

0014



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



Mine file

Michael O. Leavitt
Governor
Ted Stewart
Executive Director
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May 28, 1998

John Pappas
Sr. Reclamation Engineer
P.O. Drawer 7007
Price, UT 84501

Re: Bond Coverage at Castle Gate Mine and Willow Creek Mine, ACT/007/004 and ACT/007/038, Folder #4, Carbon County, Utah

Dear Mr. Pappas:

There has been some confusion about the bond coverage for these two mines. A review of the history is helpful:

Bond # 929-80-55:

Issued by National Fire Insurance Company on January 31, 1986. This bond was rideder to \$6,757,451 from \$4,415,505 on February 6, 1996. This bond was also rideder to \$1,804,000 on September 9, 1997, as a result of the separation of overlapping permit areas at the Castle Gate Mine and Willow Creek Mine, and also included the phase I bond release at Sowbelly Gulch #5 Mine, approved January 31, 1997. This bond amount represents the current reclamation costs for the Castle Gate Mine (see memo to file dated August 29, 1997 and approved September 11, 1997).

Bond # JT1133:

Issued by United Pacific Insurance Company on September 12, 1995. This bond represented the costs associated with the "Willow Creek" refuse removal. Due to the fact that the Willow Creek Mine permit application was under review, this permitting action was associated with the Castle Gate Mine. These reclamation costs were transferred from the Castle Gate Mine permit and are now in the Willow Creek permit.

Bond # 2644-518:

Issued by United Pacific Insurance Company on April 14, 1996 in the amount of \$11,949,205 for the Willow Creek Mine. It was realized at the time when the Willow Creek Mine permit was issued that overlapping permit areas and

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J. Pappas

ACT/007/004 & ACT/007/038

May 28, 1998

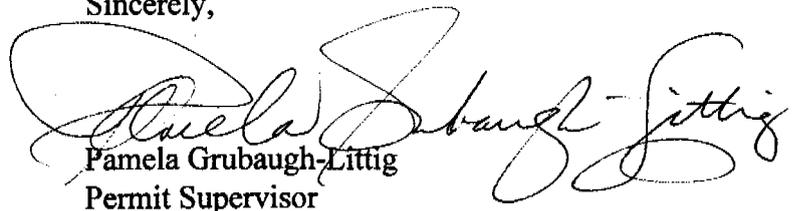
overlapping bonding obligations existed. An amendment was approved in September 1997 to correct the overlapping permit situation. The obligations for reclamation under bond #JT1133 (removal of the Willow Creek Refuse) were transferred to bond #2644-518 at that time.

Therefore, Bond JT1133 issued by United Pacific Insurance Company can be released.

Areas that each of the bonding obligations represent (Bond #2644-518 for the Willow Creek Mine and Bond #929-80-55 for the Castle Gate Mine); however, need to be updated. The bonded area is the permit area, see R645-301-820.111. A form has been attached for you to complete for each mine, i.e. the legal descriptions of the permit areas. (The permits for these mines are also enclosed for your assistance, which includes the legal description of the permit areas).

If you have any questions, please call me.

Sincerely,



Pamela Grubaugh-Littig
Permit Supervisor

sd

Enclosures

cc: Paul Baker
PFO

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EXHIBIT "A"
PERMIT AREA
LEGAL DESCRIPTION

Permit Number _____

EXHIBIT "A"

PERMIT AREA

In accordance with the RECLAMATION AGREEMENT, the PERMITTEE intends to conduct coal mining and reclamation activities on or within the PERMIT AREA as described hereunder:

Total acres within the approved PERMIT AREA: _____

Total acres of DISTURBED AREAS within the Permit Area: _____

Map(s) showing the approved PERMIT AREA are attached and provided as:

Map(s) showing the DISTURBED AREAS within the approved Permit Area are attached and provided as:

Legal Description of Bonded Area (Permit Area):

NOTE: In the event that more than one bond is provided for the Permit Area, the Permittee must provide a map and legal description for each sub area of the Permit Area for which each bond is provided.



EXHIBIT "D"
STIPULATION TO REVISE
RECLAMATION AGREEMENT

Permit Number: _____

Effective Date: _____

COAL
STIPULATION TO REVISE RECLAMATION AGREEMENT
--ooOOoo--

This STIPULATION TO REVISE RECLAMATION AGREEMENT entered into by and between the PERMITTEE and DIVISION incorporates the following revisions or changes to the RECLAMATION AGREEMENT: (Identify and Describe Revisions Below)

In accordance with this STIPULATION TO REVISE RECLAMATION AGREEMENT, the following Exhibits have been replaced by the PERMITTEE and are approved by the DIVISION:

___ Replace the RECLAMATION AGREEMENT in its entirety.

___ Replace Exhibit "A" - PERMIT AREA.

___ Replace Exhibit "B" - BONDING AGREEMENT.

___ Replace Exhibit "C" - LIABILITY INSURANCE.

The BONDING amount is revised from (\$_____) to (\$_____).

