S/025/024

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
KANAB FIELD OFFICE
318 North 100 East
Kanab, UT 84741

IN REPLY REFER TO:
3809 - UT046
UTU-70774

RECEIVED
JUN 21 2002
DIVISION OF
OIL, GAS AND MINING

Certified #7000 1530 0005 2889 6996
Return Receipt Requested

June 17, 2002

Joseph M. Caruso
HC 65, Box 221
Pipe Springs, AZ 86022

Dear Mr Caruso:

Our records show that you have an active notice on file with this office. The notice number is UT-70774. Please refer to this number in any future correspondence.

New Surface Management regulations at 43 CFR 3809 regarding notices were effective January 20, 2001. Under the final rule existing notices expire in 2 years, on January 20, 2003. If you wish to extend your notice beyond this date, then you must notify this office in writing. In addition, you must post a financial guarantee for reclamation of your notice of operations as required under 43 CFR 3809.503(a) and 3809.552 on or before January 20, 2003. If you do not extend your notice then you must cease operations and promptly reclaim all your disturbances.

The financial guarantee must cover the cost to reclaim your operation as if BLM were hiring a contractor to perform the reclamation. The amount of your financial guarantee must include the cost to reclaim existing disturbance as well as any areas you will disturb under the notice. A detailed reclamation cost estimate must accompany your request to extend your notice. An example of how to calculate your reclamation cost estimate is enclosed (Example Reclamation Cost Estimate Summary Sheet). However, prior to finalizing your reclamation cost estimate, please call this office to arrange a field inspection of your project area to be sure the cost estimate includes all necessary reclamation activities.

Once the reclamation cost for your operation is determined then an appropriate financial guarantee must be posted with the Utah State Office. See the enclosed information on Surface Management Bond Requirements.

You may request an extension of your existing notice as long as you do not need to modify the notice on file. A material change is described in the regulations as changes that disturb areas not described in the existing notice; changes in your reclamation plan; or a result in impacts of a different kind, degree or extent than those described in the existing notice (43 CFR 3809.331). A material change would require the filing of a new notice for exploration activities or a plan of operations for mining or exploration activities over 5 acres. Please consult with us to determine the appropriate filing for your mining activity.

If you do not extend your notice on file with us, please contact this office to arrange a field inspection. We will review your reclamation plan with you to ensure that it is current. All reclamation activities must be completed as soon as possible. Your reclamation obligation continues beyond the expiration or any termination of your notice until you satisfy them.

If you have any questions regarding your notice on file with this office, please call Mr. Doug Powell at 435-644-4323. Thank you for your assistance in bringing your operation into compliance with the new 3809 regulations.

Sincerely,

Rex L. Smart

Rex L. Smart
Field Office Manager

Enclosures:

1. Example Reclamation Cost Estimate Summary Sheet (pp. 5)
2. Surface Management Bond Requirements (pp. 4)

cc: Tom Munson, Utah Division of Oil, Gas and Mining
1594 West North Temple Suite 1210, Salt Lake City, Utah 84114

BLM Casefile No. _____
Project Name: _____

EXAMPLE RECLAMATION COST ESTIMATION SUMMARY SHEET

Enter those values in the cost estimate that are appropriate to this project. All reclamation costs are to be calculated as third party contracts. This summary sheet is to be accompanied by a map and worksheet describing how each itemized cost estimation was calculated.

A. EARTHWORK/RECONTOURING

ITEM	MANPOWER[1]	EQUIPMENT	MATERIALS	TOTAL
1. Roads	$ _____	$ _____	$ _____	$ _____
2. Drill Site(s)	$ _____	$ _____	$ _____	$ _____
3. Drill Hole Abandonment	$ _____	$ _____	$ _____	$ _____
4. Pits/Adits/Trenches	$ _____	$ _____	$ _____	$ _____
5. Process Ponds	$ _____	$ _____	$ _____	$ _____
6. Heaps	$ _____	$ _____	$ _____	$ _____
7. Dumps (Waste & Landfill)	$ _____	$ _____	$ _____	$ _____
8. Tailings	$ _____	$ _____	$ _____	$ _____
9. Structure & Building Areas	$ _____	$ _____	$ _____	$ _____
10. Storage & Equipment Areas	$ _____	$ _____	$ _____	$ _____
11. Drainage Control	$ _____	$ _____	$ _____	$ _____
12. Mobilization/Demobilization	$ _____	$ _____	$ _____	$ _____
13. Miscellaneous[2]	$ _____	$ _____	$ _____	$ _____
SUBTOTAL "A"	$ _____	$ _____	$ _____	$ _____

