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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

December 9, 2010

TO: Internal File

THRU: Jim Smith, Lead *JS 13 Dec 2010*

FROM: James Owen, Engineer *JO*

RE: Replace Fan Breakout with Ventilation Breakouts, Utah American Energy, Horse Canyon Mine, C/007/0013, Task # 3705

SUMMARY:

On November 9, 2010, the Division of Oil, Gas & Mining (DOG M) received an application from Utah American Energy to modify the Horse Canyon Mine's Mining & Reclamation Plan (MRP). The applicant requested approval to move a fan breakout site to a more suitable location, move the fan from the outcrop to Portal #0, and add additional breakouts north of the current slopes at the coal outcrop level. The application was returned denied/deficient. The application did not contain any deficiencies relating to the engineering portion (R645-310.500) of the Utah Coal Mining Rules, but it contained one deficiency relating to the bonding portion (R645-310.800). The deficiency identified was stated as follows:

- *"Though it is assumed that the posted bond will be adequate enough to accommodate the modifications detailed in this application, the applicant must demonstrate that the current bond posted will be adequate by providing updated bond calculations and reclamation costs. In accordance with the requirements of **R645-301-830.140**, modifications to Chapter 8 and its corresponding appendices should be submitted. All reclamation costs that are associated with the application should be updated and addressed. This includes but is not limited to: sealing/reclamation of all ventilation breakouts and mine openings, costs associated with reclamation and demolition of surface facilities, and ventilation fan reclamation modifications (i.e. Appendix 8-1 of the approved MRP currently states that a helicopter will be required for fan reclamation)".*

On December 8, 2010, DOGM received a revised response from Utah American Energy to address the deficiencies identified. In the response, bond calculations were shown to be revised to include the ventilation breakouts.

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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

The revised application included and addressed changes to bonding and reclamation costs associated with the application. The bonding calculations were updated for direct and indirect costs. An escalation factor of .005 was used and costs were escalated for 3 years. The changes in bond amount are less than 1%. No additional bond will be required.

Appendices associated with Chapter 8 of the MRP were revised to include the changes addressed in the application. Demolition costs associated with the ventilation fan were updated as were costs associated with ventilation portal sealing and reclamation.

The mine currently has four separate surety bonds posted for a total bonded amount of \$1,807,000. Principal holders include XL Specialty and Rockwood Casualty insurance companies.

Findings:

Contents and information provided are sufficient enough to meet the minimum requirements of this section of the Utah Coal Mining Rules. No additional bond will be required. The identified deficiency for this section was adequately addressed.

RECOMMENDATIONS:

The application is recommended for approval.