

Alternate Bonding System Sites Transitioned to Conventional Bonding through Consent Order and Agreements Status Report July 2008

A total of 261 active anthracite mining permits underwent a bonding recalculation in order to conform to the new conventional full-cost bonding program requirements. There were six permits covering large open pit mining operations in which a Consent Order and Agreement (CO&A) was negotiated to address the outstanding bonding obligations. Two of the six, LCN and Coal Contractors, still have outstanding bonding shortfalls. A brief update on the history and status of each site, as of July 2008, is included below:

City of Philadelphia/Girard Estate - SMP# 19960101, CO&A #02-5-037-S: The CO&A established a reclamation schedule to reduce the bond obligation. The site is now fully bonded and the operator is compliant with annual bond review requirements.

Reading Anthracite Co.- Multiple SMPs,(listed below) CO&A 02-5-034-S: The CO&A established a reclamation schedule to reduce the bond obligation. Reading has complied by addressing significant land reclamation liabilities. The SMPs are now full-cost bonded individually.

Treverton (SMP 49803201)
Treverton (SMP 49803202)
Burnside (SMP 49850701)
Port Bannon (SMP 54663021)
Old Wadesville (SMP 54713002)
New Wadesville(SMP 54860108)
Saint Clair (SMP 54773005)
Buck Run/Repplier (SMP 54773006)

Mallard Contracting Co., Inc.- SMP# 49663009, CO&A 02-5-035-S: The CO&A established a reclamation schedule to reduce the bond obligation. The permittee complied with the CO&A. The site is now full-cost bonded and the permittee is compliant with annual bond reviews.

Harriman Coal Corporation - Multiple Companies and SMPs, CO&A 02-5-066-S: This was a complex CO&A with several reclamation schedules, treatment obligations and several mining operations and companies. There was a bankruptcy in which a new company resulted (Rausch Creek Land, L.P.) which entered into a CO&A with the Department. Rausch Creek Land has complied with the CO&A. They have constructed a treatment system on the Porter Tunnel have posted a bond to cover the perpetual treatment obligation (please note that a glitch in the trust tracking database has resulted in this site still showing up as pending there, but the bond was posted and approved in December 2007), they have reclaimed and submitted bond releases or permit transfers for

all of the operations. There is a pending permit transfer to transfer Harriman (Goodspring South operation) to Rausch Creek Land. Once the transfer is approved, all of the operations will be full-cost bonded. The posted bond is \$335,000. The required bond will be calculated at the 2008 bond rates in accordance with RCL's plans for operation of the site. Updated plans and calculations have not yet been finalized.

Lehigh Coal and Navigation SMP# 54733020, CO&A 02-5-036-S. The primary obligations include significant land reclamation at the Springdale and 99/111 pits and perpetual mine water treatment at the 309 Discharge site. A CO&A with a reclamation schedule was established that included intensive backfilling over a period of ten years to meet the bond obligation. A treatment obligation for the Route 309 discharge was also required. An amendment to the CO&A was executed June 2, 2008.

Land Reclamation: The amendment requires backfilling at a rate of 1.7 million cubic yards per year plus quarterly bond deficiency payments totaling \$8.96 million. The payments will be spread out from the third quarter of 2008 to December 2011. LC&N currently has \$7.35 million in posted bond, of which \$2.1 million is conversion assistance money. The bond payments referred to above represent the current bond deficiency of \$8.96 million. The payment schedule will be assessed annually and revised to address changes in the Department's bond rate guidelines. Also, LC&N may reduce annual bond deficiency payments by increasing backfilling volumes to a rate greater than the minimum requirement of 1.7 million cubic yards/year. If the company backfills at a rate lower than 1.7 million cubic yards/year, additional bond deficiency payments will be required. Other mining areas on the SMP not addressed in the CO&A are full-cost bonded.

Water Treatment: LC&N must operate and maintain the 309 Discharge water treatment plant in conformance with plans submitted and approved by the Department. The amended CO&A requires the company to pay \$50,000/month into an escrow fund starting in March 2008. As of June 30, 2008, a total of \$200,000 has been placed in the escrow account. Payments to the escrow fund must continue until the execution of a Treatment Trust agreement. The escrow money will then be transferred into the Trust to ensure perpetual treatment. Actual treatment costs collected during the escrow period (projected to last for one year) will be used to calculate the Treatment Trust amount.

The Pottsville District Mining Office is currently reviewing a mining application from Coaldale, Inc. that will carve out a portion of the LC&N permit. Coaldale's operation will require removal of coal refuse to access on-site coal silt. The refuse will be used to backfill a portion of the 99/111 pit and will reduce LC&N's overall bonding shortfall. It is anticipated the issuance of this permit will require posting of about \$100,000 in additional bond by Coaldale.

Coal Contractors (1991), Inc. SMP #54793009. A July 11, 2002 CO&A established a reclamation schedule for Coal Contractors to backfill the Gowan Pit and restore Roberts Run along the surface of the backfill. The CO & A also established two reclamation models-one with full grading and another with grading to a 35-degree reclamation slope.

The CO & A required Coal Contractors to complete the full-grading model. However, in the event of bond forfeiture, the Commonwealth would regrade to meet the 35-degree model. The company did some partial backfilling but did not comply with the full reclamation plan. A new CO&A is presently being developed. (A draft of the CO&A was sent to the company on April 2, 2008.) The CO&A requires the following upon execution:

- The reclamation of the office and sizing plant areas within 20 days.
- Promptly posting of a \$229,160 bond deficiency for land reclamation.
- Backfilling at a rate of 130,000 cubic yards/month starting in mid-2008 and continuing through December 2009, with final grading and revegetation completed by April 15, 2010.

The permit will be fully bonded with the posting of the above-referenced bond deficiency payment. The most recent annual review (January 2008) indicated that the 35-degree model requires a bond amount of \$1,033,785. The existing bond is \$804,625.