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

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July 9, 1996

Val Payne
Senior Environmental Engineer
Energy West Mining Company
P.O. Box 310
Huntington, Utah 84528

Re: Division Order #96A, Bond Adjustment, Deer Creek Mine, PacifiCorp,
ACT/015/018, Folder #2, Emery County, Utah

Dear Mr. Payne:

The Division recently reviewed the bond requirements for the Deer Creek Mine and determined that the existing performance bond is not adequate due to escalation. In order for the mine to be adequately bonded through the current permit term additional bond will need to be posted such that the bond will be at least \$2,288,903.

Enclosed you will find a Division Order which requires the bond amount to be increased. If you have any questions, please call Jess Kelley or Daron Haddock at the Division's Salt Lake City Office, thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Carter', written over the word 'Sincerely,'.

James W. Carter, Director
Division of Oil, Gas and Mining

blb
Enclosure

cc: Susan White
Daron Haddock
Jesse Kelley
Pam Grubaugh-Littig

o:015/018/final/bond/bondesca.dee



STATE OF UTAH
DIVISION OF OIL, GAS AND MINING

PERMITTEE)	
Val Payne, Sr. Environmental Engr.)	
PacifiCorp)	
P.O. Box 310)	
Huntington, Utah 84526)	
)	ORDER & FINDINGS
)	of
Deer Creek Mine)	PERMIT DEFICIENCY
)	
)	
)	
)	
PERMIT NUMBER <u>ACT/015/018</u>)	
DIVISION ORDER # <u>96A</u>)	

PURSUANT to R645-303-212, the DIVISION ORDERS the PERMITTEE, PacifiCorp, to make the permit changes enumerated in the findings of permit deficiency in order to be in compliance with the State Coal Program. These findings of permit deficiency are to be remedied in accordance with R645-303-220.

FINDINGS OF PERMIT DEFICIENCY

The Division finds the permit deficient in that 1) the reclamation cost estimate has not been escalated through the end of the current permit term, and 2) the current reclamation bond is, consequently, insufficient.

Regulations Cited

R645-301-542.800, R645-301-830.300, R645-301-830.400

Requirements

In order to comply with these regulations, the permittee must 1) submit, for Division approval and inclusion in the mine plan, a revised reclamation cost estimate which has been properly escalated through the end of the current permit term, and 2) revise the current reclamation bond to cover the revised reclamation cost estimate.

In revising the reclamation cost estimate, the permittee must use the following escalation factors, which are taken from Means©.

<u>Year</u>	<u>Escalation Factor*</u>
1993	2.61%
1994	3.21%
1995	1.93%
1996 (and beyond)	2.58%

*The escalation factors for the years 1993 through 1995 are actual, historical numbers. The factor of 2.58% for years 1996 and beyond is a predicted factor and is simply the average of the factors for years 1993 through 1995.

The current reclamation cost estimate, in 1993 dollars, is \$1,915,535. When escalated using the factors above, this figure increases as follows.

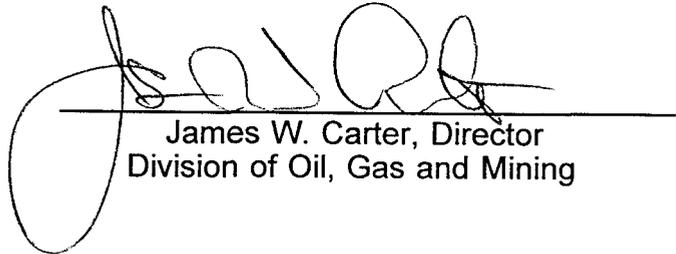
<u>Year</u>	<u>Escalation Factor</u>	<u>Escalated Cost Estimate</u>
1993	---	\$1,915,535
1994	3.21%	\$1,977,034
1995	1.93%	\$2,015,180
1996	2.58%	\$2,067,172
1997	2.58%	\$2,120,505
1998	2.58%	\$2,175,214
1999	2.58%	\$2,231,334
2000	2.58%	\$2,288,903

Thus, the reclamation cost estimate, when escalated through the end of the current permit term, is \$2,288,903. In order to fulfill the requirements of the regulations cited above, the reclamation bond must be increased to *at least* this amount. However, the permittee may want to increase the bond to a larger sum in order to cover unforeseen future construction and thus avoid the necessity of increasing the bond every time a small amendment is made to the mining plan.

ORDER

PacifiCorp is ordered to make the requisite permit changes in accordance with R645-303-220 and to submit a complete application for permit change to address the findings of permit deficiency within 30 days of date of the Order. PacifiCorp must also provide additional bond in a form and amount as approved by the Division within 30 days of the date of this order.

Ordered this 9th day of July, 1996, by the Division of Oil, Gas, and Mining.



James W. Carter, Director
Division of Oil, Gas and Mining