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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

April 7, 2017

Karin Madsen, Resident Agent
UtahAmerican Energy, Inc.
P.O. Box 910
East Carbon, Utah 84520-0910

Subject: Updated Bond, UtahAmerican Energy, Inc., Horse Canyon Mine, C/007/0013,
Task ID #5398

Dear Ms. Madsen:

The Division has reviewed your application. The Division has identified deficiencies that must be addressed before final approval can be granted. The deficiencies are listed as an attachment to this letter.

The deficiencies authors are identified so that your staff can communicate directly with that individual should questions arise. The plans as submitted are denied. Please resubmit the entire application.

If you have any questions, please call me at (801) 538-5325.

Sincerely,

Daron R. Haddock
Coal Program Manager

DRH/sqs

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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0070013
TaskID: 5398
Mine Name: HORSE CANYON MINE
Title: UPDATED BOND

Reclamation Plan

Bonding Determination of Amount

Deficiencies Details:

The amendment does not meet the State of Utah R645 requirements for Determination of Bond Amount. In accordance with the requirements of R645 the Permittee is responsible to provide detailed estimated cost sheets to support the reclamation cost estimates.

The Permittee shall correct and answer the following questions and deficiencies.
Horse Canyon update bond 2016 task 5398

DEMO

- 1 Office Bathhouse 01 Identify 361 on site disposal
- 2 High Voltage 152.25 for 2016
- 3 Conveyor ROM Stoc 13 Identify where the 90 ton comes from
- 4 Drop Box delete 2nd concrete demo unless there is more concrete that needs to be removed then add the cost in.

EARTH

Horse Canyon Mine Lila Canyon Project

5 Grading 1

- a Equipment overhead has been removed. It is .1 and should be included
- b Hourly cost is incorrect. It is given in the RS Means book I can get that to you or you can look it up it is labeled.
- c Upper road area info. Updated but cost not calculated I have total 176,265

6 Topsoil 2

- a Overhead missing
- b Hr op cost not correct is listed in the RSMeans book.

7 Support 3

- a Pickup truck cost given is for a 3/4 ton instead of a 1 ton. If a 3/4 ton is what you have that is OK. The cost will need to be corrected to include a 4 x 4. Cost is 156.80 month and 14.10 hourly operating cost.
- b 6000 gal HW Truck Diesel monthly cost is 1168 and hourly operating cost are 87.60
- c Missed overhead cost of .1
- d We had 2 CLAB on this sheet at 37.90 per hour. Identify if they are still needed.
- e We had the Foreman that you listed so we are good there. I put a foreman wage of 51.90 as operator hourly rate on the pickup truck because it was left off.
- f I put a medium truck operators hourly wage of 47.05 rate on the 6000 ga. HW truck diesel. From RSMeans back page.

REVEG

8 Identify if swell factor is incorrect. Delete them.

9 Reseeding was at 50% only needs to be 25% unless that is what you want to remain.

10 Assume 340 CY AC Excavation Bulk Bank 2 CY (322bl) calculated out wrong. 11560×1.44 is 16,646.

11 Hydro spreader and seeding hydro spread calculated different $4.99 \times 1481=7390$.

12 Please send copy for the grasses, forbs, and shrubs from maple leaf quote.

TOTAL

13 Subtotal Direct cost in 2016 dollars is around 1,324,872.

14 Subtotal Indirect cost in 2016 dollars is around 355,065.78

15 Escalation factor is .7% total of around 23,601.

16 Escalation years is right at 2 years. Note your midterm will be 2018

17 Current Bond posted is 1,799,000.

18 Reclamation Cost are in 2018 dollars around 1,703,539.10 rounded to 1,704,000.

19 Difference between cost estimate and bond is about 95,000

bwiser