M/0231012

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

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March 7, 1996

CERTIFIED RETURN RECEIPT
P 074 978 977

Andrew Robinson
Ash Grove Cement Company
P. O. Box 51
Nephi Utah 84648

Re: Surety Bond Cancellation Notices, Ash Grove Cement Company ("Ash Grove") Leamington Quarry, M/023/004; Navajo Sandstone Mine, M/023/010; Nielson Sandstone Quarry, M/023/012; County Canyon Mine, M/023/024; all within Juab County, Utah

Dear Mr. Robinson:

On March 1 and 4, 1996, we received a notice of cancellation from CNA Insurance Company (CNA) for each of the four reclamation bonds provided by National Fire Insurance Company of Hartford. The bonds will be cancelled ninety (90) days from our receipt of these notices. The effective cancellation dates are May 31, 1996 for the Leamington Quarry and Nielson Quarry sureties, and June 2, 1996 for the Navajo Sandstone and County Canyon Mine sureties. The current bond amounts for each of the four Ash Grove mines are shown below with the respective surety bond identification numbers.

Leamington Quarry	M/023/004	Bond #1	$645,700
Nielson Sandstone	M/023/012	Bond #1	$104,800
Navajo Sandstone	M/023/010	Bond #	$16,900
County Canyon	M/023/024	Bond #	$27,800

On page three of nine, item two, of Ash Grove's Reclamation Contract agreements with the Division is the following provision:

... "If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area."

On page four of nine, item eleven, the Reclamation Contracts reads:

"Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law."

According to the terms of the Reclamation Contracts, Ash Grove must provide the Division with acceptable replacement reclamation sureties within 60 days of our receipt of the surety cancellation notices (i.e., **Tuesday, April 30, 1996 and Friday, May 3, 1996**). In addition to replacing the sureties, Ash Grove will also need to provide the Division with new Reclamation Contracts for each of the four operations. We have enclosed a copy the current Reclamation Contract (Form MR-RC) for your use. You may make photocopies of this form as needed. We suggest you use Ash Grove's copies of the current reclamation contracts as a reference and guide for completing the new reclamation contracts.

The Board has directed the Division to use the current Reclamation Contract form and to update/escalate the existing surety dollar amounts, when changes are made to the reclamation surety. The Reclamation Contracts and surety amounts were last updated and approved by the Board during the April 1995 Board Hearing. We have subsequently updated the surety amounts for these four Ash Grove operations. The new reclamation surety amounts for these operations in terms of the year 2001 dollars are: Leamington Quarry $698,200; Nielson Quarry $113,400; Navajo Sandstone Mine $18,100; and County Canyon Mine $31,800. Copies of the escalation calculations are attached for your information.

Please complete the new Reclamation Contract forms and submit the signed original copies to the Division. If the replacement sureties will be surety bonds, Ash Grove will need to use the Joint Agency Surety Bond forms for those operations involving federally managed lands or minerals. The Joint Agency Surety Bonds will need to list the appropriate regulatory entities for each of the four mine operations. The agencies to be listed on each surety bond,

in addition to the Division of Oil, Gas and Mining, are: U.S. Department of Agriculture - Forest Service for the Leamington Quarry, U.S. Department of the Interior - Bureau of Land Management for the Nielson Quarry and Navajo Sandstone Mine. Since the County Canyon Mine involves a saleable minerals lease, separate bonds must be filed independently with the Division and BLM. It is our understanding that Ash Grove will be replacing the bonds with surety bonds issued by St. Paul Fire and Marine. If Ash Grove wishes to post a different form of reclamation surety, please contact the Division to obtain the appropriate forms at your earliest convenience.

Please be aware that a failure to provide these documents in a timely manner could result in the issuance of a Board Order directing the Division to commence bond forfeiture proceedings to collect the existing sureties at least 30 days before the 90-day expiration date. The Mined Land Reclamation Act requires a large mining operation to maintain acceptable reclamation surety in order to continue active mining operations.

Thank you for your immediate attention to this matter. If you have any questions regarding this letter, contact me or Wayne Hedberg, Minerals Permit Supervisor, at your earliest convenience.

Sincerely,

Anthony A. Gallegos
Senior Reclamation Specialist

jb
Attachments: Reclamation surety updates 3/6/96
Enclosures: Reclamation Contract (MR-RC), Guideline for Completing MR-RC, Surety Bond Form, Joint Agency Surety Bond Form,
cc: Susan Vacinek, Ash Grove Cement Co; Risk Management Administrator
8900 Indian Creek Parkway, Suite 600, P. O. Box 25900
Overland Park, KS 66225 (913) 451-8900
Eloise Babin, CNA Insurance Companies
Peter Karp, Forest Supervisor, Uinta National Forest
Rex Rowley, BLM, Wam Springs RA
J. W. Carter, Director, DOGM
V. Bailey, Acting Secretary of the Board of Oil, Gas and Mining
Lowell Braxton, Associate Director, DOGM
Wayne Hedberg, Permit Supervisor, DOGM (route)
ASHBONDS.LET

SURETY ESTIMATE UPDATE

filename M23-12UP.WB2

Ash Grove Cement Company

Last Update 03/06/96

Nielson Sandstone Quarry M/023/012

Juab County

Prepared by Utah Division of Oil, Gas & Mining

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 $104,800 (2000-$)

-Current disturbance is estimated as 7 acres

-This update adjusts the base amount to present dollars & escalates 5 yrs

-Escalation factors through 1994 are actual Means Historical Cost Indices

-Actual escalation factor for 1995 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

Three Yr Average = 2.68%

Used to Project 5 Yrs

Into the Future

From the Year 1996

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	0.0261	$91,265
1994	0.0321	$94,195
1995	0.0268	$96,719
1996	0.0268	$99,311
1997	0.0268	$101,973
1998	0.0268	$104,706
1999	0.0268	$107,512
2000	0.0268	$110,393
2001	0.0268	$113,352

Updated Surety Amount Rounded (2001-$) **$113,400**

Average cost per acre = $2,835