

C/007/039 incoming

#4711

**Dugout Canyon Mine**

P.O. Box 1029  
Wellington, Utah 84542  
(435) 637-6360  
Fax (435) 636-2897

January 26, 2015

Mr. Daron Haddock  
Division of Oil, Gas and Mining (DOGM)  
P.O. Box 145801  
Salt Lake City, Utah 84114

**RECEIVED**

**FEB 02 2015**

**DIV. OF OIL, GAS & MINING**

Subject: Approval of Phase I & II Bond Release of Select Methane Degassification Well Sites, Task ID #4711, Canyon Fuel Company, LLC, Dugout Canyon Mine, C/007/0039

Dear Mr. Haddock:

Enclosed you will find the clean copies required for Dugout's application for Phase I & II Bond Release. These documents are prepared for incorporation to Dugout's Mining and Reclamation Plan. The documents provided are listed:

*Replace Bond Amount, Page A, Appendix 5-6 (Reclamation Bond Estimate), Dugout Canyon Mine*  
*Replace Demolition Costs, Page 1, Appendix 5-6 (Reclamation Bond Estimate), Dugout Canyon Mine*  
*Replace Attachment 2-4 (Reclamation Information), Table, Methane Degassification Amendment, Dugout Canyon Mine*  
*Replace Attachment 5-2 (Methane Degassification), Table 1, Methane Degassification Amendment, Dugout Canyon Mine*

Thank you for your help in this process.

Please contact me at (435) 636-2872 or Bill King at (435) 636-2898 should you have any questions or comments regarding the enclosed information.

Sincerely,



David G. Spillman, P.E.  
Technical Services Manager

**RECEIVED**

FEB 02 2015

**Bonding Calculations**

**DIV. OF OIL, GAS & MINING**

**Direct Costs**

Subtotal Demolition and Removal	\$955,128.00
Subtotal Earthwork - Backfilling and Grading	\$812,380.00
Subtotal Revegetation	\$335,065.00
<b>Direct Costs</b>	<b>\$2,102,573.00</b>

**Indirect Costs**

Mob/Demob	\$210,257.00	10.0%
Contingency	\$105,129.00	5.0%
Engineering Redesign	\$52,564.00	2.5%
Main Office Expense	\$142,975.00	6.8%
Project Management Fee	\$52,564.00	2.5%
<b>Subtotal Indirect Costs</b>	<b>\$563,489.00</b>	<b>26.8%</b>

**Total Reclamation Cost 2011 Dollars \$2,666,062.00**

Escalation factor for 2011		0.012
Number of years to next review		4
Escalation	\$130,293.00	

**Escalated Reclamation Cost to 2015 \$2,796,355.00**

Reclamation Cost (rounded to nearest \$1,000) \$2,796,000.00

Bond Amount in 2009 dollars \$3,550,000.00

Difference Between Cost Estimate and Bond \$754,000.00  
 Percent Difference 26.97%

INCORPORATED

JAN 12 2015

Div. of Oil, Gas & Mining

Description	Cost
Mine Belt BC-1 No 1	23,106
Transfer Building No 2	42,445
Feed Belt BC 2 No3	16,451
Stack Tubes 2 No4	4,914
Head House 1 No 5	7,967
Transfer Belt BC 2 No 6	10,481
Head House 2 No 7	1,940
Reclaim Tunnel No 8	44,494
Reclaim Belt BC 4 No 9	14,435
Escape Tunnel 60 inch No 10	1,133
Crusher Building No 11	37,557
Truck Loadout Belt BC 5 No 12	11,979
Truck Loudout and Scale No 13	31,078
Bathhouse/Shop/Warehouse No 14	151,606
Substation No 15	1,984
Power Lines and Poles No 16	1,958
Retaining Wall No 17	936
Gabion Wall No 18	23,533
Pump House No 19	3,503
Paved Road No 20	167,700
Stream Culvert 72 inch No 21	4,193
Water Tanks No 22	3,842
Rock Dust Bin No 23	1,340
Fuel Tank and Fuel Station No 24	578
Holding Tank No 25	335
Ventilation Fan No 26	2,689
Magnet No 27	940
Water System No 28	78,482
Sewage System No 29	26,303
Storage Containers (8) No 30	2,400
Gilson Well No 31	2,190
Switch House No 32	57
Portals No 33	26,000
Storage Bolts & Bits	3,341
Storage Building No 35	27,302
Sampling System No 36	12,199
Stoker Storage Bin No 37	1,099
Substation No 2 No 38	3,328
Gabion Baskets No 39	1,091
Pace Fan Culvert No 40	1,726
Pace Fan Generator no 41	22,487
Pace Fan Portal no 42	5,200
Refuse Site No 43	9,783
Degas Well G2	11,604
Degas Well G3	8,088
Degas Well G4	8,265
Degas Well G5	10,835
Degas Well G6	8,585
Degas Well G7	11,731
Degas Well G9	10,953
Degas Well G10	11,240
Degas Well G11	9,487
Degas Well G12	7,973
Degas Well G13	12,444
Degas Well G14	10,375
Degas Well G15	11,019
Degas Well G16	10,289
Degas Well G17	10,125
Degas Well G18	18,834
Degas Well G19	12,311
Degas Well G31	23,458
AMV Road	50,430
Degas Well G22 & Road	20,545
Degas Well G25	12,107
Degas Well G26	11,417
Degas Well G-29	12,017
Degas Well G-30	12,456
<b>Total</b>	<b>1,162,693</b>
Subtract Phase I	(150,192)
Subtract Phase II	(57,373)

