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State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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August 25, 1997

Dan Meadors, General Manager
Canyon Fuel Company, LLC
Skyline Mines
P. O. Box 719
Helper, Utah 84526

Re: Informal Conference and Revised Reclamation Cost Estimate, Canyon Fuel Company, LLC, Skyline Mine, ACT/007/005-97D, Folder #2, Carbon County, Utah

Dan
Dear Mr. Meadors:

As you are aware the Division re-evaluated the bond cost estimate for the Skyline Mine during your recent permit renewal. Subsequently, an informal conference was held on July 22, 1997 to discuss the revised bond estimate and to determine the discrepancies in the Division's cost estimate versus Skyline's cost estimate. Eight main areas of discrepancy were identified. It was determined to continue the conference and allow Skyline personnel the opportunity to rectify the cost estimate with the Division technical staff.

Technical meetings have been held and accord has been reached on 6 of the 8 issues discussed in the conference. One issue that remains unresolved is the unit cost of concrete demolition. Skyline has used a unit cost of \$4 per cubic yard for concrete demolition, but this figure is too low. The Division's figure for concrete demolition is based on a Caterpillar 235 excavator with a hydraulic hammer and amounts to \$26 per cubic yard. The \$26 dollar figure is more in line with the Division's historic experience and will be used in the cost estimate.

The other issue that remains to be resolved is the cost associated with the disposal of building debris and concrete. The approved Mining and Reclamation Plan (MRP) states,

“The next step in reclamation will be the removal of all surface structures and equipment. Once this has been accomplished, all solid waste generated in the abandonment operation will be collected and removed from the areas being reclaimed.”

The cost to dispose of building debris in a commercial landfill is much more than for

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onsite disposal. While it is agreed that much of the debris could probably be disposed of on site, the plan calls for its removal and the cost estimate must be based on the approved plan. In order for Skyline to take advantage of significant reduction in bond costs associated with disposal of building debris and concrete onsite, an amendment to the MRP must first be approved.

The technical meetings have resulted in much of the bond cost discrepancy being resolved and the Division has now determined the cost of reclamation to be \$5,700,000 based on the existing MRP. Skyline may choose to post this amount or otherwise modify the MRP to allow for onsite disposal of building debris and concrete which would then significantly reduce the bond amount. This letter will effectively extend the informal conference for an additional 30 days in order for Skyline to make the necessary adjustments.

If you have any questions, please call.

Sincerely,



Lowell P. Braxton
Acting Director

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Enclosure
cc: Dan Ferriter, Canyon Fuel Co.
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