

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

#3400
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October 12, 2009

TO: Internal File

THRU: Steve Christensen, En Sci II / Hydrology / Team Lead *SHC*
Jim Smith, En Sci III / Hydrology / Permit Supervisor / Task Manager

FROM: Peter H. Hess, Environmental Scientist *pHh by SHS*

RE: ADD DEGAS WELL G-29, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/039, Task ID # 3400

SUMMARY:

Canyon Fuel Company, LLC / Dugout Canyon Mine submitted an amendment to the Mining and Reclamation Plan on September 3, 2009 to permit an additional degasification well within the approved permit area. The well is to be identified as G-29.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

General

In accordance with the requirements of **R645-301-830.140**, the Permittee submitted additional detailed cost sheets to address the demolition costs (backfilling and grading of well pad area (2 acres are to be disturbed) and mudpit) well plugging, spreading of topsoil, and removal of three strand barb wire fence on Page 55 J of the Chapter 8, Bonding calculations. Demolition costs are estimated to increase by \$12,439.00, increasing the total demolition cost for all disturbed area facilities at the Dugout Canyon Mine to \$ 1,167,346.00.

Note that backfilling and grading costs associated with site G-29 are included in the demolition costs on Page 55 J.

The revegetation of degasification well G-29 is addressed on Page 86 (new page addition) to the Chapter 8 calculations.

Form of Bond

The Division currently holds a surety bond issued by the Argonaut Insurance Company in the amount of \$ 3,550,000 (SUR0000326). This surety had an A.M. Best rating of "A" as of June 30, 2009.

Determination of Bond Amount

The direct costs to add degasification well G-29 to the Dugout Canyon Mine disturbed area increase have been increased by \$ 17,910.00.

A total of the direct and indirect costs has been determined at \$ 3,151,537.00.

The escalated reclamation cost including well G-29 is \$3,253,193.00.

The current bond posted with the Division amounts to \$ 3,550,000.

Findings:

The amount of bond posted by the Permittee is adequate to cover the additional costs required by the installation of degasification well G-29.

RECOMMENDATION:

The Division should approve the permitting of degasification well G-29.