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DEPARTMENT OF NATURAL RESOURCES

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Outgoing
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December 16, 2008

Jay Marshall, Resident Agent
UtahAmerican Energy, Inc.
P.O. Box 910
East Carbon, Utah 84520-0910

Subject: 2007 Annual Report Review, Horse Canyon Mine, C/007/0013, Task ID # 3062
Outgoing File

Dear Mr. Marshall:

The Division staff has completed the 2007 Annual Report Review. Enclosed is a copy of the review for Horse Canyon Mine, C/007/0013 completed on December 16, 2008.

Thank you for your diligence in completing the Annual Report. If you have any questions, please call me at (801) 538-5325.

Sincerely,

Daron Haddock
Permit Supervisor

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Enclosure
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2007 Annual Report Review

Permittee:	UtahAmerican Energy, Inc.	
Mine Name:	Horse Canyon Mine, , Permit Areas A and B	
Permit Number:	C/007/013	
Date Report Received:	May 27, 2008	
Assigned Reviewer:	Peter Hess, Lead / Inspector / Engineering Review	Date Completed June 23, 2008
	Ingrid Wieser, Biology	December 16, 2008

Instructions: The assigned inspector will review the Annual report during the third quarter complete inspection and provide a written determination (finding) on how the mine has or has not met the permit requirements for reporting. If the report is deficient or remedial action is required to obtain compliance, this should be noted and the mine lead notified. A copy of this review will be filed with the Inspection Report. Should any of the sections require additional technical analysis, the inspector will notify the permit supervisor so that it can be scheduled during the 4th quarter.

SECTIONS TO REVIEW	SUBMITTED			FINDINGS
	YES	NO	NA	
Cover Sheet	X	<input type="checkbox"/>	<input type="checkbox"/>	The cover sheet consists of an introductory letter from Mr. Jay Marshall, Resident Agent for UtahAmerican Energy, Inc. to Mr. Daron Haddock, Permit Supervisor @ UDOGM dated May 22, 2008.
General Information	X	<input type="checkbox"/>	<input type="checkbox"/>	The Division cover sheet, which contains General Information about UtahAmerican Energy, Inc., identifies Mr. Jay Marshall, Utah registered professional engineer as the Resident Agent. Also included are the identification numbers of all permits held by this mining operation, a list of the certified reports which are required annually by respective government agencies, the Commitments and Conditions established within the MRP of the UDOGM / State of Utah permit, reporting of other technical data, legal, financial, compliance and related information, mine maps, and other necessary information.
Identification of other Permits	X	<input type="checkbox"/>	<input type="checkbox"/>	The following Permit Types are identified: MSHA Mine ID # 42-00100 / Horse Canyon Mine (DOGM "A") MSHA Mine ID # 42-02241 / Lila Canyon Mine (DOGM "B") MSHA Impoundment 1211-UT-09-02241-01 Lila Canyon (This impoundment is not yet constructed). NPDES/UPDES Permits UTG040013 EXPIRED (Pond 2, Donation area, Permit Area "A") UTG040024 is the current permit for permit area "B". To date, no outfalls have been constructed at Lila Canyon. The air quality permit for the Lila Canyon Mine is DAQE-702-99. There are no other permits for Lila Canyon.

