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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:

|         |              |                             |
|---------|--------------|-----------------------------|
| OGM     | Pete Hess    | Environmental Scientist III |
| Company | Jay Marshall | Resident Agent              |

# Inspection Report

|                  |                          |
|------------------|--------------------------|
| Permit Number:   | C0070013                 |
| Inspection Type: | COMPLETE                 |
| Inspection Date: | Wednesday, July 29, 2009 |
| Start Date/Time: | 7/29/2009 8:00:00 AM     |
| End Date/Time:   | 7/29/2009 12:00:00 PM    |
| Last Inspection: | Thursday, June 18, 2009  |

Inspector: Pete Hess, Environmental Scientist III

Weather: Sunny, warm; 80's F.

InspectionID Report Number: 2078

Accepted by: jhelfric  
8/4/2009

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**

Current Acreages

|          |                 |
|----------|-----------------|
| 5,992.07 | Total Permitted |
| 116.86   | Total Disturbed |
|          | 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:

First quarter 2009 water monitoring data for the Horse Canyon Mine permit area "B" has been inserted and uploaded into the permanent DOGM data base. The Permittee continues to meet this Special Condition which is contained in Attachment "A" of the current State permit.

With the exception of placing rock tunnel development material on the shop / warehouse pad, there is no construction activity currently occurring at the Lila Canyon site.

Inspector's Signature:

Date

Wednesday, July 29, 2009

Pete Hess, Environmental Scientist III

Inspector ID Number: 46

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

**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 checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 2. Signs and Markers   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |
| 3. Topsoil   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4.a Hydrologic Balance: Diversions                               | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |
| 4.b Hydrologic Balance: Sediment Ponds and Impoundments          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4.c Hydrologic Balance: Other Sediment Control Measures          | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |
| 4.d Hydrologic Balance: Water Monitoring                         | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 4.e Hydrologic Balance: Effluent Limitations                     | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 5. Explosives  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 6. Disposal of Excess Spoil, Fills, Benches                      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
| 7. Coal Mine Waste, Refuse Piles, Impoundments                   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
| 8. Noncoal Waste   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |
| 9. Protection of Fish, Wildlife and Related Environmental Issues | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 10. Slides and Other Damage                                      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
| 11. Contemporaneous Reclamation                                  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 12. Backfilling And Grading                                      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 13. Revegetation   | <input checked="" 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 checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/> |
| 16.a Roads: Construction, Maintenance, Surfacing                 | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |
| 16.b Roads: Drainage Controls                                    | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |
| 17. Other Transportation Facilities                              | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 18. Support Facilities, Utility Installations                    | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 19. AVS Check  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |
| 20. Air Quality Permit   | <input checked="" 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 type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |

**1. Permits, Change, Transfer, Renewal, Sale**

The Horse Canyon permit area "B" MRP is at the West Ridge Mine being updated. The Permittee submitted an application to permit design changes for the part "B" surface facilities on July 15, 2009. The current DOGM permit remains in effect through May 6, 2011. The Division has reviewed the application for a Phase III bond release for permit area "A" and returned deficiencies.

**3. Topsoil**

The Permittee has taken the second of five required rock tunnel development material samples; analytical results are pending.

**4.b Hydrologic Balance: Sediment Ponds and Impoundments**

Ponds # 1 and #2 were both observed as dry this day. The Permittee completed the 1st quarter inspections for these ponds on April 15, 2009. Mr. Marshall certified the inspection reports (under construction) and P.E. certifications on the same day. The Division asked to see the nuclear testing reports for the impounding embankment at pond #1 which verify Proctor compaction. As of today's inspection, Scamp Excavation had not provided them to Mr. Marshall. This will be followed up on the next OGM inspection.

**4.d Hydrologic Balance: Water Monitoring**

None of the channels at Horse Canyon had flow in them this day. The Permittee had lab analysis sheets for samples taken during June 2009 for the following water monitoring points; L-7-G, L-8-G, L-9-G, L-11-G, L-17-G. This data has yet to be inserted into the OGM data base for 2nd quarter monitoring.

**4.e Hydrologic Balance: Effluent Limitations**

The current UPDES permit remains in effect through April 30, 2013. Discharge monitoring reports for April, May, and June 2009 were prepared for signature and submittal to the appropriate government agencies. All were reported as no discharge for the permitted outfalls for the second quarter 2009.

**5. Explosives**

The development of rock tunnels #1 and #2 continues; both have been driven to the 500 foot mark. The Permittee crossed the Federal lease boundary on July 15, 2009.

**9. Protection of Fish, Wildlife and Related Environmental Issues**

No wildlife was observed at the Lila Canyon permit area "B" Mine site this day. Permit Area "A" remains unchanged; a cottontail rabbit was observed across the Creek from the permit area "A" waste rock site.

**11. Contemporaneous Reclamation**

The Permittee has reclaimed the short temporary access road from the south leg of EC #126 up to the Mine office pad.

**12. Backfilling And Grading**

The Permittee's development of the rock tunnels is currently encountering mudstone. This material is gray, and it has the appearance of carbonaceous shales from a distance. Closer examination of the mudstone indicates it has more integrity than shales, as it generally does not crumble as weathered shales crumble when compressed. The mudstone is being placed on the shop / warehouse pad.

**14. Subsidence Control**

To date, underground coal extraction is not occurring.

**17. Other Transportation Facilities**

The Permittee is designing the temporary coal conveyance system from the belt portal to the truck loading area. The Permittee anticipates that active coal production from main entry development will occur sometime in April 2010.

**18. Support Facilities, Utility Installations**

Survey stakes have been installed along the Emery County road (new Mine access) for the permanent powerline installation. The environmental assessment for that facility is still being developed.

**21. Bonding and Insurance**

The general liability coverage for this site remains current through June 1, 2010. Coverage amounts for general aggregate and each occurrence exceed the requirements of the R645 Coal Mining Rules. Coverage for damage incurred from the use of explosives is provided. The cancellation clause has been modified in order to provide adequate notice to the DOGM of cancellation of this policy for any reason. Four sureties provide bond coverage for permit areas "A" and "B" ( \$ 2,755,328.00)