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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

January 27, 2011

TO: Internal File

THRU: Steve Christensen, Hydrologist and Team Lead *SCC*

FROM: James Owen, Engineer *JO*

RE: Response to Midterm Review, Genwal Resources, Inc., Crandall Canyon Mine, C/015/0032, Task ID #3722

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 Crandall Canyon Mine (Permitee) on September 15, 2010. As a part of this process, the Division performed a review of the Permitee's bond to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate year dollars. In accordance with the requirements of R645-301-830.140, the Division required the Permitee to provide updated direct cost estimates for the demolition, backfilling and grading, and revegetation work associated with the disturbed areas located within the permit boundary before the Midterm review could be completed. On Dec 29, the Permitee submitted an application with the required updated direct cost estimates. Updated cost estimates were used to evaluate bond adequacy.

Currently, the Utah Board of Oil, Gas & Mining (BOGM) is in the process of reviewing the details concerning Division Order 10A (DO10A), which pertains to Crandall Canyon mine water discharge and the related bonding adequacy. The requirements of this midterm permit review do not include the issues concerning DO10A. For this midterm review, updated bonding estimates should include all other reclamation requirements for the disturbed areas located within the permit boundary as indicated in the approved mining and reclamation plan. The Division will revisit the issue of bonding adequacy for Crandall Canyon after the Board has completed its review.

The following deficiency was identified:

- **R645-301-830.140** The Division has determined that the operator is required to have a bond posted in the amount of \$2,278,000.00. The Permitee currently has two separate bonds posted totaling an amount of \$2,062,000.00 (-9.48%). The Permitee must post additional bond in the amount of the balance as well as submit all bonding spreadsheets to update Appendix 5-20 of the MRP.

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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 \$2,062,000.00

Determination of Bond Amount

The application included updated unit costs for demolition, earthwork, and revegetation costs associated with reclamation bonding. Updated costs were displayed next to the un-updated costs. Updated costs were referenced from 2011 R.S. Means *Heavy Construction Cost* data manual, Nielson Construction Company cost details, and as the latest Dugout mine bonding details that were provided by Pete Hess, a Division engineer.

Current unit costs were used to update the reclamation bond spreadsheet (Appendix 5-20). Copies of the updated spreadsheets were sent to the operator to re-submit to the Division as an amendment to the MRP.

R645-301-830.140 The Division has determined that the operator is required to have a bond posted in the amount of \$2,278,000.00. The Permittee currently has two separate bonds posted totaling an amount of \$2,062,000.00 (-9.48%). The Permittee must post additional bond in the amount of the balance as well as submit all bonding spreadsheets to update Appendix 5-20 of the MRP.

Findings:

The Permittee provided updated unit cost estimates for the demolition, backfilling and grading, and revegetation work associated with the disturbed areas located within the permit

boundary. Reclamation cost calculations associated with this data indicate that additional bond needs to be posted.

RECOMMENDATIONS:

The application is not recommended for approval at this time.

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