The BONDING Type is changed from _____ to _____.

The EXPIRATION DATE is revised from _____ to _____.

The LIABILITY INSURANCE carrier is changed from _____

to _____.

The AMOUNT of INSURANCE coverage for bodily injury and property damage

is changed from (\$_____) to (\$_____).

IN WITNESS WHEREOF the PERMITTEE has hereunto set its signature and seal
this ____ day of _____, 19____.

PERMITTEE

By: _____

Title: _____

ACCEPTED BY THE STATE OF UTAH
this ____ day of _____, 19____.

Director, Division of Oil, Gas and Mining

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by its duly authorized officer.

SURETY BOND
(FEDERAL COAL)

--ooOOoo--

THIS SURETY BOND entered into and by and between the undersigned PERMITTEE, and SURETY COMPANY, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns unto the State of Utah, Division of Oil, Gas and Mining (DIVISION), and the U.S. Department of Interior, Office of Surface Mining Reclamation and Enforcement (OSM) in the penal sum of (\$ 2,559,000.00) (Surety Bond Amount) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of this Reclamation Agreement.

This SURETY BOND shall remain in effect until all of the PERMITTEE's reclamation obligation have been met and released by the DIVISION and is conditioned upon faithful performance of all of the requirements of the Act, the applicable rules and regulations, SMCRA, the approved permit and the DIVISION.

The SURETY will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the Principal during the period of liability.

The SURETY and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the DIVISION and OSM from any and all expenses which the DIVISION and OSM may sustain as a result of the PERMITTEE's failure to comply with the condition(s) of the reclamation obligation.

The SURETY will give prompt notice to the PERMITTEE and to the DIVISION and OSM of any notice received or action alleging to insolvency or bankruptcy of the SURETY, or alleging any violations or regulatory requirements which could result in suspension or revocation of the SURETY's license.

Terms for release or adjustment of this BOND are as written and agreed to by the DIVISION and the PERMITTEE in the RECLAMATION AGREEMENT incorporated by reference herein, to which this SURETY AGREEMENT has been attached as Exhibit "B".

Revised October 1990
Exhibit "B" - BONDING AGREEMENT
SURETY BOND

IN WITNESS WHEREOF, the PERMITTEE has hereunto set its signature and seal
this 12th day of September, 19 95.

Amax Coal Company
PERMITTEE

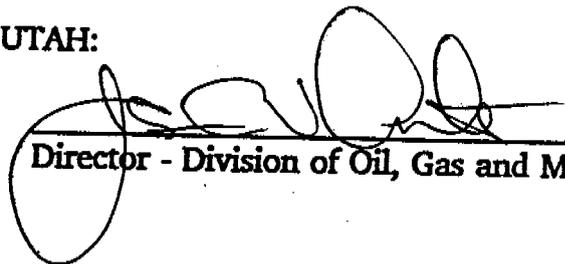
By: Frank J. Wood
Title: Vice President

IN WITNESS WHEREOF, the SURETY has hereto set its signature and seal this
12th day of September, 19 95.

St. Paul Fire and Marine Insurance Company
SURETY

By: Wendy W. Stuckey
Title: Wendy W. Stuckey, Attorney-in-Fact

ACCEPTED BY THE STATE OF UTAH:


Director - Division of Oil, Gas and Mining

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by its duly authorized officer.

ST. PAUL FIRE AND MARINE INSURANCE COMPANY
385 Washington Street, St. Paul, Minnesota 55102
ENDORSEMENT

The Principal's name is hereby amended to Amax Coal Holding Company

This endorsement is effective on the 6th day of June 1996

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, agreements, or limitations of the attached bond other than as above stated.