B. REVEGETATION/STABILIZATION

ITEM	MANPOWER[1]	EQUIPMENT	MATERIALS	TOTAL
1. Roads	$ _____	$ _____	$ _____	$ _____
2. Drill Site(s)	$ _____	$ _____	$ _____	$ _____
3. Pits/Adits/Trenches	$ _____	$ _____	$ _____	$ _____
4. Process Ponds	$ _____	$ _____	$ _____	$ _____
5. Heaps	$ _____	$ _____	$ _____	$ _____
6. Dumps (Waste & Landfill)	$ _____	$ _____	$ _____	$ _____
7. Tailings	$ _____	$ _____	$ _____	$ _____
8. Structure & Building Areas	$ _____	$ _____	$ _____	$ _____
9. Storage & Equipment Areas	$ _____	$ _____	$ _____	$ _____
10. Drainage Control	$ _____	$ _____	$ _____	$ _____
11. Monitoring	$ _____	$ _____	$ _____	$ _____
12. Miscellaneous[2]	$ _____	$ _____	$ _____	$ _____
SUBTOTAL "B"	$ _____	$ _____	$ _____	$ _____

C. DETOXIFICATION/WATER TREATMENT/DISPOSAL OF WASTES

ITEM	MANPOWER[1]	EQUIPMENT	MATERIALS	TOTAL
1. Process Ponds/Sludge	$ _____	$ _____	$ _____	$ _____
2. Heaps	$ _____	$ _____	$ _____	$ _____
3. Dumps (Waste & Landfill)	$ _____	$ _____	$ _____	$ _____
4. Tailings	$ _____	$ _____	$ _____	$ _____
5. Surplus Water Disposal	$ _____	$ _____	$ _____	$ _____
6. Fluid Management[3]	$ _____	$ _____	$ _____	$ _____
7. Monitoring	$ _____	$ _____	$ _____	$ _____
8. Miscellaneous[2]	$ _____	$ _____	$ _____	$ _____
SUBTOTAL "C"	$ _____	$ _____	$ _____	$ _____

D. STRUCTURE, EQUIPMENT AND FACILITY REMOVAL	MANPOWER[1]	EQUIPMENT	MATERIALS	TOTAL
	$ _____	$ _____	$ _____	$ _____

E. SUBTOTAL - OPERATIONAL PROJECT COSTS (A THROUGH D)				
	$ _____	$ _____	$ _____	$ _____

F. **CONTINGENCY**[4] $_____

G. **INSURANCE**[5] $_____
(ON SITE LIABILITY)

H. **BOND**[6] $_____
(PERFORMANCE AND PAYMENT)

I. **PROFIT**[7] $_____

J. **CONTRACT ADMINISTRATION**[8] $_____

K. **GRAND TOTAL** $ _____
(E THROUGH J)

1. For Federal construction contracts. Davis-Bacon wage rates are required. Wage rates also contain Federal Insurance Corporation of America (FICA), State Industrial Insurance System (SIIS) and other required coverage and benefits covering the workforce. If the quoted hourly rates contain FICA, SIIS, Davis-Bacon wage rates, insurance bond premiums and profits, the operator may sign a statement under penalty of USC 1001, that the above listed rates contain these items and that itemization of these costs are therefore not necessary.

2. Miscellaneous items should be itemized on accompanying worksheets.

3. Calculate and use only when mineral processing activities are involved. Fluid management represents the costs of maintaining proper fluid management to prevent overflow of solution ponds through premature cessation or abandonment of operations. Calculate a six month direct cost estimate which includes power, supplies, equipment, labor and maintenance.

4. A contingency cost is included in the reclamation cost estimation to provide for project uncertainties and unexpected natural events. Calculate the contingency cost as a percentage of the operational project costs as follows: up to and including $500,000, use 10%; over $500,000 to $5 million, use 8%; over $5 million to $50 million, use 6%; and greater than $50 million, use 4%.

5. Insurance premiums are calculated at 1.5% of the total labor costs. Enter the premium amount only on this line.

6. Federal construction contracts exceeding $25,000 require both a performance and a payment bond (Miller Act, 40 USC 270 et *seq.*). Each bond premium is figured at 1.5% of the total project costs. Enter the sum of both premium costs on this line.

7. For Federal construction contracts, use 10% of estimated project costs.

8. For Federal construction contracts, use 18% of project costs for estimates up to and including $1 million. Use 14% of estimated project costs over $1 million to $25 million and 10% of estimated project costs over $25 million.

