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State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

007/034 #2

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November 15, 1994

TO: Daron Haddock Permit Supervisor, Pam Grubaugh-Littig, Permit Coordinator  
FROM: Wayne H. Western, Reclamation Engineer *WHW*  
RE: Mid-Term Review of the Banning Loadout Reclamation Bond Amount

Synopsis of Proposal

As part of the 1994 mid-term review, of the Banning Loadout, the Division evaluated the amount of the reclamation bond.

Analysis

The reclamation bond amount was calculated in 1988 to be \$197,593.33 and escalated to \$211,000 in 1993 dollars. From 1988 to 1993 costs rose 10.4%, while the projected inflation rate was 7.1%. Using the historic inflation rate the reclamation cost in 1993 dollars is \$218,000. If the 1988 reclamation costs were projected to 1998 (permit expiration date) the reclamation bond would be \$241,000.

The reclamation bond has a 10% contingency and engineering factor. The Division uses a 10% contingency factor and 5% for engineering. The 1988 bond estimate did not include a 5% contract management fee.

The demolition information listed only the structure's total volume. It appears the demolition costs for foundation and footers were not included neither were disposal costs.

The earthwork calculations do not include production rates. Therefore, Division cannot verify the earthwork costs.

The bond amount was determined six years ago. Cost estimates are usually projected for five years periods of five years or less. The next scheduled bond review will be during the permit renewal in October 1998.



Page 2  
Mid-Term Review  
Nov 15, 1994

Recommendation

Update the reclamation bond as part of the midterm review. To update the bond the Division will need additional information from the Operator. The information that should be supplied to the Division must include but not limited to the structures' dimensions and material types, productivity calculations for all earthwork calculations.

banbond.whw