



State of Utah

Department of
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Oil, Gas & MiningMARY ANN WRIGHT
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Lieutenant Governor

OK

December 16, 2004

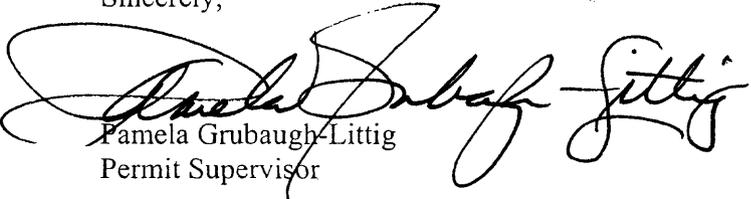
James T. Jensen, Vice President
Savage Services Corporation
6340 South 3000 East, Suite 600
Salt Lake City, Utah 84121Re: Update of Bond Contingency, Savage Services Corporation, Savage Coal Terminal, C/007/0022, Task ID #2082, Outgoing File

Dear Mr. Jensen:

The above-referenced amendment has been reviewed. There is a deficiency that must be adequately addressed prior to approval. A copy of our Technical Analysis is enclosed for your information. In order for us to continue to process your application, please respond to this deficiency by January 31, 2005.

If you have any questions, please call me at (801) 538-5268 or Wayne Western at (801) 538-5263.

Sincerely,



Pamela Grubaugh-Littig
Permit Supervisor

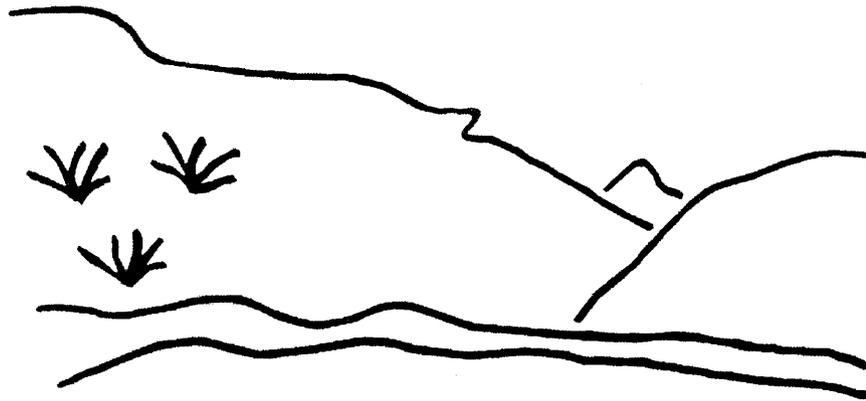
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Enclosure

cc: Boyd Rhodes
Dan Guy
Price Field Office

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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Savage Coal Terminal
Update of Bond Contingency
C/007/0022, Task ID #2082
Technical Analysis
December 15, 2004

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TECHNICAL ANALYSIS

TECHNICAL ANALYSIS

The Division ensures that coal mining and reclamation operations in the State of Utah are consistent with the Coal Mining Reclamation Act of 1979 (Utah Code Annotated 40-10) and the Surface Mining Control and Reclamation Act of 1977 (Public Law 95-87). The Utah R645 Coal Mining Rules are the procedures to implement the Act. The Division reviews each permit or application for permit change, renewal, transfer, assignment, or sale of permit right for conformance to the R645-Coal Mining Rules. The Applicant/Permittee must comply with all the minimum regulatory requirements as established by the R645 Coal Mining Rules.

The regulatory requirements for obtaining a Utah Coal Mining Permit are included in the section headings of the Technical Analysis (TA) for reference. A complete and current copy of the coal rules can be found at <http://ogm.utah.gov>

The Division writes a TA as part of the review process. The TA is organized into section headings following the organization of the R645-Coal Mining Rules. The Division analyzes each section and writes findings to indicate whether or not the application is in compliance with the requirements of that section of the R645-Coal Mining Rules.

When review of an application results in findings of noncompliance with the R645-Coal Mining Rules, the Division discusses the deficiencies in the analysis sections and cites regulatory references for the deficiencies in the findings sections of the Draft TA. The regulatory references cited describe the minimum requirements for meeting the R645-Coal Mining Rules and obtaining a permit.

The Draft TA includes a summary list of deficiencies at the beginning of the document. The Applicant/Permittee will receive the summary list of deficiencies and a redline/strikeout version of the Draft TA at the completion of the review. As the Applicant/Permittee resolves the listed deficiencies, the Division modifies the Draft TA, until a Final TA with no deficiencies is written. Approval is based upon the Final TA. The Permittee will receive an electronic version of the Final TA.

The Final TA is the starting point for review of subsequent applications for permit change, renewal, transfer, assignment, or sale of permit right. The Division modifies the analysis and findings in the Final TA to reflect the changes in the application.

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TECHNICAL ANALYSIS

SUMMARY OF DEFICIENCIES

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The Technical analysis of the proposed permit changes cannot be completed at this time. Additional information is requested of the Permittee to address deficiencies in the proposal. A summary of deficiencies is provided below. Additional comments and concerns may also be found within the analysis and findings made in this Draft Technical Analysis. Upon finalization of this review, any deficiencies will be evaluated for compliance with the regulatory requirements. Such deficiencies may be conditioned to the requirements of the permit issued by the division, result in denial of the proposed permit changes, or may result in other executive or enforcement action and deemed necessary by the Division at that time to achieve compliance with the Utah Coal Regulatory Program.

Accordingly, the Permittee must address those deficiencies as found within this Draft Technical Analysis and provide the following, prior to approval, in accordance with the requirements of:

Regulations

R645-301-830.120 and R645-301-121.300, The Permittee must include a copy of the Division's reclamation cost estimate in the MRP and remove those appendices that no longer are relevant..... 9

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SUMMARY OF DEFICIENCIES

RECLAMATION PLAN

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

General

The submittal that the Division received on November 29, 2004 is not in the proper form and format. The Division requires that their reclamation cost estimates be included in the MRP. See R645-301-830.110. On December 14, 2004, the Division sent Dan Guy an electronic copy of the bond calculations. The Division will send the Permittee a hard copy upon request.

The reclamation cost estimate is in Appendix 5-6 and 5-7 of the MRP. The Permittee must replace the information in Appendix 5-6 with the Division's reclamation cost estimate. In addition, the Permittee must remove Appendices 5-7, 5-8 and 5-9 from the MRP. Those appendices contain reclamation cost estimate and all that information must be included in one appendix.

The Permittee included updates to the reclamation cost estimate in the November 29, 2004 submittal. The current bond is form \$2,525,000 and the Division estimated the reclamation cost at \$2,155,000. The current bond is adequate.

Findings:

The information in the amendment is not considered adequate to meet the minimum requirements of bonding and insurance requirements. Before approval, the Permittee must provide the following in accordance with:

R645-301-830.120 and R645-301-121.300, The Permittee must include a copy of the Division's reclamation cost estimate in the MRP and remove those appendices that no longer are relevant.