The source of the equipment cost estimate is (Caterpillar Performance Handbook, contractor's estimate,etc.):_____

_____

RECLAMATION FINANCIAL GUARANTEE CHECKLIST

NOTE: This checklist is provided to assist the operator in calculating the engineering and environmental costs required to properly stabilize and reclaim the area disturbed by mineral exploration and/or mining operations. The checklist is designed to accompany the RECLAMATION COST ESTIMATION SUMMARY SHEET. It is not all inclusive, but is intended to serve as a reminder of issues that should be considered.

Access roads and drill pads

1. Mobilization and demobilization
2. Recontouring or regrading to approximate the original topography as closely as possible.
3. Removing culverts.
4. Ripping or scarifying the surface.
5. Water diversion construction.
6. Restoring or stabilizing drainage areas or stream beds.
7. Revegetation.

Drill hole abandonment

1. These are the requirements given in Utah Minerals Reclamation Program Rules R647–2-108, or R647-3-108. The cost of plugging, capping, and segregation of the hole from the ground water system is to be considered. Drill holes that will be plugged as per R647-2-108 or R647-3-108 with onsite drilling equipment do not have to be considered for bonding. Drill holes that will not be plugged as per R647-2-108 or R647-3-108 with onsite drilling equipment must use a third party reclamation cost estimate. Drill holes that will be "mined through" within six months of drilling completion by the proposed operation do not have to be considered for bonding.

Trenches, pits, and adits

1. Mobilization and demobilization.
2. Recontouring or regrading to approximate the original topography as closely as possible.
3. Revegetation.
4. Securing portals from public entry.

Waste rock dumps, overburden, and interburden storage areas

1. Encapsulating, mixing, or other engineered placement method in controlling acid rock drainage (ARD) migration.
2. Recontouring and regrading to approximate the surrounding topography as closely as possible to enhance stability, reduce susceptibility to erosion, facilitate efforts to establish vegetation.
2. Diverting run-on.
3. Covering with rock, clay, topsoil, other growth medium or other cover material.
4. Revegetation.

Dams for tailings ponds.

1. Covering with rock, clay, topsoil, other growth medium or other cover material.
2. Revegetation.
3. Rendering the dam incapable of storing any mobile fluid in a quantity which could pose a threat to the stability of the dam, or to public safety.
4. Containment basins and water treatment facilities for leakage or outflow of effluent.

Impoundment for tailings.

1. Regrading to promote run-off and reduce infiltration.
2. Covering with waste rock, clay, topsoil, other growth medium or other cover material.
3. Revegetation.
4. Diverting run-off.
5. Containment basins and water treatment facilities for leakage or outflow of effluent.

Heaps from leaching.

1. Cost of maintaining proper fluid management to prevent overflow of solution ponds through premature cessation or abandonment of the operation (six month direct cost estimate for recirculating process fluids). Include the cost of a Process Fluid Inventory, which typically runs from $15,000 to $35,000, depending on site complexity.
2. Rinsing, detoxification and neutralization procedures as approved in the notice.
3. Containment and treatment of outflows of residual chemicals or fluids from the heaps, including any disposal of surplus or drain down water. Include all engineering, development and reclamation costs.
4. Diverting run-off.
5. Regrading to enhance structural stability, promote run-off, reduce infiltration, and control erosion.
6. Covering with waste rock, clay, topsoil, other growth medium or other cover material.
7. Stabilization and revegetation.

Solution ponds, settling ponds, and other non-tailings impoundments.

1. Backfilling and grading as approved in the notice.
2. Restoring the pre-disturbance surface water regime, if appropriate.
3. Properly dispose of process pond sludge.

Building foundations, facilities, structures and other equipment.

1. Demolishing costs to the level of the foundation and burying costs of the demolished items on site, in conformance with applicable solid waste and hazmat disposal requirements.
2. Salvaging and sale costs. No provision for salvage value or credit is permitted.
3. Off-site disposal costs of "1" above, in conformance with applicable solid waste disposal and hazmat requirements.
4. Costs of continued use in a manner that is consistent with the proposed post mining land use.

Open pit mines.

1. Providing for the public safety.
2. Stabilizing pit walls or rock faces where required for public safety.
3. Constructing and maintaining berms, fences, or other means of restricting public access.
4. Costs of creating and maintaining a lake for recreational, wildlife enhancement, or other beneficial use.
5. Revegetation.

Underground mines.

1. Sealing shafts, adits, portals, and tunnels to prevent access.
2. Constructing and maintaining berms, fences, or other means of restricting access.

