

April 1, 2003

TO: Internal File

THRU: Greg Galecki, Team Lead

FROM: Wayne H. Western, Environmental Scientist III

RE: Drilling and Completion Project, Canyon Fuel Company LLC, Skyline Mine, C/007/005-AM03C

SUMMARY:

On April 1, 2003, the Permittee submitted an amendment for the construction of the JC-3 well at the James Canyon pad area. The Permittee has already disturbed the area and the only thing that is needed is to drill the well. The well will be used to pump water out of the Skyline Mine and sent the water into Electric Lake. The only engineering issue related to the amendment is the bond amount.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

Form of Bond

The form of the bond will not change because the amount of the bond will not change. The amount of the bond exceeds the amount of the reclamation cost estimate calculated by the Division.

Determination of Bond Amount

The Division calculated the reclamation cost estimate for the Skyline Mine based on the addition of the reclamation cost to plug the JC wells, 2003 cost data and escalating the bond to 2004 dollars (midterm.) The current bond amount is \$5,076,000. The Division calculated the new reclamation costs to be \$4,695,000 in 2004 dollars.

Findings:

The information in the amendment meets the minimum regulatory requirements of the bonding and insurance section of the regulations.

RECOMMENDATIONS:

The Division should approved the amendment.