

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

July 15, 2009

TO: Internal File

THRU: Priscilla Burton, En Sci III, Soils Scientist, Team Lead *PWB by SES*
James D. Smith, En Sci III, Permit Supervisor, Hydrologist *DS 2/10/09*

FROM: Peter Hess, En Sci III, Bond Determination *PHH by SES*

RE: Rock Dust Transfer Lines, Canyon Fuel Company, LLC, Skyline Mine, C/007/005, Task ID # 3342

SUMMARY:

The Permittee submitted an application to the Division on June 25, 2009 to permit the boring of two 3.5 inch mine openings to a depth of 255 feet (cased / finished dimension of 3 inches) so rock dust could be pneumatically transferred from the surface to the underground. Conduits then connect to mobile equipment which load and transport the rock dust to the underground application point.

The two boreholes will be located inside the disturbed area which already exists. There will be no new disturbance, nor will any topsoil recovery be required. There will not be any revisions required to the currently approved surface drainage control plan. There are no needed changes to the currently approved AOC / backfilling and grading requirements.

OPERATION PLAN

MINING OPERATIONS AND FACILITIES

Regulatory Reference: 30 CFR 784.2, 784.11; R645-301-231, -301-526, -301-528.

Analysis:

The Permittee submitted revised / additional information to the Division to describe the two proposed rock dust transfer holes (See page 2-21(a), section 2.2.11, Plans for Casing and

Sealing Holes). The holes will be cased for their entire depth (length) in order to provide a pneumatic seal along the hole length to allow for fluidization of rock dust. The casing will enter the mine workings, and be plumbed to allow the material to be transferred into bulk transfer / mobile equipment.

The rock dust transfer wells will be reclaimed according to the approved plan contained in section 2.2.11 (page 2-21(a)) paragraph one.

Findings:

The application proposing the two rock dust transfer boreholes meets the minimum regulatory requirements of the R645 Coal Mining Rules.

MAPS, PLANS, AND CROSS SECTIONS OF MINING OPERATIONS

Regulatory Reference: 30 CFR Sec. 784.23; R645-301-512, -301-521, -301-542, -301-632, -301-731, -302-323.

Analysis:

Mining Facilities Maps

The Permittee submitted a revised Drawing Number 3.2.1-1_REV7 which shows the proposed location of the two proposed rock dust bore holes. REV7 (revised map #7) was approved as part of Task ID # 3258, Fuel Storage Containment Structures. The Permittee has requested an opportunity to correct the revision number on Dwg 3.2.1-1 and therefore conditional approval is recommended.

Certification Requirements

The revised Drawing Number 3.2.1-1REV??? must be certified by a Utah registered professional engineer, in accordance with the requirements of R645-301-512.120.

Findings:

The information provided meets the requirements of the R645 Rules. However, the Permittee has requested an opportunity to correct the revision number on Dwg 3.2.1-1 and therefore conditional approval is recommended.

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

General

The Division currently holds a reclamation bond for the Skyline Mine in the amount of \$ 5,137,000.00. The escalated reclamation cost for the Skyline Mine to 2009 dollars (includes Task ID # 3342) has been determined at \$ 4,855,649.00. Thus, an excess amount of \$ 281,000 exists between the monies posted and the amount needed to reclaim the site.

The bond is a surety, issued by St. Paul Fire and Marine Insurance Company, which holds an A.M. Best rating of A+, as of June 30, 2009.

Determination of Bond Amount

The Permittee has submitted a revised demolition cost sheet and a revised Total Bond Amount which includes the plugging of the 3 inch borehole casings for their entire 255 foot length.

Terms and Conditions for Liability Insurance

The Permittee maintains general liability insurance for the Skyline Mine as is required under the R645 Coal Mining Rules.

Findings:

The Task ID # 3342 application meets the minimum regulatory requirements for R645-301-800, Bonding and Insurance.

RECOMMENDATION:

The information provided meets the requirements of the R645 Rules. However, the Permittee has requested an opportunity to correct the revision number on Dwg 3.2.1-1 and therefore conditional approval is recommended.

Upon receipt of clean copies, final approval will be issued.