Phase I Bond Release 60 %	Phase II Bond Release 40%
6,962	4,642
4,853	3,235
4,959	3,306
6,501	4,334
5,151	3,434
7,039	4,692
6,572	
6,744	4,496
4,784	3,189
7,466	4,978
6,225	4,150
6,173	
11,300	7,534
7,387	
14,075	9,383
10,086	
12,327	
7,264	
6,850	
7,474	
150,192	57,373
<b>Total Phase I &amp; II</b>	<b>207,565</b>

<b>Total Less Phase I &amp; II Bond Release</b>	<b>955,128</b>
---	----------------

**INCORPORATED**

**JAN 12 2015**

**Div. of Oil, Gas & Mining**

Attachment 5-2, Table 1

Well No.	Year Constructed		Year Plugged		Final Reclamation	
	Planned	Actual	Planned	Actual	Planned	Actual
G-2		2004		2009		2009
G-3		2004		2005		2005
G-4		2004		2005		2005
G-5		2004		2009		2009
G-6		2004		2005		2007
G-7		2005		2008/2009		2009
G-9		2005		2008	2010	2012
G-10		2006		2008	2010	2010
G-11		2006		2008	2015	
G-12		2006		2009	2010	2011
G-13		2006		2008		2009
G-14		2006	2010 (B)	2009 (A)	2010	2010
G-15	N/A				2015	
G-16		2008			2011	2013
G-17	N/A				2014	2014
G-18		2007	2010	2008 (A)	2010	2012
G-19		2007		2008	2010	2010
G-22		2008			2011	2013
G-25		2009			2013	2013
G-26		2009			2013	2013
G-30	2010					2013
G-31		2007	2010	2008 (A)	2011	2013

Dates are approximate, all events are subject to availability of contractors, weather, mining needs, etc.  
 Although permitted, wells G-1, G-8 and G-29 were never drilled/constructed

INCORPORATED  
 JAN 12 2015  
 Div. of Oil, Gas & Mining

Well No.	Year Constructed		Year Plugged		Contemporaneous Reclamation		Final Reclamation	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
G-2		2004		2009	2007			2009
G-3		2004		2005		2005		2005
G-4		2004		2005				2005
G-5		2004		2009	2007			2009
G-6		2004		2005				2007
G-7		2005		2008/2009	2007			2009
G-9		2005		2008	2008		2010	2012
G-10		2006		2008	2007		2010	2010
G-11		2006		2008	2008		2015	
G-12		2006		2009	2007		2010	2011
G-13		2006		2008	2008			2009
G-14		2006	2010 (B)	2009 (A)	2008		2010	2010
G-15	N/A				2008		2015	
G-16		2008					2011	2013
G-17	N/A						2014	2014
G-18		2007	2010	2008 (A)	2009		2010	2012
G-19		2007		2008	2008		2010	2010
G-22		2008					2011	2013
G-25		2009					2013	2013
G-26		2009					2013	2013
G-30	2010							2013
G-31		2007	2010	2008 (A)	2009		2011	2013

Dates are approximate, all events are subject to availability of contractors, weather, mining needs, etc.  
 Although permitted, wells G-1, G-8 and G-29 were never drilled/constructed

Attachment 5-2 and  
 Attachment 2-4

**INCORPORATED**

**JAN 12 2015**

Div. of Oil, Gas & Mining