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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

March 5, 2012

TO: Internal File

THRU: April Abate, Lead/Hydrologist *COA 3-6-2010*

FROM: James Owen, Engineer *JO*

RE: Construction of Warehouse Expansion, Canyon Fuel Company, LLC, Sufco Mine, C/041/0002, Task #4006

SUMMARY:

On February 7, 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 (CFC) Sufco Mine. The application seeks approval to start construction of the proposed warehouse expansion.

This memo addresses the application's compliance with the engineering (R645-301-500) and bonding (R645-301-800) sections of the Utah Coal Mining Rules.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

OPERATION PLAN

SUPPORT FACILITIES AND UTILITY INSTALLATIONS

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

Analysis:

The application included a construction drawing that shows the proposed location of the warehouse expansion. The additional section will include 40' X 50' of expanded area. Table 5-4 was updated to include a secondary construction date.

The applicant commits to submit updated and certified versions of Plates 5-2A, 5-2B and 7-6 once construction of the warehouse expansion has been completed.

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:

The application included updated reclamation cost estimation. With the inclusion of the warehouse expansion, the cost of demolition will increase from \$1,141,607 to \$1,218,689. The demolition cost only affects the details of the shop and warehouse demolition estimates.

Updated unit cost estimates were used. Appropriate escalation factor and escalation years were applied. The total reclamation cost will increase from \$2,568,000 to \$2,674,000. The mine has \$200,000 of excess bond posted. Therefore, current bonding is adequate and no additional bond will need to be posted for the approval of the warehouse expansion.

Findings:

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

RECOMMENDATIONS:

Approval is recommended at this time.

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