Attached to and forming a part of Bond No. JT1133

Issued to Amax Coal Company

St. Paul Fire and Marine Insurance Company has caused this endorsement to be executed

In Witness Whereof, St. Paul Fire and Marine Insurance Company has caused this endorsement to be executed by its officers or agent duly authorized thereunto, this 6th day of June 1996

Amax Coal Holding Company

By: Hevise R. Danner

Attest: [Signature]
James A. Johnson Witness

St. Paul Fire and Marine Insurance Company

By: Wendy W. Stuckey
Attorney-in-Fact

SIGNIFICANT PERMIT REVISION APPROVAL

Title: <u>Refuse Removal Project</u>	PERMIT NUMBER: <u>ACT 007/009</u>
Description: <u>Castle Gate revision</u>	PERMIT CHANGE #: <u>95B</u>
	MINE: <u>Castle Gate</u>
	PERMITTEE: <u>Amoxcoal Co.</u>

WRITTEN FINDINGS FOR PERMIT APPLICATION APPROVAL

	YES, NO or N/A
1. The application is complete and accurate and the applicant has complied with all the requirements of the State Program.	Yes
2. The proposed permit area is not within an area under study or administrative proceedings under a petition, filed pursuant to R645-103-400 or 30 CFR 769, to have an area designated as unsuitable for coal mining and reclamation operations, unless:	Yes
A. The applicant has demonstrated that before January 4, 1977, substantial legal and financial commitments were made in relation to the operation covered by the permit application, or	Yes
B. The applicant has demonstrated that the proposed permit area is not within an area designated as unsuitable for mining pursuant to R645-103-300 and R645-103-400 or 30 CFR 769 or subject to the prohibitions or limitations of R645-103-230.	Yes
3. For coal mining and reclamation operations where the private mineral estate to be mined has been severed from the private surface estate, the applicant has submitted to the Division the documentation required under R645-301-114.200.	Yes
4. The Division has made an assessment of the probable cumulative impacts of all anticipated coal mining and reclamation operations on the hydrologic balance in the cumulative impact area and has determined that the proposed operation has been designed to prevent material damage to the hydrologic balance outside the permit area.	Yes
5. The operation would not affect the continued existence of endangered or threatened species or result in destruction or adverse modification of their critical habitats, as determined under the Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.).	Yes
6. The Division has taken into account the effect of the proposed permitting action on properties listed on and eligible for listing on the National Register of Historic Places. This finding may be supported in part by inclusion of appropriate permit conditions or changes in the operation plan protecting historic resources, or a documented decision that the Division has determined that no additional protection measures are necessary.	Yes
7. The Applicant has demonstrated that reclamation as required by the State Program can be accomplished according to information given in the permit application.	Yes
8. The Applicant has demonstrated that any existing structure will comply with the applicable performance standards of R645-301 and R645-302.	Yes
9. The Applicant has paid all reclamation fees from previous and existing coal mining and reclamation operations as required by 30 CFR Part 870.	Yes
10. The Applicant has satisfied the applicable requirements of R645-302.	N/A
11. The Applicant has, if applicable, satisfied the requirements for approval of a long-term, intensive agricultural postmining land use, in accordance with the requirements of R645-301-353.400.	N/A
12. Public notice, comment period, and any subsequent hearings or appeals prior to approval of the proposed permit change have been completed with no adverse decision regarding this Significant Permit Revision.	Yes

SPECIAL CONDITIONS OR STIPULATIONS TO THE SIGNIFICANT PERMIT REVISION APPROVAL

	YES	NO
1. Are there any variances associated with this significant permit revision approval? If yes, attach.		X
2. Are there any special conditions associated with this significant permit revision approval? If yes, attach.		X
3. Are there any stipulations associated with this significant permit revision approval? If yes, attach.		X

The Division hereby grants approval for a Significant Permit Revision to the Existing Permit by incorporation of the proposed changes described herein and effective the date signed below. All other terms and conditions of the Existing Permit shall be maintained and in effect except as superseded by this Significant Permit Revision.

Signed

William A. Haddock
 Division of Oil, Gas and Mining

9/5/95
 EFFECTIVE DATE

**Willow Creek Refuse Removal
Summary of Bond Estimate**

Demolition Costs

Activity	Cost
Demolition	15771
Total Rough Grading	1414748
Survey	8400
Drainage Controls	5421
Total Topsoil	157388
Revegetation	47465
Reseeding and Replanting (25%)	11866
Total Direct Costs	\$1,661,059

Indirect Costs

Startup Cost @ 5%	
(mob/demob, permits, bond)	\$83,053
Contingency @ 10%	\$166,106
Engineering Fee @ 5%	\$83,053
Contract Management @ 5%	\$83,053
Monitoring & Maintenance @ 10%	\$166,106
Total Indirect Costs	\$581,371

Total Reclamation Costs \$2,242,430

Escalation to Jan 2000 dollars \$317,029

Bond Amount \$2,559,459

Rounded to nearest \$1,000 \$2,559,000