



**U.S. DEPT. OF THE INTERIOR
OFFICE OF SURFACE MINING
Mine Site Evaluation
State Program**



1. Permittee/Person CANYON FUEL COMPANY, LLC		9. Permit Number C007005	10. Permit Type PP
2. Address 6100 DUTCHMAN'S LANE, 9TH FLOOR		11. Field Visit Date 4/26/2017	12. Purpose OPI
3. City LOUISVILLE		13. SRA Present Y	
4. State KY		14. Permit Status A	15. Site Status AP
5. Zip Code 40205	6. Phone Number (502) 584-6022	16. Facility Type B	
7. Operator Name, if Different than Permittee		17. OSM Office # 140	18. CCID #
8. Mine Name SKYLINE MINE		19. Land Code SF	
		20. M.S.H.A. ID #	21. State Abbrev. UT
		22. County/Burrough CARBON	
		23. AVS Permittee Entity ID Number	24. State Office

25. Hours	26. Signature Block	27. Reviewing Official:								
<table border="1" style="width:100%; border-collapse: collapse;"> <tr><td>8.0</td><td>a. Permit Review</td></tr> <tr><td>5.0</td><td>b. Site Visit Time</td></tr> <tr><td>10.0</td><td>c. Travel Time</td></tr> <tr><td>8.0</td><td>d. Report Writing</td></tr> </table>	8.0	a. Permit Review	5.0	b. Site Visit Time	10.0	c. Travel Time	8.0	d. Report Writing	<p align="center"><i>Daniel MacKinnon</i></p> <p align="center">Signature</p> <p align="center">Daniel MacKinnon, ID#554</p> <p align="center">Printed Name</p> <p>Date: 5/5/2017</p>	<p align="center"><i>Howard E. Strand</i></p> <p align="center">Signature</p> <p>Review Date: 05-05-2017</p> <p align="right">mm - dd - yyyy</p> <p>Is Supplemental MSE Page Used Y/N <input checked="" type="checkbox"/> Y</p>
8.0	a. Permit Review									
5.0	b. Site Visit Time									
10.0	c. Travel Time									
8.0	d. Report Writing									

Permit Type - Item 10 IP = Interim Program PP = Permanent Program NP = No Permit

Purpose Type Codes - Item 12
 Oxx...Oversight Rfx...Reclamation Fees CCR...Citizen Complaint Referral (non-site visit)
 Axx...Assistance Fxx...Federal Actions CC...Citizen Complaint (initial site visit)
 CCF...Assistance

Joint Inspection - Item 13 A joint inspection is when a state inspector accompanies an OSM inspector at any time during the review of the mine site

Permit Status - Item 14

<p>A Active: Coal mining activities occurring or permitted but not yet disturbed.</p> <p>IN Inactive (Permanent Program Permit): Phase II completed or Temporary Cessation of Operations. (Interim Program Permit): Coal mining completed and reclamation activities initiated.</p> <p>BR Bond Release: Reclamation completed and State Regulatory Authority(RA) has released all of the bond (Phase III Release).</p>	<p>AB Abandoned: All surface and underground coal mining activities have ceased and operator has left the site without completing reclamation as defined in 30 CFR 840.11(g).</p> <p>AB1 Bond Forfeiture: Bond forfeiture officially in process or completed and reclamation in progress or not yet commenced.</p> <p>AB2 Partially Reclaimed Forfeiture: Forfeited site where all bonds have been used to reclaim site, but site not reclaimed to Program standards.</p> <p>AB3 Reclaimed Forfeiture: Forfeited site that has been reclaimed to Program standards.</p> <p>NA Not Applicable: When site is unpermitted.</p>
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Site Status - Item 15

