



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

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June 30, 1993

Mr. R. Jay Marshall
Genwal Coal Company, Inc.
P. O. Box 1201
Huntington, Utah 84528

Dear Mr. Marshall,

Re: Reclamation Bond Estimate, Genwal Coal Company, Crandall Canyon Mine, ACT/015/032, Folder #2, Emery County, Utah

I have reviewed the reclamation bond estimate you submitted and would like to discuss some issues and explain Division procedure.

The *first* issue involves how unit prices are determined for demolition and disposal costs. The Division uses Means total cost, which includes overhead and profit whenever possible for estimating such costs. Your consultant used Means labor and equipment cost and then discounted them 29% and 6% respectively to reflect the current rental and labor rates in the Price area.

The Division uses costs from Means and the Rental Blue Book Rates whenever possible. When costs can not be obtained from either of those sources contractor and vender prices are used. Reclamation work can occur under a variety of economic circumstances, therefore the Division does not discount prices to reflect current local economic conditions.

The Division generally concurred with your consultant's estimate on equipment and labor requirements for demolition and disposal. The Division added some items and in a few cases used different unit cost. Enclosed is a copy of the Division's demolition and disposal cost estimate. Please review the document and let me know if you have any questions or comments.

The *second* issue involves earthwork costs used to determine the cut and fill, and topsoil distribution costs. The Division requires operators to submit productivity estimates for the reclamation equipment. Productivity information was not included in Chapter 5 - Engineering, or Appendix 5-20. The Division cannot accept earthwork estimates without productivity data. The information in Section 5.42.10 - Timetables does not supply the Division with sufficient information to determine equipment selection and operating times.



Page 2
ACT/015/032
June 30, 1993

The Division prefers productivity values determined by the Caterpillar Performance Handbook, but will accept estimates based on Means. The productivity calculation must include information on equipment selection, material properties, grade and distance, and operating condition.

The *third* issue is material balance. The Division is concerned that there will not be enough material to restore the site to the approximate original contours. A detailed mass balance calculation must be referenced in the engineer section and the bond estimate appendix.

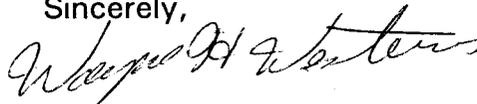
The *fourth* issue is revegetation costs. The Division assumes that seeding will fail on 25% of the area therefore revegetation costs must be increased by 25% to handle the additional seeding.

The *fifth* issue involves additional costs. The Division requires a 10% contingency be added to all estimates. The purpose of the contingency is to cover items that will be required to be completed, but have not yet been identified. A 5% engineering fee is required to cover additional engineering cost and to administrate the reclamation work.

A 5% mobilization/demobilization cost is assumed. Studies by regulatory agencies indicate a high mobilization/demobilization cost associated with mine reclamation projects.

An escalation factor of 1.42% for five years must be added to all costs. The 1.42% figure is an average of the escalation rate for the past three years as determined by the Means historical cost index.

Sincerely,



Wayne H. Western
Reclamation Engineer

cc: D. Haddock
GENBOND.WHW