



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

0011

Michael O. Leavitt
Governor

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

October 13, 1998

David M. Arnolds
Canyon Fuel Company, LLC
555 Seventeenth Street
Denver, Colorado 80202

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. Arnolds:

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

enclosure

cc: Ken Payne, Canyon Fuel, Scofield
Chris Hansen, Canyon Fuel, Scofield
Mary Ann Wright, DOGM, SLC
Price Field Office

O:\007039.DUG\FINAL\BONDAMT.LTR

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