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

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before
OK

INSPECTION REPORT

Partial ___ Complete XXX Exploration ___
Inspection Date: 12/13/2002 / Time: 10:00a.m.-1:30p.m.
Date of Last Inspection: 11/26/2002

Mine Name: Skyline Mine County: Carbon Permit Number: C/007/005
Permittee and/or Operator's Name: Canyon Fuel Company, LLC.
Business Address: HC 35 Box 380, Helper, Utah 84526
Company Official(s): Chris Hansen
State Official(s): Stephen J. Demczak Federal Official(s): None
Weather Conditions: Cold, partly snow covered
Type of Mining Activity: Underground XXX Surface ___ Prep Plant ___ Other ___
Existing Acreage: Permitted 10,374 Disturbed 79.12 Regraded ___ Seeded ___
Status: Active

REVIEW OF PERMIT, PERFORMANCE STANDARDS & PERMIT CONDITION REQUIREMENTS

- 1. Substantiate the elements on this inspection by checking the appropriate performance standard.
a. For complete inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check N/A.
b. For partial inspections check only the elements evaluated.
2. Document any noncompliance situation by referencing the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Division Orders, and amendments.

Table with 5 columns: Item, EVALUATED, N/A, COMMENTS, NOV/ENF. Rows include PERMITS, CHANGE, TRANSFER, RENEWAL, SALE; SIGNS AND MARKERS; TOPSOIL; HYDROLOGIC BALANCE; DIVERSIONS; SEDIMENT PONDS AND IMPOUNDMENTS; OTHER SEDIMENT CONTROL MEASURES; WATER MONITORING; EFFLUENT LIMITATIONS; EXPLOSIVES; DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES; COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS; NONCOAL WASTE; PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES; SLIDES AND OTHER DAMAGE; CONTEMPORANEOUS RECLAMATION; BACKFILLING AND GRADING; REVEGETATION; SUBSIDENCE CONTROL; CESSATION OF OPERATIONS; ROADS; CONSTRUCTION/MAINTENANCE/SURFACING; DRAINAGE CONTROLS; OTHER TRANSPORTATION FACILITIES; SUPPORT FACILITIES/UTILITY INSTALLATIONS; AVS CHECK (4th Quarter- April, May, June); AIR QUALITY PERMIT; BONDING & INSURANCE.

INSPECTION REPORT
(Continuation Sheet)

PERMIT NUMBER: C/007/005

DATE OF INSPECTION: 12/13/2002

(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE

The Division approved the North Lease significant Revision on December 2, 2002. The Division is forwarding this significant revision to Denver OSM office who will review and forward to OSM in Washington DC and on to the Secretary of the Interior.

Skyline new permit area is 10,374 acres. This is shown on Drawing No. 1.6-3. It also has a chart showing the disturbed area as 79.12 acres.

2. SIGNS AND MARKERS

Signs and markers were spot-checked throughout the disturbed area. The signs meet the requirement of the R645 Coal Rules. The disturbed area signs are at significant intervals to denote the disturbed area.

3. TOPSOIL

The topsoil pile at the refuse pile and mine site were inspected with no lost of topsoil wind or water erosion. The piles are either protected by vegetation or straw bales.

4A. HYDROLOGIC BALANCE: DIVERSIONS

The diversions were spot-checked and comply with the performance standards.

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The mine site sediment pond was discharging during the inspection. No hazardous conditions were noticed to the sediment ponds during the inspection.

The permittee has taken the required third quarter sediment pond inspection. No hazardous conditions were reported.

4C. HYDROLOGIC BALANCE: OTHER SEDIMENT CONTROL MEASURES

The permittee has removed several alternate sediment control areas along the conveyor. This action was approved in an amendment to the Division.

4D. HYDROLOGIC BALANCE: WATER MONITORING

The permittee is in the process of entering water data for the third quarter into the Electronic Data System. This will be finished by the end of the fourth quarter. The permittee is in the process of gathering water samples for the fourth quarter.

INSPECTION REPORT
(Continuation Sheet)

PERMIT NUMBER: C/007/005

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4E. HYDROLOGIC BALANCE: EFFLUENT LIMITATIONS

The mine site sediment pond was out of compliance with total dissolved solids (tons/day). This was reported by the permittee to the Division of Water Quality and the Division. The Division of Water Quality is in the process of modifying the permit so Skyline can meet compliance. The reason for the permittee not meeting compliance is due to the large quantity of water pumped into Eccles Creek from the mine. The permittee does comply with the TDS mg/l standard.

The UPDES permit will expire on September 30, 2004.

7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS

The refuse pile was inspected with no hazardous conditions noticed.

The permittee did take the third quarter inspection of the refuse pile on September 30, 2002. This document was P.E. certified.

8. NONCOAL WASTE

The area was clear of non-coal waste material. The permittee has cleaned up several areas of old mining equipment.

18. SUPPORT FACILITIES/UTILITY INSTALLATIONS

No construction has taken place since the last inspection.

21. BONDING AND INSURANCE

The insurance was renewed and will expire on July 31, 2003. The policy meets the requirements of the R645 Coal Rules.

The bonding amount in the Reclamation Agreement is for \$3,180,000.

Inspector's Signature: _____


Stephen J. Demczak #39

Date: December 16, 2002

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas & Mining.

cc: James Fulton, OSM
Dan Meadors, Canyon Fuel
Chris Hansen, Canyon Fuel
Price Field office

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