



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

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5340 telephone
(801) 359-3940 fax
(801) 538-7223 TTY
www.nr.utah.gov

Michael O. Leavitt
Governor
Robert L. Morgan
Executive Director
Lowell P. Braxton
Division Director

August 14, 2002

Johnny Pappas, Senior Environmental Engineer
Castle Gate Holding Company
P.O. Box 30
Helper, Utah 84526-0030

Re: Results of the Midterm Review, Castle Gate Holding Co./Castle Gate Mine, C/007/004-MT02, Outgoing File

Dear Mr. Pappas:

The Division has completed a review of the Castle Gate facility as required by R645-303-211. You should recall that the items under review were as follows:

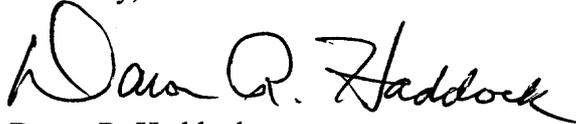
1. An AVS check to ensure that Ownership and Control information is current and correct.
2. A review of the plan to ensure that the requirements of all permit conditions, division orders, notice of violation abatement plans, and permittee initiated plan changes are appropriately incorporated into the plan document.
3. A review of the applicable portions of the permit to ensure that the plan contains commitments for application of the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area.
4. A review of the bond to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate year dollars.

The results of the review are contained in the enclosed review documents. As there are no deficiencies this concludes the Midterm Review for the Castle Gate facility. Your Midterm Review is approved effective August 9, 2002. Thank you for your participation in this review process.

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Johnny Pappas
August 14, 2002

If you have any questions regarding the Midterm Review please don't hesitate to call me at (801) 538-5325, or Joe Helfrich at (801) 538-5290.

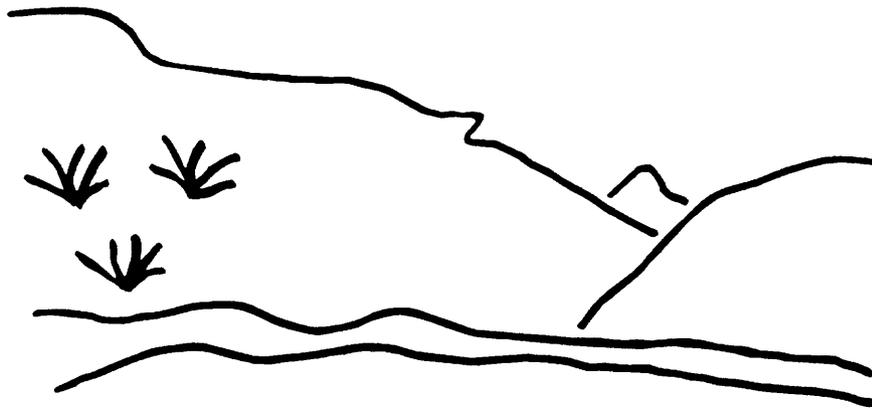
Sincerely,

A handwritten signature in black ink that reads "Daron R. Haddock". The signature is written in a cursive style with a large initial "D".

Daron R. Haddock
Permit Supervisor

an
cc: Dennis Oakley
Price Field Office
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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Castle Gate
Midterm Review
C/007/004-MT02
Technical Analysis
August 12, 2002

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INTRODUCTION

TECHNICAL ANALYSIS

INTRODUCTION

The Division is responsible to enforce provisions of the Surface Mining Control and Reclamation Act of 1977(SMCRA). The state is an agent for Federal Government and enforces SMCRA through the rules of the Coal Regulatory Program. Therefore when mines submit a Permit Application Package or an amendment to their Mining and Reclamation Plan, the Division reviews the proposal for conformance to those regulations. This Technical Analysis is such a review.

In order to streamline the review process, readers of this document must be aware that the regulatory requirements are included by reference. A complete and current copy of these regulations can be found at <http://ogm.utah.gov/coal>.

The midterm review for the Castle Gate Mine was initiated by way of Division correspondence to Johnny Pappas, Senior Environmental Engineer on June 17, 2002. The following items were chosen for review:

1. An AVS check to ensure that Ownership and Control information was current and correct.
2. A review of the plan to ensure that the requirements of all permit conditions, division orders, notice of violation abatement plans, and permittee-initiated plan changes were appropriately incorporated into the plan document.
3. A review of the applicable portions of the permit to ensure that the plan contained commitments for application of the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area.
4. A review of the bond to ensure that it is in order and that the cost estimate was accurate and was escalated to the appropriate year dollars.
5. The Division staff members, (Daron Haddock, Mike Suflita, Wayne Western, and Gregg Galecki), conducted a technical site visit in conjunction with the assigned compliance inspector, (Joe Helfrich), on August 7, 2002 to document the status and effectiveness of operational, reclamation, and contemporaneous reclamation practices.

