



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

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

(801) 538-5340 telephone

(801) 359-3940 fax

(801) 538-7223 TTY

www.nr.utah.gov

Michael O. Leavitt
 Governor

Robert L. Morgan
 Executive Director

Lowell P. Braxton
 Division Director

November 1, 2002

TO: Internal File

THRU: Stephen J. Demczak, Sr. Reclamation Specialist/Engineering, Team Lead *JPD by an*

FROM: Wayne H. Western, Sr. Reclamation Specialist/Engineering *W.H.W.*

RE: Methane Degasification, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/039-02J

SUMMARY:

On September 19, 2002, the Division received an amendment for the installation of a methane degassing well at the Dugout Mine. The memo will only deal with the reclamation cost estimates.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

Determination of Bond Amount

Currently, the Division holds a reclamation bond for \$3,682,000 for the Dugout Mine. The Division has reduced the reclamation cost estimate during the review of other amendments.

TECHNICAL MEMO

The reclamation amount for the methane degassing well is minor in comparison to the current bond amount. The Division determined the reclamation cost estimate for the Dugout Mine to be \$1,821,000 in year 2007 dollars on October 4, 2002. Since the current bond exceeds the current reclamation cost estimate, no further action need be taken in regards to the bond. See attached summary sheet for details.

Findings:

The information provided in the application meets the minimum requirements for bonding and insurance as required by the Utah Coal Rules.

RECOMMENDATIONS:

The Division should approve the bonding and insurance section of the application.