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

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NOA 71

OK

August 14, 2002

TO: Internal File
THRU: Joe Helfrich, Senior Reclamation Specialist/Team Lead *JH*
FROM: Wayne H. Western, Senior Reclamation Specialist/Engineering *WHW*
RE: Midterm Review of the Castle Gate Mine, Castle Gate Holding Company, Castle Gate Mine, C/007/004-MT02

SUMMARY:

As part of the midterm review of the Castle Gate Mine, the Division reviewed the reclamation cost estimate. The Division is in the process of determining if most of the Hardscrabble and Sowbelly site should received Phase II bond release. Any reductions in the bond amount because of the sites have met the requirements of Phase II bond release will be done separately from the midterm review.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

Determination of bond amount

As part of the midterm review, the Division examines the reclamation cost estimate. The main purpose is to determine if there is adequate bond to ensure reclamation in the event of bond forfeiture. The Division usually looks at the site to determine if any activities have occurred that require additional bond and if any bond adjustment is needed do to escalation or current costs.

TECHNICAL MEMO

The Division has scheduled Phase II bond release inspection for the Hardscrabble and Sowbelly site on August 22, 2002. During the bond release process, the Division will determine what bond adjustment if any should be granted to the site.

Table 1 gives a breakdown of the different site and the bond amount.

Table 1. Summary of bond amounts for the Castle Gate Mine.

	Sowbelly	Hardscrabble	Adit No. 1	Total
Acres	21	39	3	63
Current Bond Amount	\$369,946	572,000	\$129,054	\$1,071,000
Amount Proposed for Release	(\$136,946)	(\$253,900)		(\$390,846)
Bond remaining for Substation and road Reclamation	Included in Revegetation	\$83,000		
Revegetation Cost	233,000	\$235,000		
Bond Amount remaining	\$233,000	\$318,000	\$129,054	\$680,154

As part of the Phase II bond release submittal, the Permittee is seeking a reduction in the bond amount by \$390,846. In addition to the Phase II bond release the Permittee is also planning on reclaiming the substation at the Hardscrabble site and the road and substation at the Sowbelly site.

The current bond amount is in 2004 dollars. The projected escalation rate is 2.44% is very close to the actual escalation rate of 2.82%. Therefore no bond adjustment is needed due to changes in escalation.

Findings:

The information provided in the bond release application meets the minimum bond and insurance sections the regulations.

RECOMMENDATIONS:

The Division should not take any action at this time regarding the bond amount. Adjustments to the bond amount should be done during the Phase II bond release investigation that will be done on August 22, 2002.