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# State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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February 23, 1995

Duane Crutchfield
Ash Grove Cement Company
P.O. Box 51
Nephi, Utah 84648

Re: Replacement Reclamation Sureties, Ash Grove Cement Company (Ash Grove), Leamington Quarry, M/023/004, Navajo Sandstone Quarry, M/023/010, Nielson Quarry, M/023/012, County Canyon Mine, M/023/024, Juab County, Utah

Dear Mr. Crutchfield:

On February 9, 1995 we received a series of formal 90-day surety bond cancellation notices from Mr. J. D. Hamlet, Attorney-in-Fact, on behalf of United States Fire Insurance Company-/Westchester Fire Insurance Company. These notices were for all of Ash Grove's presently permitted large mining operations on file with our office. The notices indicated the principal (Ash Grove) is in the process of securing replacement sureties.

On February 10, 1995, I spoke with Mr. Michael Fagan of Marino & Wolf Inc. regarding the surety dollar amounts and the replacement surety bond forms that would need to be completed and filed with our office. We discussed utilizing the Division's *joint agency* surety bond form for those large mining operations that are jointly permitted by this Division and the Bureau of Land Management (BLM). Blank copies of our surety bond form and new Reclamation Contract forms have been forwarded to Mr. Fagan. Additional copies of these forms are also enclosed with this letter.

Pursuant to Board directive and Division policy and procedure, whenever there is a change in the form of reclamation surety, a change in surety company, and/or an amendment/revision to the approved mining and reclamation plan, the existing reclamation surety estimate is revised to reflect current year reclamation dollars and then escalated 5 years forward. The operator is then requested to post this revised reclamation surety amount. Accordingly, the Division has gone back and recalculated the existing surety estimates for Ash Grove's mine sites. The revised surety estimates for each site are attached to this letter. Please review the attached estimates for accuracy and then provide the Division with the updated surety amounts for each mine site.

The County Canyon mine site (DOGM permit # - M/023/024) will need to remain separately bonded by both this Division and the BLM. This mine site is categorized by the BLM as a mineral materials sale; therefore, it is not covered under our present joint agency Memorandum of Understanding which only involves locatable minerals. The Navajo Sandstone Quarry (M/023/010) and the Nielson Quarry (M/023/012) should be bonded using the Division's joint agency bonding forms.

The Leamington Quarry (M/023/004) is presently jointly bonded with the U.S. Forest Service and this Division. The Forest Service originally calculated the reclamation surety and presently holds the surety for this mine. We are aware that Ash Grove has recently gone through a patenting process for some (if not all) of the federally-managed lands permitted under the Leamington mine site. Assuming that Forest Service lands are still involved, we would suggest that this site be bonded jointly using our bonding forms.

We have enclosed copies of the existing Reclamation Contracts (FORM MR-RC) for each site that should be used as a guide/reference to complete the new forms. Please contact me or Tony Gallegos of my staff should you have questions or concerns in this regard.

Sincerely,

Anthony A. Gallegos
for D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Attachments: Surety updates
Enclosures: Blank MR-RC & guide, MR-5 & 6, & Existing MR-RC's,
cc: Michael Fagan, Marino & Wolf w/attachments
Rody Cox, BLM, Warm Springs RA w/attachments
Walter Phelps, BLM, State Office w/attachments
Lowell Braxton, DOGM w/attachments
M023004.sur

SURETY ESTIMATE UPDATE
Ash Grove Cement Company
Leamington Quarry M/023/004
Prepared by Utah Division of Oil, Gas & Mining

filename M23-04UP.WQ2
Last Update **02/13/95**
Juab County

DESCRIPTION:

-Original reclamation surety estimate prepared by USFS in 1980; surety held by USFS
-USFS estimate amount was $386,000 for 273 acres of disturbance
-Details of USFS reclamation estimate are not contained in DOGM files
-Mine plan update & revision currently being prepared by operator
-This update adjusts the base amount to present dollars & escalates 5 yrs
-Escalation factors through 1993 are actual Means Historical Cost Indices
-Actual escalation factor for 1994 not yet available
-Total disturbed area = **273 ACRES**

CALCULATIONS

F = P(1 + i)**n
F = Future Sum
P = Present Sum
i = Escalation Factor
n = number of periods

| YR | ESCAL FACTOR | BOND AMOUNT |
|---|---|---|
| 1980 | 0.0860 | $386,000 |
| 1981 | 0.0991 | $424,253 |
| 1982 | 0.0940 | $464,132 |
| 1983 | 0.0104 | $468,959 |
| 1984 | 0.0092 | $473,274 |
| 1985 | 0.0290 | $486,999 |
| 1986 | 0.0210 | $497,226 |
| 1987 | 0.0195 | $506,922 |
| 1988 | 0.0181 | $516,097 |
| 1989 | 0.0177 | $525,232 |
| 1990 | 0.0077 | $529,276 |
| 1991 | 0.0127 | $535,998 |
| 1992 | 0.0221 | $547,843 |
| 1993 | 0.0254 | $561,759 |
| 1994 | 0.0201 | $573,050 |
| 1995 | 0.0201 | $584,568 |
| 1996 | 0.0201 | $596,318 |
| 1997 | 0.0201 | $608,304 |
| 1998 | 0.0201 | $620,531 |
| 1999 | 0.0201 | $633,004 |
| 2000 | 0.0201 | $645,727 |

Three Yr Average = 2.01%
Used to Project 5 Yrs
Into the Future
From the Year 1995