<p>ND No Disturbance: No coal mining and reclamation operations have been started.</p> <p>EX Coal Exploration: Coal exploration operations have started and where coal mining operations have not begun.</p> <p>AP Active Coal Producing: Coal surface mining activities are occurring.</p> <p>AN Active Non-Producing: Active non-producing facility such as tipple or preparation plant.</p> <p>NM No Mining: The Permit Status is active, site is not in Temporary Cessation, no surface coal mining activity, and site not regraded.</p>	<p>MC Mining Complete: No mining activity on site, site regraded and awaiting bond release.</p> <p>TC Temporary Cessation: The RA has granted cessation of mining pursuant to 30 CFR 816/817:13(b).</p> <p>P1 Phase I Release: At least Phase I bond release granted for entire permitted area. For interim permits, partial bond release.</p> <p>P2 Phase II Release: At least Phase II bond release for the entire permitted area.</p> <p>P3 Phase III Release: Reclamation completed and the RA has released all bond.</p>	<p>NS Non-Site Visit: Status of site not determined.</p> <p>FP Forfeiture Pending: The RA is pursuing actions to revoke the permit, collect the performance bond(s), and/or reclamation of forfeited site is in progress.</p> <p>FR Forfeited and Reclaimed: Forfeiture reclamation completed.</p> <p>FO Abandoned Site: Abandoned site that is permitted but there is no bond.</p> <p>WC Wildcat: Coal mining and reclamation operations have or are taking place and the activity is not covered by the required permits from the RA.</p>
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Facility Type Codes - Item 16

<p>A...Surface</p> <p>B...Underground</p> <p>C...Preparation Plant</p>	<p>D...Ancillary (Haulroad, Conveyor, and/or Rails</p> <p>E...Refuse and/or Impoundment</p> <p>F...Loading Facility and/or Tipple</p> <p>G...Stockpiles</p>	<p>H...Exploration Permits</p> <p>I...Notice of Intent to Explore</p> <p>J...Exempt 16 and 2/3</p>
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Small Business Regulatory Enforcement Fairness Act (SBREFA)
Your Comments are Important

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about Federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you are a small business (a business with 500 or fewer employees including those of affiliates) and wish to comment on the enforcement or compliance activities of OSM, call 1-888-REG-FAIR (1-888-734-3247).

U.S. DEPT. OF THE INTERIOR
OFFICE OF SURFACE MINING
Mine Site Evaluation

Permittee/ Person **CANYON FUEL COMPANY, LLC**

Permit Number **C007005**

Field Visit Date **4/26/2017**

State Program
Continuation Page

28. Performance Standard Categories

Codes: 1=Compliance, 2=Noncompliance, 3=Not Planned, 4=Not Started, 5=Noncompliance Identified Elsewhere, 6=Previously Cited, 7=Permit Defect

