

**UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT**

**For
Phase II Bond Release**

**Castle Gate Holding Company
Sowbelly Gulch No. 5 Mine & Hardscrabble Canyon
Castle Gate Mine
C/007/004
Carbon County, Utah**

February 21, 2003

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ADMINISTRATIVE OVERVIEW

Castle Gate Holding Company
Sowbelly Gulch No. 5 Mine and Hardscrabble Canyon
Castle Gate Mine
C/007/004
Carbon County, Utah

February 21, 2003

ACTION

Phase II bond release is requested for Sowbelly Gulch No. 5 Mine and the Hardscrabble Canyons in the amount of \$390,846. This request does not include Adit #1 or the Hardscrabble substation. Retained revegetation bond totals \$680,154 and is broken down as follows: \$233,000 for Sowbelly; \$235,000 for Hardscrabble; \$83,100 for the Hardscrabble substation; and \$129,054 for Adit #1.

BACKGROUND

Castle Gate Mine

The Castle Gate Mine Complex is located approximately 10 miles north of Price, Utah, in the Wasatch Plateau coal fields in Carbon County. The disturbed areas are in Hardscrabble Canyon (39 acres), Sowbelly Gulch (21 acres), and Price Canyon [Adit No.1 (3 acres)]. The bonded or disturbed area for the entire Castle Gate Mine complex is 63 acres.

The initial permit was issued to the Price River Coal Company on December 24, 1984. Castle Gate Coal Company acquired the right to mine the western reserves and obtained a permit transfer on May 30, 1986. On May 25, 1991, the Division approved the permit transfer from Castle Gate Coal Company to Amax Coal Company. On July 2, 1996, the Castle Gate permit was transferred from Amax Coal Company to Amax Coal Holding Company, which became Amax Coal Company again on August 5, 1996. The permit was transferred to the current Permittee, Castle Gate Holding Company, on September 11, 1998.

In May 1995, the Division received an application from Cyprus Plateau Mining Corporation to permit the eastern coal reserves and a portion of the Castle Gate Mine as the new Willow Creek Mine. In April 1996, the Willow Creek Mine was permitted, and its permit area overlapped with that of the Castle Gate Mine. In June of 1997, the Castle Gate and Willow Creek Mines were split apart which left the Castle Gate Mine with the Sowbelly Gulch, Hardscrabble Canyon, and Adit No. 1 areas. The Schoolhouse Canyon refuse area, the Castle Gate preparation plant, Crandall Canyon, the Gravel Canyon topsoil storage area, and a refuse storage area (a site previously reclaimed by the Abandoned Mine Lands Reclamation program) were all transferred to the Willow Creek Mine. Currently, the Castle Gate preparation plant is being dismantled and reclaimed under the Willow Creek Mine permit.

Hardscrabble Canyons – Phase I

Intensive mining has occurred in Hardscrabble Canyon since the 1880's, when Teacum Pratt opened the first operation for house coal. Mining activities were consolidated in 1971, under the Braztah Corporation, which in turn became the Price River Coal Company on December 1, 1979.

The preparation plant in Hardscrabble Canyon was dismantled and removed when the coal preparation plant at Castle Gate began operating in January of 1979. Thereafter, coal transportation from Hardscrabble canyon was by underground conveyor directly to the Castle Gate preparation plant through Adit No. 1 in Price Canyon.

Waste from the defunct Hardscrabble preparation plant had been deposited at the north end of the canyon, at the intersection of two tributaries to the main ephemeral drainage, blocking their flow paths. The waste pile, dubbed Goose Island, was reclaimed in 1984. A portion of the canyon was reworked in 1999 (see Exhibit 3.3-23).

Reclamation work took place throughout Hardscrabble Canyon during the years 1993 through 1999 and 2002 (substation). The road through the disturbed area was altered but left in place for the postmining land use. In 1997, AMAX Coal Company, Castle Gate Holding Company's predecessor, received an Earth Day Award from the Board of Oil, Gas, and Mining for "outstanding final reclamation and site restoration". The company was commended for enhancing the postmining land use by restoring the canyon to a more natural configuration and paying particular attention to wildlife habitat while providing more stable water flow channels and better downstream water quality.

