

MINUTES

COAL SURFACE MINING RECLAMATION FUND ADVISORY BOARD MAY 25, 2006

A meeting of the Coal Surface Mining Reclamation Fund Advisory Board was held on May 25, 2006 at 10:00 a.m. at the Department of Mines, Minerals and Energy Office in Big Stone Gap.

Present

Bradley Lambert
Gerald Collins
John DiYorio
Paul Ison

Absent

William P. Fertall
Marvin Gilliam

Also Present

Benny Wampler
Ernie Barker
Ann McDavid
Dink Shackelford
Sandy Smith

Chairman Paul Ison called the meeting to order. Board members reviewed and approved minutes of the last meeting on October 28, 2004.

Gerald Collins introduced Bradley Lambert as the Division of Mined Land Reclamation (DMLR) Director. Mr. Lambert has been with DMLR for sixteen years and became Division Director in December, 2005.

Copies of the Reclamation Fund reports were distributed to Board members. Ann McDavid reported on the Reclamation Fund (Pool) Financial Status report for the third quarter, ending March 31, 2006. The Fund balance is \$5,619,302.04; entrance fees were \$13,000.00; reclamation taxes \$10,889.33; interest earned \$45,161.82; and total disbursement was \$18,400.00 for the administration fee. Ann mentioned the Permit Bond Balances and Temporary Cessation reports were included for information/review. The only bond forfeiture is the Virginia Mason tipple in Lee County, which is cost bonded. Work is being done on the design, but it is not under contract.

There are no liabilities against the Pool at the present time. Glamorgan Coal Properties has filed for Chapter 11 bankruptcy and that could be a potential liability. The worst-case scenario estimation would be approximately \$1.7 million liability to the pool. It is difficult to estimate a cost, as many unknowns are involved in the reclamation of a prep plant.

Bradley Lambert sent a letter to Mr. Keller Smith, Glamorgan Properties, requiring the company to post full bond for the sites and advising they will be removed from the Pool. If the bankruptcy petition is approved before Mr. Keller picks up the letter, DMLR may have to deal with the bankruptcy court. There was a lengthy discussion concerning the Glamorgan Properties bankruptcy petition.

Gerald Collins distributed an updated list of coal companies with self-bond. The total amount of self-bond is \$14,958,500.00.

The minimum requirement to self-bond is to have a net worth of one million dollars. DMLR receives annual financial statements showing the companies' net worth. DMLR developed an internal guideline advising companies to keep self-bonds under 50% of their net worth, even though the statutes state that bond can be 100% of net worth. DMLR is in the process of developing a standard form for automation of self-bond submittals.

Benny Wampler serves on a national committee that met with surety companies concerning bonding issues. He stated that it is difficult for the mining industry to get surety bonding as many factors make it more unstable than other typical bonding scenarios, i.e., unanticipated acid mine drainage. Coal mining represents less than 2% of income for surety companies. The overall availability of bonds has improved over last year.

A lengthy discussion by Board members concerning bonding issues included coordinating with state regulatory agencies, looking at policing "marginal" type operations; encouraging regulatory authorities to send notification of violations to the surety company; types of collateral; and Lexon Bonding Company.

Gerald Collins distributed "A Guide to Bond Reduction/Release" (also available on the Division web site). This procedure was updated last year when a regulation change permitted the pool bonds to be the same as cost bonds as far as the phased reductions. Phase I reduction is 60% of bond returned upon completion. Phase II, all bonds may be returned up to the minimum of \$10,000 after two growing seasons with successful revegetation. DMLR inspectors and staff are encouraged to promote bond reduction/bond release.

Gerald discussed incremental bonding – setting aside a portion of the acres planned for mining and bonding only that portion. He explained the options and advantages of incremental bonding.

Bradley Lambert stated the DMLR Permitting Enhancement Work Group would meet with industry to discuss bonding alternatives and how to come up with additional bond release incentives. More authority has been delegated to DMLR inspectors to work closely with companies on bond release. They can make the call if the permit area is ready for a Phase I or II release and work with the company to submit the appropriate bond release request.

A meeting is tentatively scheduled for September 6, 2006 at the Powell River Project site.

There being no further discussions, the meeting was adjourned.