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

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Michael O. Leavitt
Governor

Lowell P. Braxton
Division Director

October 13, 1998

Richard D. Pick
Canyon Fuel Company, LLC
6995 South Union Park Center, Suite 540
Salt Lake City, Utah 84047

Re: Determination of Reclamation Bond Amount, Phase II, Canyon Fuel Company, LLC., Dugout Canyon Mine, ACT/007/039-SR98-1, Folder #3, Carbon County, Utah

Dear Mr. Pick:

The Division has completed a review of the reclamation cost estimate and the reclamation plans upon which it is based, for the Dugout Canyon Mine. In accordance with R645-301-830, the amount of bond to be posted has been determined by the Division. In order for the Phase II of the Dugout Canyon Mine to be constructed, the amount that will need to be posted is $3,682,000. Please see the attached summary sheet for a breakdown of the reclamation costs.

Please call if you have any questions.

Sincerely,

Daron R. Haddock
Permit Supervisor

tam
enclosure
cc: Ken Payne, Canyon Fuel, Scofield
Chris Hansen, Canyon Fuel, Scofield
Mary Ann Wright, DOGM, SLC
Price Field Office
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Bonding Calculations
Dugout Mine - ACT/007/039
Revised Oct. 12, 1998

Bond Summary

Direct Costs

Subtotal Demolition and Removal	$560,890
Subtotal Backfilling and Grading	$1,496,427
Subtotal Soils and Survey	$59,960
Subtotal Revegetation	$79,896
Direct Costs	$2,197,173

Indirect Costs

Maintenance and Monitoring (10%)	$219,717
Contingency (20%)	$439,435
Engineering Redesign (10%)	$219,717
Startup Costs (5%)	$109,859
Contract Management (5%)	$109,859
Subtotal Indirect Costs	$1,098,587

Total Cost in 1998 Dollars	$3,295,760
Escalation 2.24% for 5 years	$386,037
Total Cost in 2003 Dollars	$3,681,797
Bond Amount (rounded to nearest $1,000)	$3,682,000