



State of Utah

**Department of
Natural Resources**

MICHAEL R. STYLER
Executive Director

**Division of
Oil, Gas & Mining**

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

| Representatives Present During the Inspection: | |
|--|---|
| Company | David Shaver Manager, Technical Services |
| Company | Jay Marshall Resident Agent |
| OGM | Steve Alder Assistant Attorney General |
| OGM | Mary Ann Wright Acting Division Director |
| OGM | Pamela Grubaugh-Littig Environmental Manager |
| OGM | Wayne Hedberg Environmental Manager |
| OGM | Wayne Western Environmental Scientist III |
| OGM | Dave Darby Environmental Scientist III |
| OGM | Jerriann Ernstsens Environmental Scientist II |

Permittee: **UTAHAMERICAN ENERGY INC**
 Operator: **UTAHAMERICAN ENERGY INC**
 Site: **HORSE CANYON MINE**
 Address: **PO BOX 986, PRICE UT 84501**
 County: **CARBON**
 Permit Type: **PERMANENT COAL PROGRAM**
 Permit Status: **ACTIVE**

Inspection Report

| | |
|------------------|-------------------------------------|
| Permit Number: | C0070013 |
| Inspection Type: | TECHNICAL |
| Inspection Date: | Thursday, September 14, 2006 |
| Start Date/Time: | 9/14/2006 10:00:00 AM |
| End Date/Time: | 9/14/2006 4:00:00 PM |
| Last Inspection: | |

Inspector: Jerriann Ernstsens, Environmental Scientist II

Weather: rainy, cool

InspectionID Report Number: 1072

Accepted by: pgrubaug
10/26/2006

Current Acreages

| | |
|----------|------------------------|
| 1,327.75 | Total Permitted |
| 87.00 | Total Disturbed |
| 61.65 | Phase I |
| | Phase II |
| | Phase III |

Mineral Ownership

- Federal
- State
- County
- Fee
- Other

Types of Operations

- Underground
- Surface
- Loadout
- Processing
- Reprocessing

Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

This technical visit was for DOGM staff to visit the proposed Lila Canyon extension project area. Specifically, the plateau area that may be subsided.

Jody Patterson (Montgomery Archeological Consultants) lead the tour.

Inspector's Signature:

Date Monday, September 18, 2006

Jerriann Ernstsens, Environmental Scientist II

Inspector ID Number: 52

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining.
 1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
 telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • www.ogm.utah.gov

Permit Number: C0070013
 Inspection Type: TECHNICAL
 Inspection Date: Thursday, September 14, 2006

Inspection Continuation Sheet

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 Not Applicable.
 - b. For PARTIAL inspections check only the elements evaluated.
2. Document any noncompliance situation by reference 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, Divison Orders, and amendments.

| | Evaluated | Not Applicable | Comment | Enforcement |
|--|-------------------------------------|--------------------------|-------------------------------------|--------------------------|
| 1. Permits, Change, Transfer, Renewal, Sale | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Signs and Markers | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Topsoil | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.a Hydrologic Balance: Diversions | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4.b Hydrologic Balance: Sediment Ponds and Impoundments | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.c Hydrologic Balance: Other Sediment Control Measures | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.d Hydrologic Balance: Water Monitoring | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.e Hydrologic Balance: Effluent Limitations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Explosives | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. Disposal of Excess Spoil, Fills, Benches | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. Coal Mine Waste, Refuse Piles, Impoundments | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Noncoal Waste | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. Protection of Fish, Wildlife and Related Environmental Issues | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. Slides and Other Damage | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. Contemporaneous Reclamation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. Backfilling And Grading | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. Revegetation | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. Subsidence Control | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 15. Cessation of Operations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.a Roads: Construction, Maintenance, Surfacing | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 16.b Roads: Drainage Controls | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 17. Other Transportation Facilities | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 18. Support Facilities, Utility Installations | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 19. AVS Check | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Air Quality Permit | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 21. Bonding and Insurance | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 22. Other | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

