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State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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November 5, 1999

TO: File

THRU: Daron Haddock, Permit Supervisor *DORH*

FROM: Wayne H. Western, Reclamation Specialist III *WHW*

RE: Midterm Review with Emphasis on the Reclamation Bond, Canyon Fuel Company, LLC, Skyline Mine, ACT/007/005-MT99, File #2, Carbon County, Utah

Summary:

The Permittee must increase the bond by \$630,000. The current bond is for \$5,076,000 and must be increased to \$5,706,000.

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

Form of bond. (Reclamation Agreement)

The Division did not review the reclamation agreement as part of the midterm.

Determination of bond amount.

As part of the midterm review the Division reevaluated the Skyline bond. The Division updated the unit costs, from those published in 1997 to those published in 1999. In addition the Division used the standardized indirect costs instead of indirect costs used in 1997. See the attachment for more details.

The Division calculated the reclamation costs to be \$5,706,000. The current bond for the Skyline Mine is \$5,076,000. The Permittee must increase the bond by \$630,000.

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Terms and conditions for liability insurance.

The Division reviews the liability insurance as part of the quarterly complete inspections. The insurance is adequate.

Findings:

The information provided in the proposed amendment is considered adequate to meet the requirements of this section.

Bonding Calculations
Skyline Mine - ACT/007/005
Revised

November, 1999

Bond Summary

Direct Costs

Subtotal Demolition and Removal	\$2,058,494
Subtotal Backfilling and Grading	\$448,211
Subtotal Topsoil Preparation and Distribution	\$499,889
Subtotal Stream Channel Reclamation	\$488,482
Subtotal Revegetation	\$245,351
Subtotal Interim Sediment Control Facilities	\$22,462
Subtotal of Reclamation Costs	\$3,762,889

Indirect Costs

Maintenance and Monitoring (10%)	\$376,289
Contingency (10%)	\$376,289
Engineering Redesign (10%)	\$376,289
Startup Costs (5%)	\$188,144
Contract Management (5%)	\$188,144

Subtotal Indirect Costs \$1,505,155

Total Cost in 1999 Dollars \$5,268,044

Escalation 3.27% for 2.5 years \$441,282

Total Cost in 2001 Dollars \$5,709,326

Bond Amount (rounded to nearest \$1,000) \$5,709,000