<p>A. Administrative</p> <p>1. <u>1</u> Mining within Valid Permit</p> <p>2. <u>1</u> Mining within Bonded Area</p> <p>3. _____ Terms & Conditions of Permit</p> <p>4. _____ Liability Insurance</p> <p>5. _____ Ownership and Control</p> <p>6. _____ Temporary Cessation</p> <p>7. _____ AML Rec Fees - Non-Respondent</p> <p>8. _____ AML Rec Fees - Failure to Pay</p> <p>B. Hydrologic Balance</p> <p>1. <u>1</u> Drainage Control</p> <p>2. _____ Inspections & Certifications</p> <p>3. <u>1</u> Siltation Structures</p> <p>4. <u>1</u> Discharge Structures</p> <p>5. <u>1</u> Diversions</p> <p>6. _____ Effluent Limits</p> <p>7. _____ Ground Water Monitoring</p> <p>8. _____ Surface Water Monitoring</p> <p>9. _____ Drainage - Acid-Toxic Materials</p> <p>10. <u>1</u> Impoundments</p> <p>11. _____ Stream Buffer Zones</p> <p>C. Topsoil & Subsoil</p> <p>1. _____ Removal</p> <p>2. _____ Substitute Materials</p> <p>3. _____ Storage and Protection</p> <p>4. _____ Redistribution</p>	<p>D. Backfilling & Grading</p> <p>1. _____ Exposed Openings</p> <p>2. _____ Contemporaneous Reclamation</p> <p>3. _____ Approximate Original Contour</p> <p>4. _____ Highwall Elimination</p> <p>5. _____ Steep Slopes (includes downslope)</p> <p>6. _____ Handling of Acid and Toxic Materials</p> <p>7. _____ Stabilization (rills and gullies)</p> <p>E. Excess Spoil Disposal</p> <p>1. _____ Placement</p> <p>2. _____ Drainage Control</p> <p>3. _____ Surface Stabilization</p> <p>4. _____ Inspections & Certifications</p> <p>F. Coal Mine Waste (Refuse Piles/Impoundments)</p> <p>1. _____ Drainage Control</p> <p>2. _____ Surface Stabilization</p> <p>3. _____ Placement</p> <p>4. _____ Inspections & Certifications</p> <p>5. _____ Impounding Structures</p> <p>G. Use of Explosives</p> <p>1. _____ Blaster Certification</p> <p>2. _____ Distance Prohibitions</p> <p>3. _____ Blast Survey/Schedule</p> <p>4. _____ Warnings & Records</p> <p>5. _____ Control of Adverse Effects</p>	<p>II. _____ Subsidence Control Plan</p> <p>I. Roads</p> <p>1. _____ Road Construction</p> <p>2. _____ Certification</p> <p>3. _____ Drainage</p> <p>4. _____ Surfacing and Maintenance</p> <p>5. _____ Reclamation</p> <p>J. Signs & Markers</p> <p>1. _____ Signs</p> <p>2. _____ Markers</p> <p>K. _____ Distance Prohibitions</p> <p>L. Revegetation</p> <p>1. _____ Vegetative Cover</p> <p>2. _____ Timing</p> <p>M. _____ Postmining Land Use</p> <p>N. Other</p> <p>General Performance Category</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>
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Performance Standard Categories 30 CFR Counterparts

<p>A. Administrative (816/817.71-74)</p> <p>1. Valid Permit 773.11</p> <p>2. Mining within Bonded Area 773.11</p> <p>3. Terms & Conditions of Permit 773.17</p> <p>4. Liability Insurance 800.60</p> <p>5. Ownership and Control 778.13</p> <p>6. Temporary Cessation 842.11(e) & 816/817.131</p> <p>7. AML Rec. Fees - Non-Respondent 870.15(b)</p> <p>8. AML Rec. Fees - Failure to Pay 870.15(a)</p> <p>B. Hydrologic Balance (816/817.41-57)</p> <p>1. Drainage Control 45</p> <p>2. Inspections & Certifications 49(a)(10)</p> <p>3. Siltation Structures 46</p> <p>4. Discharge Structures 47</p> <p>5. Diversions 43</p> <p>6. Effluent Limits 42</p> <p>7. Ground Water Monitoring 41(c)</p> <p>8. Surface Water Monitoring 41(e)</p> <p>9. Drainage-Acid - Toxic Materials 41(f)</p> <p>10. Impoundments 49</p> <p>11. Stream Buffer Zones 57</p> <p>C. Topsoil & Subsoil (816/817.22)</p> <p>1. Removal 22(a)</p> <p>2. Substitute Materials 22(c)</p> <p>3. Storage and Protection 22(c)</p> <p>4. Redistribution 22(d)</p> <p>D. Backfilling & Grading 816/817.95-107)</p> <p>1. Exposed Openings 816/817.13, 14, 15, & 823.11 & 21</p> <p>2. Contemporaneous Reclamation 100</p> <p>3. Approximate Original Contour 102(a)(1)</p> <p>4. Highwall Elimination 102(a)(2)</p> <p>5. Steep Slopes (includes downslope) 107</p> <p>6. Handling of Acid & Toxic Materials 102(c)</p> <p>7. Stabilization (rills and gullies) 95(b)</p>	<p>E. Excess Spoil Disposal (816/817.71-74)</p> <p>1. Placement 71(e)</p> <p>2. Drainage Control 71(f)</p> <p>3. Surface Stabilization 71(g)</p> <p>4. Inspections & Certifications 71(h)</p> <p>F. Coal Mine Waste (Refuse Piles/Impoundments) 816/817.81-84)</p> <p>1. Drainage Control 83(a)</p> <p>2. Surface Stabilization 83(b)</p> <p>3. Placement 83(c)</p> <p>4. Inspections and Certifications 83(d)</p> <p>5. Impounding Structures 84</p> <p>G. Use of Explosives (816/817.61-68)</p> <p>1. Blaster Certification 61(c)</p> <p>2. Distance Prohibitions 61(d)</p> <p>3. Blast Survey/Schedule 62-64</p> <p>4. Warnings & Records 66 & 68</p> <p>5. Control of Adverse Effects 67</p> <p>H. Subsidence Control Plan (817.121-122)</p> <p>I. Roads (816/817.150-151)</p> <p>1. Road Construction 150(c)</p> <p>2. Certification 151(a)</p> <p>3. Drainage 150(b)-151(d)</p> <p>4. Surfacing and Maintenance 150(e)-151(d)</p> <p>5. Reclamation 150(f)</p> <p>J. Signs & Markers 816/817.11)</p> <p>1. Signs 11(a),(b),&(c)</p> <p>2. Markers 11(a),(b),(d),(e),&(f)</p> <p>K. Distance Prohibitions (761.11)</p> <p>L. Revegetation (816/817.111-116)</p> <p>1. Vegetative Cover 111 & 116</p> <p>2. Timing 113</p> <p>M. Postmining Land Use (816/817.133)</p>
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OSM Action