The facilities in Hardscrabble and Sowbelly Canyons have been reclaimed and are currently

INTRODUCTION

being evaluated for Phase II bond release. The remaining #1 Adit and associated power facilities will undergo reclamation in the fall of 2002.

GENERAL CONTENTS

GENERAL CONTENTS

IDENTIFICATION OF INTERESTS

Regulatory Reference: 30 CFR 773.22, 778.13; R645-301-112.33

Analysis:

The ownership and control information is provided for in chapter one of the MRP and updated each year in the annual report. An AVS inquiry was conducted on June 26, 2002. Castle Gate Holding Company is associated with eight violations that are under settlement agreements. The linking entities are common officers.

Findings:

The Castle Gate facility meets the regulatory requirements for this portion (item #1) of the midterm review.

VIOLATION INFORMATION

Regulatory Reference: 30 CFR 773.15(b), 773.23, 778.14; R645-300-132, -301-113.

Analysis:

There are no outstanding notice of violation abatement plans for the Castle Gate facility. There have been no coal mining and reclamation operations in the name of Castle Gate Holding Company revoked or suspended nor has there been a performance bond forfeited in the five years proceeding this review.

Findings:

The Castle Gate facility has met the regulatory requirements for this portion (item #2) of the midterm review.

SPECIAL CONDITIONS OR STIPULATIONS TO THE PERMIT APPROVAL

Regulatory References: 30 CFR 773.17; R645-300-140; R645-300-145.

Analysis:

The permit was renewed on December 24, 1999 and expires December 24, 2004. One stipulation is attached to the permit. The stipulation requires water-monitoring data to be submitted electronically into the Division's Water Quality Database. Johnny Pappas has completed the data entry as required.

Findings:

There are no special conditions or stipulations attached to the current permit. The permittee-initiated plan changes have been incorporated into the plan document. The Castle Gate facility has met the regulatory requirements for this portion (item#2) of the midterm review.

RECLAMATION PLAN

RECLAMATION PLAN

GENERAL REQUIREMENTS

Regulatory Reference: PL 95-87 Sec. 515 and 516; 30 CFR 784.13, 784.14, 784.15, 784.16, 784.17, 784.18, 784.19, 784.20, 784.21, 784.22, 784.23, 784.24, 784.25, 784.26; R645-301-231, -301-233, -301-322, -301-323, -301-331, -301-333, -301-341, -301-342, -301-411, -301-412, -301-422, -301-512, -301-513, -301-521, -301-522, -301-525, -301-526, -301-527, -301-528, -301-529, -301-531, -301-533, -301-534, -301-536, -301-537, -301-542, -301-623, -301-624, -301-625, -301-626, -301-631, -301-632, -301-731, -301-723, -301-724, -301-725, -301-726, -301-728, -301-729, -301-731, -301-732, -301-733, -301-746, -301-764, -301-830.

HYDROLOGIC INFORMATION

Regulatory Reference: 30 CFR 784.14, 784.29, 817.41, 817.42, 817.43, 817.45, 817.49, 817.56, 817.57; R645-301-512, -301-513, -301-514, -301-515, -301-532, -301-533, -301-542, -301-723, -301-724, -301-725, -301-726, -301-728, -301-729, -301-731, -301-733, -301-742, -301-743, -301-750, -301-751, -301-760, -301-761.

Analysis:

Sediment Control Measures

A field visit was made to Sowbelly Canyon. The reclamation has been proceeding well over the last 6 years. Vegetation has grown with considerable diversity. While the plant density varies somewhat over the entire project, overall it's clear no sediment is being lost from the site. The mounds and depressions are still at about 50 % their original height since Utah is a desert and the last two years have been drought years. The reclaimed area is at least as good, or better, than surrounding native areas.

A field visit was made to Hardscrabble Canyon. The reclamation there was implemented in phases over the last 6 years. It's apparent the more recent areas have not developed as much vegetation as the older areas. The plant diversity is good and the mounds and depressions continue to retain moisture and prevent runoff. It's clear no sediment is being lost from the site.

A field visit was made to the Adit No. 1 area. Reclamation has not begun here, but is expected to next month. The reclamation plans have been approved by the Division and were reviewed during the visit.

It's clear that this mine has been, and continues to, use the Best Technology Currently Available.

Findings:

The mine has been, and continues to, meet minimum regulatory requirements with regard to using the Best Technology Currently Available.

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR 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.

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.

RECLAMATION PLAN

Findings:

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

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