4.a Hydrologic Balance: Diversions

After the tour in Little Park Wash, the group visited the Refuse Pile channel, which has been an issue for the past several months. The reclaimed channel had been damaged during a storm in September 2005. The damage was discovered in May 2006. The Division has been in contact with the Permittee to get the channel repaired. The operator has submitted plans which had been reviewed. Reconstruction is to commence before the end of September 2006. The damage in the lower part of the channel was pointed out to the group and mitigation measures explained. The side slopes in lower end of the channel will be regraded back to a 2:1 slope and riprap will reinforce the sides. The nick point in the headcut will be regraded and riprap will be keyed into the channel to move the flow from the higher elevation of the upper channel to the lower channel where its baseflow is the confluence with Horse Canyon Creek. The area disturbed in the channel and from entrance into the area will be reseeded.

14. Subsidence Control

The team walked/drove over areas of potential subsidence.

21. Bonding and Insurance

The team members saw the remote portals in Lila Canyon. This issue will be discussed in connection with Phase III bond release.

22. Other

Agenda for the tour of the plateau east of the proposed Lila Canyon Mine facilities area that we visited was:

- Visit the arch crew to see their process for surveying/looking the plots & channels.
- Walk part of the channels: main and east arm where they are currently surveying.
- Visit the spring that is within the permit area (as reported in the 2006 Montgomery report). Visit any other easily accessible spring.
- Establish a sound idea of the topography of the area on top where there may be subsidence.
- If accessible, view the area where there is MSO habitat.
- Establish a sound idea of the proximity and "line of site" (or flow as the case may be) to the Turtle Canyon and Range Creek areas.
- Visit other areas or sites that would benefit our team.

The first stop was the perennial spring (L-9-G) that was discussed in the June 2006 Montgomery report. This spring is located in the western edge of Section 19 T16S, R16E in an east/west oriented side channel of a tributary to Little Park Wash. Jody Patterson (Montgomery Archeological Consultants) discussed the survey process used for the channels as well as for the 20-acre plots. He pointed out and described the nature of historic artifacts along the channel. Mr. Patterson briefed DOGM on the findings of the June and September 2006 survey results. He mentioned that the final report should be completed the week of September 18th.

There were indications that a recent (about 5 days prior) large storm had flowed in the channel. The indicators included: portions of the sediments in the channel were still moist, definitive line of moist plant matter and other debris (see pic 3319), an iron watering trough (about 4'w X 4'l X 3'h; see pic 3319/20) filled with mud had been floated about 300' down the channel, and large milled logs had also been relocated. Picture 3329 shows where the watering trough had been observed during the June 2006 survey. The trough had been lodged in the side of the side of the stream channel.

The spring nearest the historic cabin was flowing above ground for a portion of the channel (see pic 3321/22), and then diminished into the ground (see pic 3323). Picture 3339 shows old pipe used to transport water from the springs.

We walked above the spring/historic cabin area and located two other spring sites (see pic 3328 {2nd} and 3330 {3rd}). Dave Darby mentioned that the group of spring in the area are grouped together, because they all emanate from the Northhorn/Flagstaff formation, the water right is filed on 91-2539 the spring is considered representative of the springs. Flows from the springs are a few gallons per minute and last only a short time in the channel before they seep back into the ground. The areas around the springs have the following riparian vegetation indicator plants: moss, sedge, willow, columbine, and other species (see pic 3325-27, 3330-33, 3336, 3340). There was one ungulate track in the mud near the spring (see pic 3337/38). There were songbirds and rabbits (one individual and plenty of scat) along

the channel.

Pictures 3334/35 show the dry channel area above the spring locations.

The second stop was a short walk along Little Park Wash, the channel was dry. This channel also had indicators of the recent severe storm. There were magpies, one rabbit, and plenty of rabbit scat. From this area, we could see the western edge of the Turtle Canyon study area as well as from a visual image of the approximate area where the Mexican spotted owl habitat is located.

The team stopped at drill hole IPA-#3 that has functioned as a piezometer for the operator. Water levels reflecting the hydrologic head of water in the coal seam are measured at the three piezometers in the vicinity of Little Park wash.

The fourth stop was to an overlook to see the old Horse Canyon Mine portals in the top of Lila Canyon.