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

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INSPECTION REPORT

Partial: ___ Complete: XXX Exploration: ___
Inspection Date & Time: 08/03/2001 / 9:30AM-3:00 PM
Date of Last Inspection: 07/02/2001

Mine Name: Horse Canyon Mine County: Carbon Permit Number: C/007/013
Permittee and/or Operator's Name: UtahAmerican Energy, Inc.
Business Address: 31 N. Main, Helper, UT 84526 / 56854 Pleasant Ridge Rd., Alledonia, OH 43902
Type of Mining Activity: Underground XXX Surface ___ Prep. Plant ___ Other ___
Company Official(s): Jay Marshall
State Official(s): David Darby Federal Official(s): None
Weather Conditions: Clear, Hot, high 90's
Existing Acreage: Permitted 1327.75 Disturbed 74.26 Regraded 52 Seeded 51.56
Status: Active Reclamation XXX

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 4 columns: EVALUATED, N/A, COMMENTS, NOV/ENF. Rows include categories like PERMITS, CHANGE, TRANSFER, RENEWAL, SALE; SIGNS AND MARKERS; TOPSOIL; HYDROLOGIC BALANCE; EXPLOSIVES; DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES; COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS; PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES; SLIDES AND OTHER DAMAGE; CONTEMPORANEOUS RECLAMATION; BACKFILLING AND GRADING; REVEGETATION; SUBSIDENCE CONTROL; CESSATION OF OPERATIONS; ROADS; OTHER TRANSPORTATION FACILITIES; SUPPORT FACILITIES/UTILITY INSTALLATIONS; AVS CHECK; AIR QUALITY PERMIT; BONDING & INSURANCE.

INSPECTION REPORT
(Continuation sheet)

PERMIT NUMBER: C/007/013

DATE OF INSPECTION: 08/03/2001

(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE

The DOGM approved, with stipulations, the Lila Canyon Significant Revision to the Horse Canyon mine permit on July 27, 2001. At the same time, the BLM approved the Rights of Way to construct, operate, maintain, and terminate a 46 kV power line and a 40-acre mine site facility. UtahAmerican will have to obtain OSM permit approval and assess Mexican Spotted Owl habitat prior to construction of the mine facilities.

Stopped at stream crossing where road intersects the right fork of Redden Spring. There was flow in the channel. We did not measure the flow. Jay mentioned that UEI intended to submit some changes to the hydrologic section of the MRP, one of which is to collect flow from Redden Spring then pipe it down to a tank where it could be collected and used to develop the rock tunnel portals of Lila Canyon Mine.

We also looked at the refuse pile and No. 1 sedimentation pond. These are two sites that still need to have reclamation work done on them before Phase II bond release. We discussed the methods of reclamation which were prescribed during the reclamation meeting. Some of the changes will require amendments to the MRP. Jay plans to submit the changes during August or early September. Jay indicated that he wanted to get the reclamation going this fall.

2. SIGNS AND MARKERS

All signs and markers were in-place and visible with the current information.

4A. HYDROLOGIC BALANCE: DIVERSIONS

While at the stream we met Waldo Cunningham, a land owner in Range Creek. Mr. Cunningham was concerned because for the past year his sprinklers were plugging with algae from a well. He was wondering if mining had anything to do with the problem. It is unlikely that mining is related to his problem. The well is nearly ten miles away from the Horse Canyon mine. It lies east of the Lila Canyon Mine. Algal growth would indicate nutrients in the water. It was mentioned that the well was shallow. The site would have to be investigated and sampled before any determination could be made. Jay mentioned he should look at the site and maybe take a water sample, it is also good public relations. I told him it was a good idea, it could only help UEI in the future if claims were made against the mining company.

4C. HYDROLOGIC BALANCE: OTHER SEDIMENT CONTROL MEASURES

The mine site was very dry. Both the sedimentation ponds were dry.

INSPECTION REPORT
(Continuation sheet)

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4D. HYDROLOGIC BALANCE: WATER MONITORING

There have been no discharges from sedimentation Ponds #1 and #2 during the past quarter.

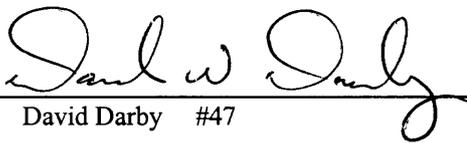
A summary of hydrologic monitoring data was submitted for the Lila Canyon SR in a MRP revision dated application. This information was incorporated into the Coal database on June 26, 2001.

The latest monitoring data was submitted via the Coal database on July 3, 2001; however, the designated representative had not received the chemical analyses from the lab, and it has not been submitted to-date.

9. PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES

The issue of the Mexican Spotted Owl has come to light since a map identifying potential critical habitat for the species was produced by the U.S. Fish and Wildlife Service. The proposed critical habitat map identifies areas east of the Lila Canyon Mine as critical habitat. The area around the Lila Canyon Mine has never been evaluated. A stipulation in the mine permit requires that applicant to obtain critical habitat information prior to conducting any mining operations.

Inspector's Signature: _____


David Darby #47

Date: September 11, 2001

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
Clyde Borrell, UtahAmerican
Mel Coonrod, EIS
Price Field office
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