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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

BRIAN C. STEED
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 8, 2020

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

Subject: Conditional Approval of Midterm Completion Response, Andalex Resources Inc., Centennial Mine, C/007/0019, Task #6046

Dear Ms. Madsen:

The Division has reviewed the Centennial Mine's midterm completion response. The revisions to the Mining and Reclamation Plan (MRP) and bond cost estimates have been conditionally approved. Final approval will be granted when the following conditions have been met:

- 1) Provide two clean copies prepared for incorporation. A stamped incorporated copy will be returned to you for inclusion into your copy of the Mining and Reclamation Plan (MRP).
- 2) The current bond held by the Division is \$1,520,000 with Indemnity National Insurance Co. #N6000362. A rider to increase the bond by \$31,000 for a total of \$1,551,000 is required. Please ensure that the State of Utah, Division of Oil, Gas and Mining as well as the US Department of the Interior, Office of Surface Mining are listed as Obligees on the rider to increase your bond. Please submit the rider along with an Exhibit "D" Stipulation to Revise Reclamation Agreement and required affidavits.

Please submit the two clean copies and posted bond increase by February 10, 2020.

If you have any questions, please call me at (801) 538-5350 or Suzanne Steab, Bond Coordinator at (801)538-5265.

Sincerely,

Steve Christensen
Coal Program Manager

SKC/sqs



Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0070019
TaskID: 6046
Mine Name: CENTENNIAL MINE
Title: MIDTERM COMPLETION RESPONSE

Reclamation Plan

Bonding Determination of Amount

Analysis:

The application meets the State of Utah R645 requirements for Determination of Bonding Amount.

The application satisfies the requirements of R645-301-830 because pages 59 thru 118 contain reclamation bond costs that have been updated and escalated. The application was previously found deficient because the revegetation costs were inaccurate. Pages 60 and 61 include notes that explain the calculation methods used in the revegetation section. Additionally, recent correspondence with the Permittee has revealed that the cost manuals for the revegetation section were different than the other parts of the bond. The majority of the bonding sections were populated with costs from the R.S. Means Heavy Construction Cost manual, whereas the revegetation section was populated with costs from the R.S. Means Site Work and Landscape Manual.

The updated reclamation bond has been determined to be \$1,551,000, an increase of \$248,000. The current posted bond is \$1,520,000, and will need to be increased by \$31,000 to address the recent cost increases due to the midterm review.