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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

April 23, 2012

TO: Internal File *NOZ*

THRU: Ingrid Campbell, Biologist and Team Lead *uc*

FROM: James Owen, Engineer *JO*

RE: Midterm Permit Review, West Ridge Resources, Inc., West Ridge Mine, C/007/0041, Task ID #4046

SUMMARY:

According to the R645 Utah Coal Rules, the Division is required to review each active permit during its term. The Division commenced a midterm review for the West Ridge Mine (Permitee) on September 29, 2011. As a part of this process, the Division performed a review of the Permitee's reclamation bond to ensure that coverage adequately addresses permit changes approved subsequent to permit approval or renewal, and to ensure that the bond amount is appropriately escalated in current year dollars.

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TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

General

According to Division records, the Permittee currently has two separate bonds posted totaling an amount of \$2,184,000.00

Determination of Bond Amount

The reclamation cost estimate which is approved and incorporated into the current West Ridge mining and reclamation plan has not been updated to current unit costs. Current unit costs are used to calculate the direct costs of reclamation including demolition, backfilling and grading, and revegetation. These updates should be provided using the 2011 data from R.S. Means *Heavy Construction Cost* data manual and the Caterpillar Handbook or other appropriate resources. Also, bond summary sheets are not updated to current escalation factor estimates.

In accordance with the requirements of **R645-301-830.140**, the Permittee must provide updated information in terms of detailed estimated cost, with supporting calculations for the estimates, submitted by the permit applicant. This includes updated unit costs (to be used to update bond calculation spreadsheets) and updated escalation factors (use the Division's approved 1.7% and 5 year escalation).

Findings:

The Division cannot initiate a complete review and analysis until the updated bond information is provided.

RECOMMENDATIONS:

Initial midterm review identified deficiencies. Approval is not recommended.