1) Deferred to State Action
2) TDN Issued
3) NOV Issued
4) FTA-CO Issued
5) IH-CO Issued

6) ID-CO Issued (Imminent Danger to Public)
7) Previously cited by RA, abatement pending
8) Abated during or before OSM inspection
9) Follow-up of Federal Action
0) Off-site impact with no violation

Off-Site Impacts

For each type of impact and resource affected, enter "N, D, or J" to describe the degree of off-site impact:

N - Minor Occurrence
D - Moderate Occurrence
J - Major Occurrence

MINE SITE INSPECTION NARRATIVE

COMPANY: CANYON FUEL COMPANY, LLC

MINE: Skyline Mine

PERMIT NO: C0007005

DATE OF INSPECTION: April 26, 2017

WEATHER: Mostly cloudy and cool. Wisps of snow.

COMPANY OFFICIAL: Gregg Galecki, Jeremiah Armstrong, Craig Brown

Utah Division of Oil, Gas and Mining (DOG M) PERSONNEL: Priscilla Burton

OSMRE OFFICIAL: Dan MacKinnon

Overview

OSMRE conducted a partial independent inspection with DOGM personnel and operator representatives on April 26, 2017 which concentrated on ditches, culverts, and sedimentation ponds. Overall this inspection found the sediment and surface water control to be effective and functioning as designed. A few minor maintenance issues were identified. No enforcement actions resulted from this inspection.

Proof of Reclamation Bond

The operator provided documentation showing an adequate Surety Performance Bond for the permitted site.

Culverts, Diversion Ditches, and Sedimentation Ponds at the Mine Surface Facilities

We inspected the following culverts, ditches, and sedimentation ponds. They are listed and described in the order they were inspected. Unless otherwise noted, water was flowing through, into, or out of these structures at the time of inspection.

UC-2 inlet. Water flowing through, could only observe at a distance due to unsafe terrain (snow and steep slope). Trash rack appeared mostly clear other than a dead tree fall on the upper portion that was not currently impeding any water flow. Appears to be functioning as designed (Figure 1). OSMRE recommends (1) the entire inlet, including the trash rack, be maintained (e.g. cleaned, cleared, and repaired as needed) as soon as possible and (2) this maintenance project follow a safe work plan.

DD-1, DD-2, DD-4. Inspected at the entrance to the main mine facilities, all appeared to be functioning as designed with no damage observed.

DC-3 inflow and outflow. Open, clear of debris and sediment, appeared to be functioning as designed.