2007 Annual Report Review

SECTIONS TO REVIEW	SUBMITTED			FINDINGS
	YES	NO	NA	
Annual Impoundment Certification	X	<input type="checkbox"/>	<input type="checkbox"/>	Appendix A contains the 2007 annual inspection and report for the only impoundment which currently exists (the lower pond (#2) Permit Area "A", adjacent to the Emery County bridge over Horse Canyon Creek). At the time of Mr. Jay Marshall's inspection (June 5, 2007) the pond contained six inches of water. There were no signs of instability observed during the inspection. The UPDES permit for this outfall was allowed to expire, based upon discussion and approval with the Utah Division of Water Quality and the Division (expiration April 30, 2008). The disturbed / reclaimed area above pond #2 has been revegetated, and any sediment laden flow which continues to report to this pond is road runoff. As of the June 15, 2007 inspection, four-tenths of one foot of elevation of sediment storage capacity remain in this pond prior to the sediment elevation reaching the 60% cleanout elevation. The primary spillway has been removed from this pond, as part of the allowed expiration of the UPDES permit. The emergency spillway remains in place. The pond has never been observed as discharging by Division personnel. The inslopes and outslopes are noted as being well vegetated with no signs of erosion. Mr. Marshall performed the required professional engineers certification for the annual inspections the same day it was performed.
Annual Overburden, Spoil, Refuse, Floor, etc. Certified Report	<input type="checkbox"/>	X	<input type="checkbox"/>	This is not a permit requirement.
Annual Technical Requirements (Commitments)				
Climatological	<input type="checkbox"/>	X	<input type="checkbox"/>	Data is to be downloaded and included in the annual report; no data reporting was required for 2007.
Subsidence	<input type="checkbox"/>	X	<input type="checkbox"/>	The Permit Area "B" (Lila Canyon) mine workings have not seen any development or secondary extraction activities. No subsidence has occurred.
Vegetation monitoring	X	<input type="checkbox"/>	<input type="checkbox"/>	Appendix B / Reporting of Required Technical Data Appendix B contains an inventory report for TES (threatened, endangered and sensitive species) for the proposed permit area "B" Horse Canyon Mine disturbed area. The survey was conducted on May 3, 2007 by Environmental Industrial Services, Helper, Utah. The UDOGM permit requires that this survey be completed prior to disturbing the proposed mine site area. The Permittee initiated mobilization for vegetation removal at the permit area "B" site on January 3, 2008. This report requires an analysis by a DOGM biologist. * See comments below.

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Raptor Survey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The second binder of the 2007 Annual Report for the Horse Canyon Mine contains the annual raptor survey information, which is CONFIDENTIAL, (Attachment "A" SPECIAL CONDITIONS 3-1, (10/15/2007)). The submittal of confidential information in a separate binder is the first permit commitment and is listed under REPORTING OF TECHNICAL DATA (See Master Technical Analysis for the Horse Canyon Mine, Lila Canyon Extension). The binder containing the raptor survey which was delivered to the PFO was returned to the Salt Lake office for return to the Permittee, filing in the PIC room, or disposal. The PFO is not allowed to have confidential information in its PIC room. The analysis of that information will be performed during the fourth quarter of 2008 by the DOGM tech staff. * See Comments below.
Soils Monitoring	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Not a permit requirement during 2007.
Water Monitoring	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Water monitoring information for the Horse Canyon Mine and Lila Canyon Mine was submitted electronically for all four quarter of 2007, meeting the Special Condition contained in Attachment "A" of the current permit. Other permit requirements including the installation of crest stage gauges and siphon samplers, a seep and spring survey, a GPS survey of all known and newly identified seeps and springs, and the conversion of two minor coal exploration boreholes to water monitoring wells was not required for 2007.
Geological/Geophysical	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Not a permit requirement during 2007.
Engineering	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Not a permit requirement during 2007.
Non-Coal Waste	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Not a permit requirement during 2007.
Abandoned Underground Equipment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There was no equipment abandoned underground during 2007.
AVS; Legal/ Financial Update	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The 2007 Annual Report does not contain an Annual Report of Officers; this information is submitted to the Utah Department of Commerce annually.
Mine Sequence Map	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The Permit Area "B" (Lila Canyon) mine workings have not seen any development or secondary extraction activities. No subsidence has occurred.
Other Information	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Vegetation Monitoring Comments: In May of 2007, Environmental Industrial Services conducted a threatened, endangered and sensitive species inventory report. As indicated in the MRP, sensitive plants need to be surveyed annually. Three species in particular which were recommended in the MRP to survey for prior to construction include: Canyon Sweetvetch, Cliffs Blazing star, and Creutzfeldt flower. If results are positive for any of these species, the permittee must immediately submit a protection plan. The optimum months to survey for these plants are: Middle June to July for Canyon Sweetvetch, Late June to August for Blazing star and April to June for Creutzfeldt flower. The survey covered the project area and a buffer of 100 ft from the project boundary. Out of the nineteen total sensitive plants surveyed for, none were found on the site and the habitat conditions were listed as poor for twelve of the species and fair for seven species.

Raptor Survey Comments: In May of 2007, Environmental Industrial Services in cooperation with DWR, conducted a fly-over raptor survey of Lila Canyon. The flight path included a .5 mile buffer of the project area. Ten new nests that have not been previously surveyed for the site were located. With concurrence from Kyle Beagley of DWR, Nest 456 was dropped from the database because it could not be found. Five of the twenty-six nests were

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active, twelve were inactive and nine were not found or not surveyed. The active nests are within a ½ mile of the project site, and the permittee was subject to the raptor exclusionary period in 2008.

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