370,000
Total Bond Amount	\$1,798,000