

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

April 20, 2010

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TO: Internal File

THRU: Daron Haddock, Coal Program Manager *10071*

FROM: Peter Hess, En Sci III, Bond Review *PHH m/sas*

RE: WINTER QUARTERS VENTILATION FACILITY, Canyon Fuel Company, LLC, Skyline Mine, C/007/005, Task ID #3504

SUMMARY:

The Permittee submitted revised bond calculations for the reclamation of the Winter Quarters Ventilation Facility on March 23, 2010. The revision included additional backfilling and grading costs to permanently close the two vertical shafts and the slope incline upon completion of mining activities.

The Division identified the March Winter Quarters Ventilation Facility submittal as Task ID #3504, for tracking purposes. Task ID #3504 received a determination for administrative completeness on April 1, 2010.

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

General

Form of Bond

The current bond held by the Division to ensure the reclamation of the Skyline Mine is a surety bond issued by the St. Paul Fire and Marine Insurance Company. The current bond amount is \$ 5,137,000.00. The A.M. Best rating of the surety is "A+" as of March 31, 2010.

Determination of Bond Amount

The Permittee submitted revised reclamation cost sheets for the demolition, backfilling and grading and revegetation of the Winter Quarters facility in the Task ID # 3504 application.

The new cost estimates anticipate that it will cost \$ 116,057 to backfill and permanently close the two vertical shafts (one fan shaft, one escape/man shaft) and the slope incline to permanently close these mine openings upon termination of coal mining activities.

An additional \$ 11,876.00 will be required to return the disturbed area to approximate original contour, prior to topsoiling. Re-soil the disturbed area will cost an additional \$ 9,905.00.

Total Cost for Earthwork Activities @ Winter Quarters = \$ 137,838.00.

Earthwork and replacement of topsoil costs are based upon a 7,000 CY volume for site restoration and \$4,365 CY of topsoil.

Section 2.2.12 Winter Quarters Ventilation Facility application, page 2-21(b) (See Task ID # 3504) indicates that both the ventilation shaft and the escape shaft will be completely backfilled to the surface using an engineered fill.

In accordance with the requirements of;

R645-301-551, Casing and Sealing of Underground Openings

The Permittee has committed to backfilling the two vertical mine openings associated with this permit amendment from the bottom of the coal seam to the surface. The permit amendment meets the requirements of this R645 Coal Mining Rule.

R645-301-513.500, the proposed plan to backfill the Winter Quarters air shafts meets the requirements of 30 CFR 75.1711-1. (See R645-301-551)

R645-301-830.140, the Permittee has provided supporting calculations for the backfilling, grading and topsoiling costs submitted in the Task ID # 3504 application. The Permittee has also provided calculations for the crew support estimates.

Terms and Conditions for Liability Insurance

The Permittee maintains a general liability insurance policy (policy # GLO93-61-11) through the National Union Fire Insurance Company, Pittsburgh, Pa. The insurance company has an A.M. Best rating of "A". The current policy period remains in effect through July 31, 2010. Coverage for damage from the use of explosives is provided. The information as listed is current within the Division, as of December 31, 2009.

Findings:

The Task ID # 3504 application meets the minimum requirements of the R645 Coal Mining Rules for mine openings closure and bond estimation.

RECOMMENDATION:

The Task ID # 3504 application should be approved.

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