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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

January 28, 2015

Ken May, General Manager
Canyon Fuel Company, LLC
597 South SR24
Salina, Utah 84654

Subject: Midterm Completion Response, Canyon Fuel Company, LLC, Sufco Mine, C/041/0002, Task ID #4774

Dear Mr. May:

The Division has completed its review of your midterm completion response and identified deficiencies with the bond that must be addressed before final approval can be granted. The deficiencies are listed as an attachment to this letter.

The deficiencies authors are identified so that your staff can communicate directly with that individual should questions arise. Please resubmit the entire application by February 26, 2015.

If you have any questions, please call me at (801) 538-5350.

Sincerely,

Steve Christensen
Permit Supervisor

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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0410002
TaskID: 4774
Mine Name: SUFCO MINE
Title: MIDTERM COMPLETION RESPONSE (BOND)

Reclamation Plan

Bonding Determination of Amount

Deficiencies Details:

R645-301-830.140 The Permittee must provide updated information for the Reclamation Bond cost estimate sheets with supporting calculations for the estimates. These include updated unit costs to the midterm review year, i.e. 2014, and escalate the bond to the next midterm review, five years. The cost sheets submitted by the Permittee have several errors including but not limited to:

- There are two Fan Demo sheets and only one is referenced, clarification is required from the Permittee which of the two sheets is applicable to the site.
- According to the OSM Bonding Calculation Guidelines, RS Mean bare unit costs are to be utilized instead of the unit cost that includes overhead and profit which the Permittee's submission utilizes.
- The items referenced in the materials column and the RS Means unit cost do not match the RS Means reference number on several line items (i.e. Transportation Cost Steel Truck)
- Truck rental costs are improperly subdivided into units smaller than referenced. (i.e. minimum truck rental period is one day, all truck rental units must be rounded up to the a whole number)
- Concrete Demolition line items need to be clarified on several sheets as to the purpose and design to help find the appropriate reference unit cost.
- Well closure and portal closure costs need more detailed information from the Permittee to determine a relevant reclamation estimate.
- Within the Earthwork cost estimate sheets clarification is required why the Permittee removed some equipment.
- Within the Earthwork cost estimate sheets the equipment cost, hourly operating costs, Operator's hourly wage rate were updated without a reference and do not match the Caterpillar Handbook/ Equipment Watch Rental Rate Blue Book.
- Within the Revegetation cost estimate sheet clarification is required why the Permittee removed fertilizer from the Waste Rock Site.
- Within the Revegetation cost estimate several of the RS Means reference numbers were not updated to reflect changes in the 2014 edition.

A meeting with the Permittee and the Division will be scheduled to address each of the concerns and arrive at an applicable updated reclamation bond cost estimate.

cparker