

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

April 27, 2006

TO: Internal File

THRU: Pamela Grubaugh-Littig, Permit Supervisor
Peter H. Hess, Environmental Scientist III/Engineering, Team Lead

FROM: Wayne H. Western, Environmental Scientist III/Engineering

RE: Revised Bond Calculations – Degas Well G-11 and G-12, Canyon Fuel Company, LLC., Dugout Canyon, C/007/039, Task ID #2455

SUMMARY:

On January 17, 2006, the Division received an amendment from Canyon Fuel Company for a revision in the bond calculations. The revisions were based on some new information for the degas wells and updated costs.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

Determination of Bond Amount

The Division revised the reclamation cost estimate for the Dugout Mine based on:

- New information supplied by the Permittee pertaining to the reclamation of the degas wells.

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- The Division updated all unit costs to 2006 dollars.
- The Division updated the escalation factor based on a three-year average of Means construction cost index.

The Division determined the reclamation cost in 2007 dollars to be \$2,223,000. The current bond is for \$2,400,000. Therefore, the Division determined that there is adequate bond to allow the Division to reclaim the site in the event of bond forfeiture.

Findings:

The information in the amendment is adequate to meet the bonding requirements of the R645-Rules.

RECOMMENDATIONS:

The Division should approve the amendment.