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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

May 11, 2012

TO: Internal File

THRU: April Abate, Lead *AGA 4/21/12*

FROM: James Owen, Engineer *JO*

RE: Midterm Permit Review, Castle Gate Holding Company, Castle Gate Mine, C/007/0004, Task ID #4044

SUMMARY:

According to the R645 Utah Coal Rules, the Division is required to review each active permit during its term. The Division commenced a midterm review for the Castle Gate Mine (Permitee) on March 13, 2012.

As a part of this process, the Division performed a review of the Permitee's compliance with the engineering (R645-301-500) and bonding (R645-301-800) sections of the Utah Coal Mining Rules. In particular, the Division reviewed the reclamation bond to ensure that coverage adequately addresses permit changes approved subsequent to permit approval or renewal, and to ensure that the bond amount is appropriately escalated in current year dollars.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

General

According to Division a record, the Permittee currently has a bond posted totaling an amount of \$490,100. The principal holder is Fidelity & Deposit Company.

Determination of Bond Amount

The Castle Gate mine has been reclaimed. There is no longer any demolition or earthwork required. Re-vegetation is not anticipated by the Division. The permit has been approved for Phase I bond release in its entirety. The majority of the disturbed area has been approved for Phase II bond release. The only costs that may be associated with the portions that have not yet been given release would be related to revegetation. At worst case, revegetation and monitoring costs (properly escalated) will be substantially less than the currently posted bond. It is not necessary to update the MRP as it is in its final reclamation stages and will no longer be needed upon completion of the liability period and approval of Phase III bond release.

Findings:

The Division finds that the Permittee is adequately bonded. Changes and updates to the MRP are not needed at this time. Phase III bond release applications are expected to be submitted to the Division in the near future.

RECOMMENDATIONS:

Initial midterm review is complete. Approval is recommended.