Revegetation

1. Application of top soil or other growth medium.
2. Seed bed preparation.
3. Selection of appropriate species of seeds or plants (consult BLM staff specialist).
4. Soil amendments such as fertilizers, mulches, or other compounds to assist in plant growth.
5. Planting or seeding (equipment, personnel, cost of seeds/plants).

Site Maintenance and Site Monitoring

1. Any site monitoring costs as required by the BLM.
2. Monitoring well costs for heaps, leach fields, bioreactors and tailings ponds as required by the UDEP based on a minimum of five years monitoring.

June 2002

SURFACE MANAGEMENT BONDING REQUIREMENTS

A. BOND GUARANTEES

A bond is a financial guarantee, given to provide assurance to one party that another party will fulfill an obligation it has undertaken to perform. Bonds are not insurance. Under a bond, the principal or obligor on a personal bond is responsible to fulfill a contractual obligation. If the principal/obligor does not perform the contractual obligation, the bond may be collected.

Personal bonds are contracts directly between the obligor and the obligee. A surety bond is written for the benefit of a third party, and is a three-way contract among the principal (owner of the bond), the surety (insurance company), and the obligee (the party to whom performance is promised). A bond may only be terminated or canceled with the consent of all parties to the bond.

B. TYPES OF BONDS

1. SURETY BOND

A corporate surety bond consists of a promise by a principal and surety to the United States and/or the State of Utah that the surety will correct any default should the principal not do so, paying up to the limits of the amount of the bond. A surety bond is a three-way contract between the principal, the surety, and the United States/State of Utah.

When filing a bond with the BLM, the Surface Management Surety Bond form must be used. If filing a joint bond with DOGM, their Surety Bond (Form MR-6) and Reclamation Contract (Form MR-RC) forms must be used.

Information required:

a. Bond must be properly executed by principal, including display of corporate seal (if available).
The relationship of the signatory to the principal is to be shown on the bond form itself or in an accompanying document.

b. Bond must be properly executed by acceptable surety, with the seal of corporate surety affixed, accompanied by the power of attorney (POA) showing proof of signing authority as surety's representative. Surety bonds must be issued by an qualified surety (insurance company) approved by the Department of Treasury (see http://www.fms.treas.gov/c570/index.html).

c. Bond must be at least for the required amount.

d. Principal and surety must be indicated in proper locations on the bond form.

e. The dollar amount must be spelled out, for example, Ten Thousand and no/100 Dollars.

f. Execution date on bond must be completed and date must precede the date of filing of bond.

d. LOC must contain the **automatic renewal provision** in at least one-year increments.

e. LOC must contain provisions allowing collection by BLM for default of obligor and failure of obligor to replace bond if 90-day notice is given by bank that LOC will not be renewed.

CERTIFICATES OF DEPOSIT (CD):

Federally-insured certificate of deposit payable to the United States and/or the State of Utah.

Required information:

a. Financial institution must be **federally insured** or a Federal Reserve Branch bank.

b. **CD must indicate** on the face of the certificate that **"The Secretary of the Interior-BLM must approve the redemption of the CD by any party."**

On joint bonds the statement should be, "The Secretary of the Interior-BLM and DOGM must approve the redemption of the CD by any party."

c. CD should be issued to the **"U. S. Department of the Interior-BLM"** (USDOI-BLM); and the BLM Surface Management Personal Bond form must accompany the CD. The authorized officer for the BLM is **Robert Lopez, Chief, Branch of Minerals Adjudication**.

When filing a joint bond with the Utah Department of Natural Resources-Division of Oil Gas and Mining (UT DNR-DOGM) and the U.S. Department of the Interior-Bureau of Land Management (USDOI-BLM), the bond must be payable to both agencies. If posting the bond with DOGM their bond form (Joint Agency Certificate of Deposit) and Reclamation Contract form must be used.

If CD is issued to another person/company than BLM/DOGM, proof must be provided that the right to payment of the obligor under the CD has been assigned to BLM/DOGM, together with the proof that the bank has changed its records to show that only BLM/DOGM may collect the amount of the CD. A written confirmation is recommended (Assignment form signed by obligor and confirmation form signed by financial. institution.)

d. The operator/obligor must ensure that the CD can be redeemed prior to maturity. If there are any penalties for early redemption, such penalties will be paid out of the obligor's interest earned, not out of the principal amount of the CD. Otherwise CD must be increased.

e. There should be **no expiration date** for the CD which would restrict the right of the BLM/DOGM to collect the principal at any time of default.