Updated Surety Amount Rounded (2000-$) **$645,700**

Average cost per acre = $2,365

SURETY ESTIMATE UPDATE
Ash Grove Cement Company
Navajo Sandstone Mine M/023/010
Prepared by Utah Division of Oil, Gas & Mining

filename M23-10UP.WQ2
Last Update **02/13/95**
Juab County

Description:
-Original reclamation estimate calculated in 1987 for 18 acres of disturbance
-Original reclamation surety amount posted was $51,000
-Reclamation estimate was reduced in 1990 to reflect current disturbance
-Current surety amount is $15,000 (1994-$) for 8 acres of disturbance
-This update will adjust the surety to present dollars & escalate 5 years into the future
-Escalation factors through 1993 are actual Means Historical Cost Indices
-Actual escalation factor for 1994 is not yet available
-Average of past 3 yrs. actual escalation used to project future escalation
-Total disturbed area = **8 ACRES**

CALCULATIONS

F = P(1 + i)**n
F = Future Sum
P = Present Sum
i = Escalation Factor
n = number of periods

| YR | ESCAL FACTOR | BOND AMOUNT |
|---|---|---|
| 1990 | 0.0077 | $0 |
| 1991 | 0.0127 | $0 |
| 1992 | 0.0221 | $0 |
| 1993 | 0.0254 | $0 |
| 1994 | 0.0201 | $15,000 |
| 1995 | 0.0201 | $15,302 |
| 1996 | 0.0201 | $15,609 |
| 1997 | 0.0201 | $15,923 |
| 1998 | 0.0201 | $16,243 |
| 1999 | 0.0201 | $16,569 |
| 2000 | 0.0201 | $16,902 |

Updated Surety Amount Rounded (2000-$) **$16,900**

Average cost per acre = $2,113

SURETY ESTIMATE UPDATE

Ash Grove Cement Company

Nielson Sandstone Quarry M/023/012

Prepared by Utah Division of Oil, Gas & Mining

filename M23-12UP.WQ2

Last Update **02/13/95**

Juab County

Description:

-Original reclamation estimate calculated in 1987 for 40 acres of disturbance
-1987 estimate base amount of $82,300 was escalated to the year 2007
-Current surety amount posted for this project is $122,300 (2007-$)
-Current disturbance is estimated as 7 acres
-This update adjusts the base amount to present dollars & escalates 5 yrs
-Escalation factors through 1993 are actual Means Historical Cost Indices
-Actual escalation factor for 1994 not yet available
-Average of past 3 yrs. actual escalation used to project future escalation
-Total disturbed area = **40 ACRES**

CALCULATIONS

F = P(1 + i)**n
F = Future Sum
P = Present Sum
i = Escalation Factor
n = number of periods

| YR | ESCAL FACTOR | BOND AMOUNT |
|---|---|---|
| 1986 | 0.0210 | $0 |
| 1987 | 0.0195 | $82,300 |
| 1988 | 0.0181 | $83,790 |
| 1989 | 0.0177 | $85,273 |
| 1990 | 0.0077 | $85,929 |
| 1991 | 0.0127 | $87,021 |
| 1992 | 0.0221 | $88,944 |
| 1993 | 0.0254 | $91,203 |
| 1994 | 0.0201 | $93,036 |
| 1995 | 0.0201 | $94,906 |
| 1996 | 0.0201 | $96,814 |
| 1997 | 0.0201 | $98,760 |
| 1998 | 0.0201 | $100,745 |
| 1999 | 0.0201 | $102,770 |
| 2000 | 0.0201 | $104,835 |

Updated Surety Amount Rounded (2000-$) **$104,800**

Average cost per acre = $2,620

SURETY ESTIMATE UPDATE
Ash Grove Cement Company
County Canyon Mine M/023/024
Prepared by Utah Division of Oil, Gas & Mining

filename M23-24UP.WQ2
Last Update **02/13/95**
Juab County

DESCRIPTION:
-Current reclamation estimate of $44,600 was calculated in 1992 for 22 acres
-Current surety base amount was $41,892 (1992-$)
-Division & BLM both hold sureties for this operation
-BLM surety amount is $21,600; Division surety amount is $23,000
-This update adjusts the base amount to present dollars & escalates 5 yrs
-Actual escalation factor for 1994 is not yet available
-Average of past 3 yrs. actual escalation used to project future escalation
-Escalation factors through 1993 are actual Means Historical Cost Indices
-Total disturbed area = **22 ACRES**

CALCULATIONS

F = P(1 + i)**n
F = Future Sum
P = Present Sum
i = Escalation Factor
n = number of periods

| YR | ESCAL FACTOR | BOND AMOUNT |
|---|---|---|
| 1991 | 0.0127 | $0 |
| 1992 | 0.0221 | $41,892 |
| 1993 | 0.0254 | $42,956 |
| 1994 | 0.0201 | $43,819 |
| 1995 | 0.0201 | $44,700 |
| 1996 | 0.0201 | $45,599 |
| 1997 | 0.0201 | $46,515 |
| 1998 | 0.0201 | $47,450 |
| 1999 | 0.0201 | $48,404 |
| 2000 | 0.0201 | $49,377 |

Updated Surety Amount Rounded (2000-$) **$49,400**

Average cost per acre = $2,245

THIS OPERATION IS CATEGORIZED BY THE BLM AS A MINERAL MATERIALS SALE
THIS IS NOT COVERED UNDER THE MOU FOR LOCATABLE MINERALS