

# TECHNICAL MEMORANDUM

## Utah Coal Regulatory Program

---

#3531  
R

April 28, 2010

TO: Internal File

THRU: James D. Smith, Permit Supervisor  
Steve Christensen, En Sci III, Reclamation Hydrologist, Team Lead *SKC*

FROM: Peter Hess, En Sci III, Bonding *PHH by SHS*

RE: ADD DEGAS WELL G-30, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/0039, Task ID # 3531

### SUMMARY:

Canyon Fuel Company, LLC, Dugout Canyon Mine, submitted a permit amendment to add another degasification well to the Dugout Canyon Mine ventilation system on April 13, 2010. The well, # G-30 will increase the amount of disturbance at Dugout Canyon from 106.7 acres to 108.7 acres. This well will be located in the NE1/4SW1/4NW1/4 of Section 29, T13S, R13E, SLBM.

This memo will address the adequacy of the reclamation costs provided and their adequacy as to the posted bond amount for this site.

### TECHNICAL ANALYSIS:

## OPERATION PLAN

## BONDING AND INSURANCE REQUIREMENTS

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

### **Analysis:**

#### **General**

The reclamation bond amount currently posted to ensure the reclamation of the Dugout Canyon Mine and its associated disturbed acreages is \$ 3,550,000.00. The Argonaut Insurance Company carries this surety.

### **Form of Bond**

The in-place reclamation bond is a surety bond. The Argonaut Insurance Agency has an A.M. Best rating of "A" as of March 31, 2010.

### **Determination of Bond Amount**

The Permittee has submitted reclamation cost estimates for the plugging of G-30, the demolition and earthwork costs, and the revegetation costs for the associated 2 acres of disturbance.

In order to cover the well plugging, facilities removal and earthwork costs, the direct cost for demolition and removal has been increased \$ 15, 337.00.

As the backfilling and grading costs have been included under demolition and removal, no adjustment in the backfilling and grading direct cost has been made.

Revegetation costs were increased \$9,434.00 for the 2 acre site.

Total Direct Costs were increased by \$24, 771.00.

The escalated reclamation total for Total Mine to 2013 dollars is \$3,214,775.46.

The amount of bond posted to reclaim the Dugout Canyon Mine is \$3,550,000.00.

There is adequate bond in place to reclaim the Mine, as well as all associated disturbed areas (well G-30) within the Mine permit area.

### **Terms and Conditions for Liability Insurance**

The general liability insurance coverage for the Dugout Canyon Mine is provided by the National Union Fire Insurance Company, Policy # GL093-61-11. The term of the current coverage is in effect through July 31, 2010.

### **Findings:**

The Permittee has a sufficient amount of reclamation bond in place to reclaim and revegetate degasification well G-30.

### **RECOMMENDATION:**

The Division should approve the addition of degasification well G-30 to the Dugout Canyon Mine reclamation responsibility.