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

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September 30, 1997

TO: File

THRU: Daron Haddock, Permit Supervisor DRH

FROM: Wayne Western, Senior Reclamation Specialist WHW

RE: Skyline Bond Calculations, Canyon Fuel Company, LLC, Skyline Mine, ACT/007/005, ~~File #2,~~ 4 Carbon County, Utah

Summary:

On September 16, 1997, the Division wrote a memo about the reclamation cost estimate and bond amount for the Skyline Mine. The Division determined the bond amount to be $5,401,000 and the Permittee determined the amount to be $5,076,000. The Division and the Permittee reviewed the bond calculations and exchanged information about debris disposal costs in telephone conversations.

TECHNICAL ANALYSIS:

On September 16, 1997, the Division finalized a memo to the Permittee's of the Skyline Mine. The Division and the Permittee agreed on all but two items, debris disposal costs and contingency amounts.

The Permittee claimed that City Sanitization would transport and dispose of the building debris for $6.60 per cubic yard. The Means unit cost for debris disposal is $48.00 per cubic yard. The Division call City Services and confirmed that they would transport and dispose of the building debris in the Price City landfill for $6.60 per cubic yard.

The Division usually does not rely upon contractor estimate for unit prices. However, debris disposal costs depend upon locale conditions. Therefore, locale rates should apply when they can be verified and the Division has assurance that the rates and services will be available in the future. The Division decided to accept City Services estimate for debris disposal costs.

The Division originally included a 10% contingency cost for reclamation items that will occur but have not been identified. The Permittee did not include such a contingency factor. The Permittee did include a 15% contingency factor for future activities (plant expansion). The Division included the 10% contingency cost in the bond amount and included $282,000 for future bonding activities.

On September 24, 1997, the Division faxed the Permittee a summary of the reclamation costs estimate (see attachments). Gary Taylor reviewed the information and said in a phone call to Wayne Western on September 29, 1997 that he agreed with the bond calculations.

RECOMMENDATIONS:

The Division should notify the Permittee that the bond amount for the Skyline mine has been set a $5,076,000.

Bonding Calculations
Skyline Mine - ACT/007/005
Revised September, 1997

Bond Summary

Direct Costs

Subtotal Demolition and Removal	$1,754,538
Subtotal Backfilling and Grading	$410,694
Subtotal Topsoil Preparation and Distribution	$432,126
Subtotal Stream Channel Reclamation	$424,456
Subtotal Revegetation	$167,458
Subtotal Interim Sediment Control Facilities	$25,681
Subtotal of Reclamation Costs	$3,214,953

Indirect Costs

Maintenance and Monitoring (10%)	$321,495
Contingency (10%)	$321,495
Engineering Redesign (5%)	$160,748
Startup Costs (5%)	$160,748
Contract Management (5%)	$160,748
Subtotal Indirect Costs	$1,125,234
Total Cost in 1997 Dollars	$4,340,187
Escalation 2.52% for 4 years	$454,308
Total Cost in 2001 Dollars	$4,794,495
Bond Amount (rounded to nearest $1,000)	$4,794,000
Anticipated Additional Bonding Costs	$282,000
Bond Amount	$5,076,000