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# TECHNICAL MEMORANDUM

## Utah Coal Regulatory Program

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February 3, 2011

TO: Internal File

THRU: Steve Christensen, En Sci III, Reclamation Hydrologist, Team Lead SKC  
Jim Smith, En Sci III, Permit Supervisor / Task Manager JS 02/08/11

FROM: Peter Hess, En Sci III, Engineer / Bond Evaluation PHH/m SOS

RE: REVIEW OF RECLAMATION COST ESTIMATE / MIDTERM PERMIT  
REVIEW, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/039, Task  
ID # 3728

**SUMMARY:**

The Permittee submitted an updated reclamation cost estimate using 2011 unit costs determined from the 2011 R.S. Means Heavy Construction Cost Data catalog on January 18, 2011. Division review of those worksheets identified a few errors which were discussed with the Permittee's representative and corrected.

Revised calculations were submitted on February 2, 2011, with corrections resubmitted on February 4, 2011. This document will address the adequacy of those revisions, and proceed toward approval processing of the new reclamation cost estimate for this 2010 Midterm Permit Review.

## BONDING AND INSURANCE REQUIREMENTS

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

### Analysis:

#### General

The reclamation cost estimate for the Dugout Canyon Mine was last reviewed during the 2005 Midterm Permit Review. Although this midterm review (Task ID # 3728) was initiated in 2010, 2011 unit costs were used in re-calculating this reclamation cost estimate. One unit cost, (for pickup truck usage / foreman) was obtained from a list of equipment rates for 2010 from Nielson Construction Company, Price, Utah.

Also, acreages which were roughened and seeded at the degasification wells which have been reclaimed have been adjusted from the 2005 reclamation cost estimate to accurately reflect the roughened and seeded areas. These new acreage determinations have been certified by Mr. Cody Ware, Utah registered / professional land surveyor. A revised **Table 1-2, Disturbed Acres by Well Site**, page 1-8 from Chapter 1 of the MRP documents and certifies these revised acreages for use in the re-vegetation cost estimate portion.

The following de-gasification wells were never drilled; G-1, G-8, G-20, G-21, G-23, G-24, G-27 and G-28.

**The following degasification wells have been reclaimed** (plugged, backfilled, roughened and seeded) although the Permittee has not applied for any phases of bond release to date, (February 3, 2011); G-2, G-3, G-4, G-5, G-6, G-7, ..., G-13, G-14, G-15, G-16, G-17, G-18, G-19 and G-22.

Degasification wells G-25, G-26, G-29 and G-31 remain open at this time in order to supplement the Mine ventilation bleeder system.

#### Form of Bond

The bond which is held by the Division and issued by the Argonaut Insurance Company to ensure the reclamation of the Dugout Canyon Mine is a **SURETY**, in the amount of \$ 3,550,000.00. This surety has an A. M. Best rating of "A", as of December 31, 2010.

### **Determination of Bond Amount**

The Permittee submitted updated reclamation costs using the 2011 R.S. Means Heavy Construction Cost Data catalog. The three categories re-calculated in this new estimate, and their sub-totals are as follows;

Facility Demolition and Removal.....	\$ 1,162,693.00
Disturbance Backfilling and Grading.....	\$ 812,380.00
Re-vegetation of Disturbed Areas.....	\$ 335,065.00

The **Total Direct Cost** to reclaim all disturbed areas associated with the Dugout Canyon Mine is \$ **2,310,138.00**.

Indirect Costs have been calculated to Total.....\$ 619,117.00

**Total Cost in 2011 dollars** .....\$ 2,929,255.00

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

The Permittee maintains general liability insurance in accordance with the requirements of R645-301-890.100 through 890.400. This is monitored four times per year during the complete inspections conducted by the assigned reclamation specialist. The current general liability coverage for the Dugout Canyon Mine extends through July 31, 2011.

### **Findings:**

The revised reclamation cost estimate submitted for Task ID # 3728, MIDTERM PERMIT REVIEW has been determined as adequate to reclaim all areas of disturbance associated with this R645 permitted site. The amount of bond which is posted is adequate to support this reclamation cost estimate.

### **RECOMMENDATION:**

It is recommended that Conditional Approval be granted for the Midterm Permit Review, in lieu of receipt of the correct number of clean copies of the new reclamation cost estimate.