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State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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November 13, 1996

TO: Daron Haddock, Permit Supervisor

FROM: Wayne H. Western, Senior Reclamation Specialist *WHW*

RE: Permit Renewal, Bond Calculations, Consolidation Coal Company, Hidden Valley Mine, ACT/015/007, Folder #~~X~~, Emery County, Utah

## BONDING AND INSURANCE REQUIREMENTS

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

### Analysis:

#### Determination of bond amount.

The bond amount for the Hidden Valley Mine was determined on November 19, 1986, to be \$171,515. The indirect costs included an escalation factor of 1.62% for 1 year and a 10% contingency.

The company completed Phase I bond release. The current bond amount is \$90,758, adjusted to 1999 dollars.

At the time of permit renewal, the bond should be adjusted for inflation for the next five years. Using an escalation factor of 2.58% and adjusting the bond from 1999 for 2001 the bond amount should be increased to \$95,501.

The unit price reference was Means 1986 edition. Some of the costs are based on equipment rental and estimated production rates. There is no information in the bond estimate as to what type of equipment was used or the production rates.

In November 1996, the Division reconstructed the bond calculations using Means 1996 edition. Costs were based on unit price for specific tasks listed, such as backfilling and grading. The Division also included indirect costs such as monitoring and maintenance, engineering design, mobilization and project management as well as a 5 year

escalation factor and a 10% contingency. The Division's total reclamation cost estimate in 2001 dollars is \$300,834. If the amount is reduced by 60%, the maximum amount for Phase I, then the bond amount is \$120,334.

The Operator is having difficulty achieving Phase II bond release and is planning to do some additional earthwork. By changing the topography the Operator hopes to achieve adequate vegetation cover. Before any additional earthwork is done the Division will require the Operator to calculate the bond based on the additional earthwork cost.

Because of the limited information in the original bond calculations and the uncertainty about future activities at the site the Division would have a difficult time making any bond adjustment. The Division will not seek a bond adjustment at this time. A bond adjustment may be made in the future when additional information is available.

**Findings:**

The Operator needs to increase the bond amount to \$95,501 at the time of permit renewal.

**Recommendations:**

The Division should approve the \$95,501 bond amount at this time. However, if any additional disturbance is done at the site the Division should require that additional bond be posted.