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TECHNICAL MEMORANDUM
Utah Coal Regulatory Program

June 19, 2012

TO: Internal File

THRU: James C. Owen, En Sci III, Engineering / Team Lead *JO*
Steve Christenesen, En Sci III, Permit Supervisor, Task Manager

FROM: Peter Hess, En Sci III, Engineer / Reclamation Cost Estimate / Bond Reduction *PHH by SAS*
Review

RE: PHASE III BOND RELEASE DITCH #31, UtahAmerican Energy, Inc., Lila Canyon Mine , C/007/013, Task ID # 4090

SUMMARY:

The Permittee submitted a Phase III bond release application for 0.49 acres of disturbance associated with the access and reconstruction of Ditch 31 on the roadside waste rock pile on February 2, 2012. The waste rock disposal area was constructed from the development of the former Geneva Mine, (Permit Area "A"), operated by U.S. Steel Corporation.

The Division rejected the initial application due to improper publication of the notice for bond release, and for submittal of the application during a bad time of year for the Division to conduct the required field inspection of the area for release. The Division instructed the Permittee to re-submit the application after addressing the two aforementioned deficiencies. This was done on April 30, 2012.

As required under R645-301-880.110, Bond Release Application, the Permittee provided an *Affidavit of Publication* confirming that a Public Notice for the Phase III Bond Release application was published in the Price, *Utah Sun Advocate* on March 20 and 27, and April 3 and April 10.

The Division conducted a field inspection of the Ditch 31 area on June 12, 2012. No issues were identified relative to soils, biology, hydrology or engineering. The Division holds a surety reclamation bond, (# ISM-2667) through the Rockwood Casualty Insurance Company in the amount of \$ 8,000.

TECHNICAL ANALYSIS:
OPERATION PLAN

SUBSIDENCE MONITORING

Analysis:

The roadside waste rock site was constructed within the Geneva Mine permit boundary at the junction of Utah Route 124 and the Horse Canyon road, Utah Route 125, and lies adjacent to Horse Canyon Creek. All material was generated by running ROM product through a Bradford breaker to reduce chunk size (a dry process) prior to rail loading for shipment to the U.S. Steel coal wash plant in Wellington, Utah. The Mine used continuous mining processes in room and pillar techniques to extract pillars (secondary extraction). All mining at the time of temporary cessation was occurring on the south side of Horse Canyon Creek on the third level. The elevation of the waste rock disposal area is well below the elevation of the outcrop where men and supplies entered the Mine. There are no mine workings beneath the waste rock disposal area.

There have not been any slides of material at the waste rock site since it received initial reclamation. A re-work of Ditch 31, and the construction of machinery access across the pad is included as part of the 0.49 acres being proposed for this Phase III bond release application.

Findings:

There are no Mine workings beneath the waste rock disposal area; there are no indications that gravitational material movement has occurred at this disposal area. There are no projected subsidence impacts; no material damage is anticipated from secondary coal extraction in the area of the waste rock disposal pile.

RECLAMATION PLAN
BONDING AND INSURANCE

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

Analysis:

General

The Division currently holds four surety bonds totaling \$ 1, 807,000 to ensure the reclamation of the 43.09 acres of disturbance associated with the Lila Canyon Mine. The Ditch 31 acreage (0.49 acres) and bond amount (\$8,000) were transferred to the Permit Area "B"

application (Lila Canyon) when the remainder of the Geneva Mine disturbance (74.26 acres / \$ 1,061,328) received Phase III release on December 7, 2009.

Form of Bond

The Division currently holds four **surety** bonds totaling \$ 1, 807,000 to ensure the reclamation of the 43.09 acres of disturbance associated with the Lila Canyon Mine. The bond amounts are as such;

- 1) \$ 1,556,000 posted by the XL Specialty Insurance Company (SB9905586);
- 2) \$130,000 posted by the Rockwood Casualty Insurance Company (IMS-2217);
- 3) \$ 8,000 posted by the Rockwood Casualty Insurance Company (ISM-2667);
- 4) \$ 113,000 posted by the Rockwood Casualty Insurance Company (ISM-2804).

5)
Both sureties have an A.M. Best rating of "A".

Determination of Bond Amount

The Permittee was required to do repair work of the area where the 100 year 6 hour ditch draining the refuse facility (Ditch 31) reported to the main channel of Horse Canyon Creek. Machinery access was developed from the Route 124 intersection. The amount of bond which the Division required to ensure that additional repairs were financially covered for the 0.49 acres is \$ 8,000.

The \$ 8,000 reclamation bond held by the Division for the Ditch 31 area should be released based on the findings of no issues observed on June 12, 2012, and the fact that the Permittee has addressed all of the requirements mandated under R645-301-880.100.

The total amount of reclamation bond held by the Division to ensure the reclamation of the Lila Canyon Mine (42.6 acres) and the 0.49 acres being proposed for release is \$ 1, 807,000. Upon approval of Task ID # 4090, the remaining bond will be \$ 1,799,000.

Terms and Conditions for Liability Insurance

The Permittee renewed the general liability insurance coverage for the C/007/013 Lila Canyon Mine prior to June 1, 2012; coverage is renewed annually through the Federal Insurance Company.

Each occurrence and general aggregate categories have \$ 1,000,000 and \$ 2,000,000 each of coverage.

Coverage incurred from the use of explosives is provided.

The cancellation of coverage notification requirement adequately addresses the requirements of R645-301-890.

Findings:

The Division conducted a field inspection of the 0.49 acres associated with the Ditch 31 disturbance on June 12, 2012. No issues were identified by the Division technical staff. The \$ 8,000 bond (ISM-2667, Rockwood Casualty Insurance Company) should be released. All disturbance within the Permit Area "A" permit will be released at that point.

The remaining bond for the Permit Area "B" disturbed area will be \$ 1,799,000.

RECOMMENDATION:

The Division should approve the bond reduction of \$ 8,000 by granting a Phase III release for the 0.49 acres of disturbance associated with the Geneva Mine waste rock disposal area.