DD-6 and DC-1. Open, clear of debris, appeared to be functioning as designed.

UC-3A. Observed at the lower portion of the topsoil pile, appeared to be fully competent and functioning as designed.

Topsoil drainage ditch. As observed from the bottom of the pile (did not walk the ditch due to safety concerns), appeared to be functioning as designed with no damage. Snow and ice present on the banks and ditch bed (Figure 3).

DD-9A through D. Open and fully competent without any obstructions that would impede water flow.

Sedimentation Pond. Filling with sediment, there are two curtains that slow water velocity and help drop sediment into the pond. The operator stated due to the above average precipitation during the winter that caused sediment to accumulate and wear out one of the curtains, it is in need of replacement (Figure 2). This curtain is on order, according to the operator

DC-5, from the sediment trap to the sediment pond. Inlet and outlet clear and appeared to be functioning as designed.

DD-6 and DD-7. From the main entrance to the sediment trap these appeared to be functioning as designed, no damage to concrete or any other part of the structures (Figure 4).

Sediment trap right after DD-7. This trap appeared to be functioning as designed and was close to needing to be emptied at the time of this inspection (Figure 4).

UC-10. As we drove to the Loadout Facilities, we drove past the outlet of this culvert which appeared to be functioning as designed with no maintenance needed.

UC-9. This outlet appeared to be functioning as designed, with no undercutting, sediment buildup, or other compromising characteristics that would require maintenance (Figure 5).

Culverts, Diversion Ditches, and Sedimentation Ponds at the Loadout Facilities

Unnamed Culvert inlet, for the undisturbed creek to bypass the facilities. Appeared clear and functioning as designed (Figure 6).

DD-1. Running along the south side of the main Loadout road, appeared clear and functioning as designed with minimal running water.

DC-1 inlet. Clear, appeared to be functioning as designed.

DC-2. This structure was in need of maintenance at the time of this inspection. It was clogged and should be cleared and the surrounding hill should be supported (Figures 7 and 8, with 8 showing the maintenance performed after this inspection on this inlet). The group spoke about this culvert inlet, and the operator stated there are plans to dig the hill back a bit and install gabion structures to prevent sediment clogging this inlet in the future. The outlet to this culvert was clear (Figure 9, top culvert).

DC-1 outlet. This culvert outlet needed some maintenance; sediment buildup was partially blocking the flow of water (Figure 10). Maintenance was performed after the inspection and appears to have solved this problem (Figure 11).

DC-3, 4, 5 outlet. This outlet was somewhat clogged and damaged (Figure 9, bottom culvert). Directly after the inspection, the operator cleared and opened up the culvert (Figure 12).

DD-8 outlet. Clear and appeared to be functioning as designed.

Sediment trap previous to the sediment pond (i.e. Hal's Clearout Trap). Appeared to be functioning as designed with no maintenance issues noted at the time of the inspection (Figure 13).

Sediment Pond. Decanting at the time of the inspection, all outlets and inlets appeared to be functioning as designed. Sediment curtains also appeared to be functioning as designed. A willow tree was growing in the decant station, which was removed directly after the inspection by the operator.

Maintenance Items

One maintenance item was not noted until after the inspection and the closeout meeting, while looking at the inspection pictures. This maintenance item has been described in an email to DOGM, with a request by OSMRE to DOGM to inform the operator that it is present and maintenance work should be performed when this structure is safe for the work.

- UC-2 inlet has a dead tree fall in front of the trash rack, which should be removed and the entire inlet inspected for proper function.

Maintenance items noted below and agreed upon as a result of this oversight inspection are contained in their respective categories above and listed below:

- Main Facilities Sedimentation Pond sediment curtain. The operator stated that one of the curtains is scheduled to be replaced (the replacement is on order) due to the above average precipitation during the winter causing sediment to accumulate and the curtain to become overly worn. DOGM should follow up on this curtain replacement.
- Loadout Facilities DC-2. Inlet should be cleared and the surrounding hill should be supported. The group spoke about this culvert inlet, and the operator stated there are plans to dig the hill back a bit and install gabion structures to prevent sediment clogging this inlet in the future.

