

#3984
OK

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

January 3, 2012

TO: Internal File

THRU: Daron Haddock, Permit Supervisor *DH*

FROM: James Owen, Engineer *JO*

RE: Update Reclamation Bond, Energy West Mining Company., Deer Creek Mine, C/015/0018, Task ID #3984

SUMMARY:

On December 01, 2011, the Utah Division of Oil Gas & Mining (Division) received an application for an amendment to the Deer Creek Mining and Reclamation Plan (MRP). The amendment is for the purpose of revising the mine's reclamation bond.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

The applicant previously submitted an amendment to update Volume 11 of the MRP to include the as-built state of the Rilda Canyon Portal Facilities. The amendment was approved by the Division in 2010. The current application includes revising and updating the bond estimate for the Rilda Facilities to reflect the as-built conditions.

The application will also relocate the revised Rilda bond to Volume 2 to be with the current bond of the Deer Creek mine proper. The applicant feels that having the bond for all Deer Creek facilities will simplify the bond tracking process.

Division records indicate that the Permittee has a surety bond posted in the amount of \$4,113,000. The most recent escalation is in 2008 dollars.

The application included a Bonding Calculation Summary Sheet with both Deer Creek and Rilda Facilities. The escalation factor that was used for the total complex was 1.7% over 5 years. The Division currently requires a 5-year average for escalation estimation.

Wage and Equipment rate estimates were included with the submittal. References were provided from the 2011 RSMeans Heavy Construction Data Handbook. Updated summaries were provided for Demolition, Earthwork and Revegetation. Bond calculation spreadsheets were also included detailing updated unit costs for all categories.

Information was provided in terms of Earthwork volumes, placements, cuts and fills. Map 500-6 (Cut, Fill, and Placement for Estimating Earthwork Bond Amounts) was included with the application and contains all pertinent information and details.

Revegetation details were also provided with the submittal. Seedmix prices were based on Stevenson Intermountain Seed priced quoted in February of 2011. Seedling tree prices were based on Lone Peak Conservation Nursery prices in February 2011.

The updated total reclamation cost and required bond is calculated to be \$3,374,000.00, which is \$739,000 less than the bond currently posted.

Findings:

Contents and information provided are sufficient enough to meet the minimum requirements of this section of the Utah Coal Mining Rules.

RECOMMENDATIONS:

The application is recommended for approval at this time.