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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

#3548
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June 15, 2010

TO: Internal File

THRU: April Abate, En Sci II, Reclamation Hydrologist, Team Lead
James D. Smith, En Sci III, Permit Supervisor, Task Manager

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6-21-2010
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FROM: Peter Hess, En Sci III, Reclamation Specialist, Bond Review

PHH by SCS

RE: NEW PORTALS, Canyon Fuel Company, LLC, SUFCO Mine,
C/041/002, Task ID # 3548

SUMMARY:

The Permittee submitted an application to the Division on June 7, 2010 to permit three new portals on the north end of the East Spring Canyon surface facilities.

Revised bond information (Page 1, Total2068.xls Bond Amount, Page 1, Appendix 5-9, Volume 6 of the MRP, and Page 33 of Appendix 5-9) was submitted as part of the Task ID # 3548 application.

The submitted application only addresses the sealing off of the three new portals with solid concrete block seals. The backfilling, grading and re-vegetation of the East Spring Canyon surface facilities pad is already included in the approved MRP reclamation bond estimate, Appendix 5-9, Volume 6. A mid-term review of the reclamation cost estimate was completed prior to the submittal of this application.

To construct the new portals, some existing facilities will need to be moved or dismantled.

This memo will address the adequacy of the revised bond calculations.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

General

Canyon Fuel Company, LLC has posted a surety bond with the Division in the amount of \$ 4,439,000.00 to ensure the reclamation of all of the disturbed areas associated with the SUFCO Mine. The bond is ensured through the Argonaut Insurance Agency, which has an A.M. Best rating of "A".

The size of the total disturbance amounts to 48.432 acres.

Form of Bond

The form of the in place bond is a surety, provided by the Argonaut Insurance Agency.

Determination of Bond Amount

The Permittee submitted a revised Demolition Costs sheet (Page 33 of 62) for Appendix 5-9, which increases the number of portals to be sealed in the Main Mine Area (East Spring Canyon facilities) from 3 to 6. A cost of \$ 5,200.00 per each portal sealing has been utilized for the submitted spreadsheet, doubling the currently approved cost for this work from \$ 15,600 to \$ 31,200.

Thus the demolition cost **increase** amounts to \$ 15,600.00.

The Total Cost to seal all portals which currently remain open (this does not include the Link Canyon Intake Portal, which is a separate cost) amounts to \$ 62,400.00 (See Page 1 of 62 for Appendix 5-9, Volume 6 of the MRP submitted with Task ID # 3548).

The total Demolition cost for the Mine now amounts to \$ 1,068,559.00.

Terms and Conditions for Liability Insurance

The Permittee maintains general liability insurance coverage for the SUFCO Mine through the National Union Fire Insurance Company of Pittsburgh, PA. The coverage term is one year, and renewal is required by July 31 of the current year.

Findings:

The application meets the minimum regulatory requirements of the R645 Coal Mining Rules.

RECOMMENDATION:

The Division should approve this application.

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