

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

December 15, 2009

TO: Internal File

THRU: Jim Smith, Team Lead *DS 12/16/09*

FROM: Peter Hess, En Sci III, Engineering *PHH 12/15/09*

RE: Division Order Response, Andalex Resources, Inc., Wildcat Loadout, C/007/033, Task ID # 3365

SUMMARY:

The Permittee submitted a response to Division Order DO-04 on August 13, 2009. This application is intended to only address those items which have been identified by the Division as being necessary to address fugitive dust control issues and sediment control. The Permittee is proposing to remove sediment Pond "B" and construct a new pond "G" which would be located farther to the SE.

Also, primary road PR-5 will be graveled to minimize fugitive dust generation by coal trucks accessing the main coal stockpile storage pad,

This memo will address the adequacy of the bonding for these revisions.

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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

In order to address the Division's requirements for addressing DO-04, Design Specifications and Drawings, the Permittee is proposing to increase the amount of disturbed area acreage by 6.35 acres. The additional disturbance will encompass removing and storing 3100 CY of topsoil material, and constructing a new sediment pond "G" to control the runoff from the added 6.35 acres. Pond "B" will be backfilled and regraded to contour as part of this process.

Form of Bond

Andalex Resources, Inc., currently has two sureties posted with the Division to provide the reclamation bond amount to ensure reclamation of the Wildcat Loadout facility. Both sureties are issued by the Rockwood Casualty Insurance Company in the following amounts;

- 1) \$ 651,000 (ISM-2290)
- 2) \$ 493,000 (ISM-2360).

The total bond posted to reclaim this site is \$ 1, 144,000.

The Division determined in December of 2007 that the posted bond was \$ 4,000 short of the amount required to reclaim the site.

As the amount of shortfall was only -0.35 %, the \$ 4,000 difference was never required to be posted by the Division. This is based on the fact that the Division does not require additional bond adjustments when posted bonds are within 3 % of the calculated reclamation amount.

Rockwood Casualty Insurance has an A.M. Best rating (as of June 30, 2009) of "A", which meets the requirement R645-301-860.110.

Determination of Bond Amount

Appendix "P", page 6 contains revisions to the current bond amount using current figures for re-topsoiling (\$ 224 / acre), re-vegetation of disturbed areas @ \$ 5,377 / acre.

Excavation of pond "G" has been determined to require the removal of 2, 165 CY of material (See Plate 3G, Wildcat Loadout, Design Volume = 1.342 AF or 2,165 CY).

The Permittee states in Appendix "P", page 6 that "earthwork regrading costs will cancel out because Pond B is being replaced by Pond G. A quick analysis and examination of Figure 2 in Appendix "P" indicates that Pond G will be about 2.5 X larger than Pond "B", therefore only about 866 CY of material can actually be considered "cancelled out" by the new pond construction.

1,299 CY must be accounted for as far as the backfilling and regrading costs for pond "G".

Therefore, the reclamation bond must account for 1,299 CY of backfill volume at Pond "G".

1,299 CY @ \$ 1.01 / CY (R.S. Means 3 CY FEL, # 31 23 16 42 1601 2009 Cost of \$1.01 / CY) = \$ 1,312.00.

Total Cost Involved

- 1) Regrade Pond "G".....\$ 1,312.00
- 2) Topsoil 6.35 acres.....\$ 1,422.00
- 3) Revegetate 6.35 acres..... \$ 34,141.00
- 4) Remove and bury 570 feet of road surfacing material (bury in Sediment pond "A" during reclamation)..... \$ 0.00.

Total Cost.....\$ 36,875

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Difference between Reclamation
Cost (Task ID # 2822) and Posted Bond.....\$ 4,000

Total Bond Adjustment Required.....\$ 40,875

$$\$40,875 / \$ 1,144,000 = -3.57 \%$$

The Permittee must post \$ 41,000 of additional bond in order to implement the changes proposed in Task ID # 3365.

Findings:

The Permittee must post an additional \$ 41,000 of reclamation bond in order to receive a conditional approval recommendation for Task ID # 3365.

The required \$ 41,000 includes a \$ 4,000 amount which is part of the previous reclamation cost determination, which was not required to be posted by the Division at the time of the Task ID # 2822 approval.