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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

May 23, 2011

TO: Internal File

THRU: April Abate, Team Lead *AAA*
5-23-2011

FROM: James Owen, Engineer *JO*

RE: West Lease Beltline, Canyon Fuel Company, LLC, Sufco Mine, C/041/0002,
Task #3816

SUMMARY:

On April 21, 2011, the Utah Division of Oil Gas & Mining received an application for an amendment to the Mining & Reclamation Plan (MRP) of Canyon Fuel Company's Sufco Mine. The application seeks approval to construct a new conveyor belt to access the West Lease Area of the mine. Included with the amendment are updated bond calculation sheets, and additional construction profile drawings that show the proposed beltline and details for bonding.

The applicant states that all activities associated with construction of the new beltline will occur within the mine's current disturbed area boundary and that the new construction is well within the current bond posted by the applicant. The applicant commits to submit updated and certified "as-built" versions of Plates 5-2A, 5-2B, and 7-6 once the portal and beltline activities are completed.

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TECHNICAL ANALYSIS:

OPERATION PLAN

SUPPORT FACILITIES AND UTILITY INSTALLATIONS

Regulatory Reference: 30 CFR Sec. 784.30, 817.180, 817.181; R645-301-526.

Analysis:

To accommodate the inclusion of the new beltline, Table 5-4 (Existing Structures) within the MRP was modified to include the belt along with the West Lease Portals. The description was also modified to include structural steel along with concrete.

Findings:

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

MAPS, PLANS, AND CROSS SECTIONS OF MINING OPERATIONS

Regulatory Reference: 30 CFR Sec. 784.23; R645-301-512, -301-521, -301-542, -301-632, -301-731, -302-323.

Analysis:

The application includes description, plans, and drawings for the beltline as it is expected to be constructed, used, and maintained within the proposed permit area. The plans and drawings include a map, appropriate cross sections, design drawings, and specifications sufficient to demonstrate compliance.

Findings:

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

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

Included with the amendment are updated bond calculation sheets, updated unit cost estimates, and additional construction profile drawings that show the proposed beltline and details for bonding calculations.

The mine currently has surety bond posted in the amount of \$2,874,000. The principal holder is Argonaut Insurance Company. The amendment will only effect the bonding calculations by requiring an adjustment in the subtotal for demolition and removal as direct costs. The new subtotal for demolition and removal will now be \$1,139,895.00.

As of 2011, the Division requires bonding estimates to be escalated to 5 years using an escalation factor of 1.7%. The application includes an escalation factor of .4% and is escalated for 4 years. The amount of bond currently posted by the mine is sufficient to accommodate the amendment using an escalation factor of 1.7% and escalating for 5 years.

Findings:

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

RECOMMENDATIONS:

Conditional approval is recommended, based on submittal of an updated summary sheet for the bonding calculations. The updated sheet should include 5 year escalation, an escalation factor of 1.7%, and updated escalation cost totals in 2016 dollars. The Division requests that the mine submit updated hard and soft copy versions of the bonding spreadsheets.