The disturbed area boundary at the Hardscrabble complex encompasses 39.0 acres, of which 36.76 acres are actually disturbed and 2.24 acres comprise a buffer zone along the perimeter that was not disturbed. The Hardscrabble Phase I bond release application was conditionally approved (with OSM concurrence) on January 25, 2001 for 29.9 acres. (This 29.9 acre figure included the 2.2 acres of buffer zone and the 27.7 acres of No. 3 and No. 4 mines reclaimed area.) Final approval of the Phase I bond release was effective February 14, 2001. There are also 8.79 acres in the reclaimed Goose Island refuse pile, which received Phase I bond release in 1985. In all, 38.7 acres have received Phase I bond release to date.

The area in Hardscrabble Canyon eligible for Phase II bond release includes all the area within the 39 acre disturbed area boundary except the road (1.21 acres) and the recently reclaimed substation [0.76 acres at last count (email from J. Pappas February 20, 2003)]. Therefore, 37.1 acres are eligible to receive Phase II bond release.

Sowbelly Gulch – Phase I Bond Release

The Sowbelly Disturbed area encompasses 21 acres. Reclamation grading started in the Sowbelly Gulch portion of the disturbed area in 1993 and continued through 1995. Phase I bond release of 18.2 acres at Sowbelly was approved on January 31, 1997 (excluding the substation). Work on the substation was completed in 2002.

CHRONOLOGY FOR PHASE II BOND RELEASE

Castle Gate Holding Company
Sowbelly Gulch No. 5 and Hardscrabble Canyon
Castle Gate Mine
C/007/004

February 21, 2003

- May 3, 2002 CGHC sends letters to local governments, and property owners of proposed bond release: Mr. Gary Harwood, American Electric Power Service Corporation the Bureau of Land Management, and the Carbon County Commission, the Carbon County Road Department and the Carbon County Planning and Zoning.
- May 8, 2002 CGHC submits Phase II bond release application for Hardscrabble and Sowbelly.
- July 16, 23, 30, and August 6, 2000 Phase II bond release published in the Sun Advocate. There are separate notices for Hardscrabble and for Sowbelly.
- August 13, 2002 Division sends letters of invitation to SITLA, BLM, and OSM of bond release inspection to be held August 22, 2002.
- August 22, 2002 Phase II bond release inspection. In attendance:
- Johnny Pappas, CGHC
 - Priscilla Burton, DOGM
 - Joe Helfrich, DOGM
 - Paul Baker, DOGM
 - Pamela Grubaugh-Littig, DOGM
 - Mike Suflita, DOGM
 - Wayne Western, DOGM
 - Steve Falks, BLM
- September 6, 2002 End of public comment period. No comments received.

PHASE II BOND RELEASE FINDINGS

Castle Gate Holding Company
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Castle Gate Mine
C/007/004
Carbon County, Utah

February 21, 2003

SUMMARY OF FINDINGS

The Phase II bond release findings for Sowbelly and Hardscrabble Canyons are in the attached Technical Analysis dated January 21, 2003. The Phase II bond release was advertised for four consecutive weeks. No comments were received during the public comment period. A bond release inspection was conducted on August 22, 2002. No problems were identified. BLM concurrence is pending and letter will be forward to OSM.

PHASE II BOND RELEASE RECOMMENDATION

The Permittee has demonstrated the establishment of vegetation at both Sowbelly Gulch and Hardscrabble Canyons. It is recommended that \$136,946 be released for Sowbelly (18.2 acres) and \$253,900 be released for Hardscrabble Canyons (37.1 acres). The figure of 37.1 acres for Hardscrabble Canyon includes all acreage within the 39 acre disturbed area boundary, less the substation (approximately 0.76 acres) and the road (1.21 acres).

On approval of this request, retained revegetation bond will total \$680,154 and is broken down as follows: \$233,000 for Sowbelly; \$235,000 for Hardscrabble; \$83,100 for the Hardscrabble substation; and \$129,054 for Adit #1.