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# TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

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December 17, 2012

TO: Internal File

THRU: April Abate, Lead *aaa*  
*1220-2012*

FROM: James Owen, Engineer *jo*

RE: Midterm Completion Response, NEICO, Wellington Prep Plant, C/007/0012,  
Task ID #4207

**SUMMARY:**

On November 20, 2012 the Utah Division of Oil Gas & Mining received a response to deficiencies identified during a midterm review for the Wellington Preparation Plant. The Division commenced the midterm review (task #4043) on March 13, 2012.

The Division performed a review of the Permittee's compliance with the engineering (R645-301-500) and bonding (R645-301-800) sections of the Utah Coal Mining Rules. In particular, the Division reviewed the reclamation bond to ensure that coverage adequately addresses permit changes approved subsequent to permit approval or renewal, and to ensure that the bond amount was appropriately escalated in current year dollars.

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**TECHNICAL ANALYSIS:**

**RECLAMATION PLAN**

**BONDING AND INSURANCE REQUIREMENTS**

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

**Analysis:**

**General**

According to Division a record, the Permittee currently has a posted bond in the amount of \$5,153,000. The principal holder is Fidelity & Deposit Company.

**Determination of Bond Amount**

At the time of midterm review, the reclamation cost estimate for the Wellington Prep Plant mining and reclamation plan had not been updated to current unit costs. Current unit costs are used to calculate the direct costs of reclamation including demolition, backfilling and grading, and revegetation. Also, there was on-site demolition that was not reflected in the MRP. Updates to the estimated costs, calculations, bond summary sheets and escalation factors were requested.

The response included bond calculations that had been revisited and adjusted. The adjusted spreadsheets and bonding information was included in Appendix J dated 11/20/12. The response included an overall decrease in the amount of escalated bond from \$5,153,000 to \$4,110,000. Direct costs were decreased from \$3,471,960 to \$3,053,798. Indirect costs were decreased from \$930,485 to \$818,418. The amount of required escalation decreased from \$750,938 to \$237,976.

The operator states that the decrease in the reclamation costs can be attributed to:

- a) Some of the reclamation work has been accomplished
- b) Potentially significant changes in the Earthwork section for the reclamation of two very small ponds: the Heat Dryer Pond and the Road Pond
- c) The escalation factor decreased from 3.2% to 1.2%.

A summary of the calculations provided is included below:

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**SUMMARY OF BOND CALCULATIONS <sup>(1)</sup>**  
**FOR THE**  
**WELLINGTON PREPARATION PLANT (C/007/012)**

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(1) For detailed cost analysis and other information including demolition, earthmoving, volumes, equipment and revegetation, refer to the attached spreadsheets.

**DIRECT COSTS**

Demolition and Removal	\$219,108.00
Backfilling and Grading	\$2,071,798
Revegetation	\$762,892.00
<b>Subtotal Direct Costs</b>	<b>\$3,053,798.00</b>

**INDIRECT COSTS**

Mobilization/De-mobilization (10.0%)	\$305,380.00
Contingency (5.0%)	\$152,690.00
Engineering Redesign (2.5%)	\$76,345.00
Main Office Expense (6.8%)	\$207,658.00
Project Management Fee (2.5%)	\$76,345.00
<b>Subtotal Indirect Costs (26.8%)</b>	<b>\$818,418.00</b>

**TOTAL COSTS** **\$3,872,216.00**

Escalation factor (0.012)  
Number of years (5.0)  
Escalation \$237,976.00

Reclamation Cost Escalated \$4,110,192.00

Dollar Year: 2013  
**BOND AMOUNT (rounded to nearest \$1,000)** **\$4,110,000.00**

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A detailed review of the calculations identified deficiencies:

- **R645-301.830.140** The estimated unit costs for concrete demolition, loading, hauling, and pipe removal are not current and need to be updated. These costs need to be determined with the assistance of DOGM.
- **R645-301.830.430** The amount of time designated for the reclamation of Road Pond and Heat Dryer Pond needs to be verified.
- **R645-301.830.440** There are concrete building foundations within the disturbed area boundary that are not included in the demolition portion of the bonding calculations. These must be measured and included.

**Findings:**

Contents and information provided are not sufficient enough to meet the minimum requirements of this section of the Utah Coal Mining Rules.

**RECOMMENDATIONS:**

Deficiencies were identified. Approval is not recommended at this time.