Follow-up on this long term solution to this problem (e.g. installing gabion structures as the operator described) by DOGM is recommended.

- Loadout Facilities DC-1 outlet. This culvert outlet needed some maintenance; sediment buildup was partially blocking the flow of water. Maintenance was performed after the inspection and appears to have solved this problem.
- Loadout Facilities DC-3, 4, 5 outlet. This outlet is somewhat clogged and damaged. Directly after the inspection, the operator cleared and opened up the culvert.
- Loadout Facilities Sediment Pond Decant Station. A willow tree was growing in the decant station, which was removed directly after the inspection by the operator.



Figure 1. Inlet to UC-2. Note the dead tree fall (red arrow).



Figure 2. Main Facilities Sedimentation Pond. Note the first curtain (red arrow) due for replacement with its high sediment load on the main inlet side.



Figure 3 - Topsoil Ditch, functioning as designed with snow and ice covering this structure.



Figure 4 - DD-6 and DD-7, functioning as designed. Note the sediment trap filling in the foreground of the picture (red arrow at the inlet).



Figure 5 - UC-9 outflow, clear, no maintenance appears to be needed.



Figure 6 - Unnamed culvert that allows the undisturbed creek to bypass the Loadout Facilities. Appears to be clear and functioning as designed.



Figure 7 - DC-2 at the Loadout Facilities. The inlet to this culvert was clogged (behind the grate in this picture, red arrow) and required maintenance.



Figure 8 - DC-2 of the Loadout Facilities inlet cleared the right after the inspection. This maintenance will need to be regularly performed until erosion structures are installed. The operator mentioned there are plans to install gabion structures to prevent this erosion in the future.



Figure 9 - Loadout Facilities, at the time of the inspection, DC-2 outlet (top culvert) and DC-2, 3, 4 outlet (bottom culvert). DC-2 outlet is clear with no maintenance needs. DC-3, 4, 5 outlet is a bit damaged and had sediment that should be cleared (red arrow).



Figure 10 - DC-1 outlet at the Loadout Facilities requiring some maintenance, as the culvert is significantly clogged.



Figure 11 - DC-1 at the Loadout facilities after maintenance was performed after the inspection and appears to solve the problem; the outlet is clear.



Figure 12 - Loadout Facilities DC-3, 4, 5 outlet (bottom culvert) maintenance performed. Damage to the culvert repaired and outlet cleared.



Figure 13 - Sediment trap at the Loadout Facilities, functioning as designed at the time of the inspection.



Figure 14 - Sediment pond at the Loadout Facilities, appears to be functioning as designed.

LEXON Insurance Company
10002 Shelbyville Road, Suite 100
Louisville, KY 40223

April 26, 2017

Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Tempe, Suite 1210
Salt Lake City, UT 84116

To Whom It May Concern:

The following Surety Performance Bonds written by Lexon Insurance Company covering Permit No. C/007/0005 with Canyon Fuel Company, LLC, as principal, remains in full force and effect throughout the term of the renewal.

<u>Bond No.</u>	<u>Bond Amount</u>	<u>Mine Name</u>
1093362	\$5,799,000	Skyline Mine

It is agreed and understood that the referenced bonds are not cumulative in nature, regardless of the number of years they may remain in effect. It is further agreed and understood that the Surety does not waive any rights or remedies under law by the issuance of this letter.

LEXON Insurance Company

By: Theresa Pickerrell
Theresa Pickerrell, Attorney-In-Fact

State of: Kentucky
County of: Jefferson

I certify that I know or have satisfactory evidence that Theresa Pickerrell signed this document; on oath stated that she was authorized to sign the document and acknowledged it as the agent or representative of the named surety company which is authorized to do business in the State of Kentucky for the purposes mentioned in this document.

Dated on: April 26, 2017

Sandra L. Fusinetti
Signature of Notary Sandra L. Fusinetti
My commission expires February 13, 2020