

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

September 7, 2012

#4153
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TO: Internal File

THRU: April Abate, Lead *QGC 10-7-2012*

FROM: James Owen, Engineer *JO*

RE: Phase III Bond Release Hardscrabble & Sowbelly, Castle Gate Holding Company, Castle Gate Mine, C/007/0004, Task ID #4153

SUMMARY:

On August 2, 2012, the Utah Division of Oil Gas & Mining received an application for an amendment to the Mining & Reclamation Plan (MRP) of the Castle Gate Mine. The application seeks approval to grant Phase III Bond Release for portions of Hardscrabble and Sowbelly Canyons.

The Castle Gate Mine permit area is located approximately 10 miles north of Price, Utah and is in the Wasatch Plateau coal fields in Carbon County. The complex consists of various separate areas including: the Hardscrabble Canyon No.3 and 4 mine facilities; the Sowbelly Gulch No.5 Mine facilities; and the Price Canyon Adit No.1 Mine. The permit was renewed on December 24, 2009 and expires on December 24, 2013.

This memo addresses the application's compliance with the engineering (R645-301-500) and bonding (R645-301-800) sections of the Utah Coal Mining Rules. Contents and information provided are sufficient enough to meet the minimum requirements of this section of the Utah Coal Mining Rules. No deficiencies were identified.

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TECHNICAL ANALYSIS:

RECLAMATION PLAN

**BACKFILLING, GRADING, AND APPROXIMATE ORIGINAL
CONTOUR RESTORATION**

Regulatory Reference: 30 CFR Sec. 784.15, 785.15, 785.16, 817.102, 817.107, 817.133; R645-301-234, -301-412, -301-413, -301-512, -301-531, -301-533, -301-553, -301-536, 301-537, -301-542, 301-552, -301-553, -301-731, -301-732, -301-733, -301-764.

Analysis:

The reclaimed sites have adequately achieved approximate original contour (AOC). A few small cuts were left in place due to the fact that they were cut too steep to be fully covered, however, the cuts are minimal and achieve the stability requirements of R645-301-553.530, and meet the approximate original contour criteria of R645-301-553.520.

All backfilling, soil stabilization, compacting and grading, are as expected according to the MRP's anticipated final surface configuration of the permit area.

Findings:

Contents and information provided are sufficient enough to meet the minimum requirements of this section of the Utah Coal Mining Rules. No deficiencies were identified.

MINE OPENINGS

Regulatory Reference: 30 CFR Sec. 817.13, 817.14, 817.15; R645-301-513, -301-529, -301-551, -301-631, -301-748, -301-765, -301-748.

Analysis:

All mine openings have been appropriately sealed in accordance with MSHA, 30CFR 75.1711. Closures are considered permanent

Findings:

Contents and information provided are sufficient enough to meet the minimum requirements of this section of the Utah Coal Mining Rules.

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

The current performance bond for the Castle Gate Mine is \$490,100. This partial phase III bond release application will result in a bond release of \$263,500 after which the remaining bond amount will be \$226,600 in 2014 dollars. The segments of the permit for which Phase III is being filed are the Hardscrabble and Sowbelly Canyons not including the substations. The Hardscrabble and Sowbelly Substations and Adit #1 will remain in Phase I. The current bond was broken down in segments identifying those segments that will receive phase III bond release and those segments that will remain in phase I. The bond was escalated from 2011 dollars to 2014 dollars.

The table below shows the bond amount prior to the last bond release (\$680,154) which occurred in March of 2006, the March 2006 phase I bond release for the Substations in Hardscrabble and Sowbelly Canyons as well as the Adit #1 (\$190,054), the current bond amount in 2006 dollars (\$490,100), the amount of bond that will remain following this Partial Phase III Bond Release in 2006 dollars (\$218,600) and the amount that will remain after this Partial Phase III Bond Release escalated to 2014 dollars (\$226,600) and the amount of this Partial Phase III Bond Release (\$263,500).

	Bond Prior to March 2006 Bond Release	March 2006 Phase I Bond Release	March 2006 Bond In 2011 Dollars	Remaining after Partial Phase III
Hardscrabble Canyon	\$179,500	\$0	\$179,500	\$0
Sowbelly Canyon	\$92,000	\$0	\$92,000	\$0
Hardscrabble Substation	\$138,500	-\$51,000	\$87,500	\$87,500
Sowbelly Substation	\$141,000	-\$65,000	\$76,000	\$76,000
Adit #1	<u>\$129,154</u>	<u>-\$74,054</u>	<u>\$55,100</u>	<u>\$55,100</u>
Totals	\$680,154	-\$190,054	\$490,100	\$218,600
				Escalate to 2012 dollars @1.2%
				\$221,223
				Escalate to 2013 dollars @1.2%
				\$223,878
				Escalate to 2014 dollars @1.2%
				\$226,564
				Bond in 2014 \$ Rounded
				\$226,600
				Current Bond
				\$490,100
				Bond Remaining after Phase III
				<u>\$226,600</u>
				Bond Amount to be Released
				<u>\$263,500</u>

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Findings:

Contents and information provided are sufficient enough to meet the minimum requirements of this section of the Utah Coal Mining Rules.

RECOMMENDATIONS:

Approval is recommended at this time. DOGM should approve of the release of \$263,500 for the Phase III application, as submitted.

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