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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

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Inspection Report

Permit Number:	C0070013
Inspection Type:	COMPLETE
Inspection Date:	Wednesday, June 23, 2010
Start Date/Time:	6/23/2010 7:45:00 AM
End Date/Time:	6/30/2010 10:30:00 AM
Last Inspection:	Wednesday, June 09, 2010

Inspector: Pete Hess, Environmental Scientist III

Weather: Clear, warm; 80s F.

InspectionID Report Number: 2406

Accepted by: jhelfric

7/8/2010

Representatives Present During the Inspection:	
OGM	Priscilla Burton Environmental Scientist III
OGM	Joe Helfrich Environmental Scientist III
Company	Jay Marshall Resident Agent
OGM	Pete Hess Environmental Scientist III

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
42.60	Total Disturbed
51.56	Phase I
51.56	Phase II
74.26	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:

The Permittee is current on the required electronic quarterly submittal of water monitoring data for the Lila Canyon Mine, Permit Areas "B" as well as point B-1, (permit area "A"). 1st Quarter 2010 data is due by June 30, 2010. The June complete inspection was started on 6/23, but it could not be completed due to a previously scheduled meeting by the Resident Agent with the BLM.

A compliance action was observed relative to ditch DD-20 on June 23, after the Permittee's resident agent had left the site. Mr. Marshall was informed of the compliance issue on 6/28. The NOV was issued on 6/30, following an examination of Chapter 7 of the MRP.

Inspector's Signature:

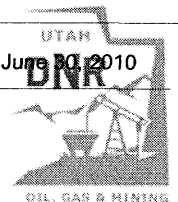
Date

Wednesday, June 30, 2010

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. telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • www.ogm.utah.gov



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 checked="" 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 checked="" type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input type="checkbox"/>
5. Explosives	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 checked="" 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 checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

1. Permits, Change, Transfer, Renewal, Sale

The Division granted a conditional approval of Task ID # 3541, Surface Design Changes for the Lila Canyon Mine on June 9, 2010. Final approval of this application is pending, based on the need for the Permittee to post an additional \$ 113,000 of reclamation bond. The resident agent has discussed this need for additional bond with the Corporate office. The Lila MRP contains a permit condition which addresses a DOGM concern over the fall planting of warm season grass species, Blue grama and Galleta. These species are included in the interim seed mix for Lila Canyon. Test areas in the incised pond #1 embankments are to be implemented following the construction of the pond, which was completed in May 2010. Areas #1 (SE corner) and #4 (NW corner) are to be seeded next month (July). Area 2 (SW quarter) and #3 (NE quarter) will be seeded in October. Ocular estimates for the success of the re-vegetation will be made each fall for 3 years (completion 2013) to complete this permit requirement. A conditional approval of a wildlife enhancement and mitigation plan was also granted by the DOGM on June 16, 2010 for the Lila Canyon Mine. During this inspection, Mr. Marshall asked Mr. Mel Coonrod of Environmental Industrial Services to document information relative to his findings / absence of canyon sweetvetch within the mine facilities disturbed area. The permit requires the implementation of a protection plan for this sensitive plant within the mine site construction area (See Appendix 7-3, Part B of the Lila Canyon MRP). According to Mr. Marshall, Mr. Coonrod did identify canyon sweetvetch within the EC # 126 ROW (the new road), but none of the sensitive species has been identified within the mine facilities area.

2. Signs and Markers

The Division recommends that the Permittee re-install the topsoil storage pile sign on the SW corner of the topsoil storage pile.

3. Topsoil

A few grasses and saltbush shrubs are becoming established on the seeded portion of pile.

Permittee was reminded of the MRP commitments to protect subsoil with an impervious membrane (MRP Section 232.500, Section 241, Section 242.100). This permit commitment states that subsoil storage areas that are surfaced with asphalt, gravel, or concrete will also have an impervious membrane placed over the subsoil to protect it from contamination by oils, greases or salts. Subsoils are located in the bath house parking area, and on the out slopes of the warehouse pad. To date, no asphalt, concrete or gravel has been placed for surfacing on the office pad.

4.a Hydrologic Balance: Diversions

As is noted above, ditch DD-20 was observed as filled in for a distance of about 90 feet. It could not function, and a notice of violation was verbally issued on 6/28, following review of Chapter 7 information. The Permittee had restored Ditch DD-20 to be capable of functioning by 6/30 @ 8:30 AM. The violation was terminated on 6/30, following completion of this inspection. All other diversions at this site appeared capable of functioning as designed.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

Mr. Marshall completed the first quarter impoundment inspections for ponds #1 and #2 on March 15, 2010. There were no indications of instability or other hazards reported by that inspection; both ponds are incised structures. Mr. Marshall completed the inspection reports on 3/16.

4.d Hydrologic Balance: Water Monitoring

4th Quarter 2009 water monitoring data for the Lila Canyon permit area has been uploaded into the DOGM permanent data base; Division review of the 4th Quarter data was completed on June 21, 2010. No concerns were identified with the data. The Permittee notified the Division on July 6, 2010 that the first quarter of 2010 water monitoring information for the permit area "B" and monitoring site B-1 had been entered into the DOGM data base. It is believed that the information may be duplicated, as the water monitoring data base and several other Division computer problems experienced problems several weeks prior to this submittal.

7. Coal Mine Waste, Refuse Piles, Impoundments

The old roadside waste rock site for the Geneva Mine (permit area "A") was walked through to examine the Ditch 31 access road. In the Phase III area (which has been released as of November 30, 2009) cryptogams were observed. This was noted by Ms. Priscilla Burton, soils scientist with DOGM.

9. Protection of Fish, Wildlife and Related Environmental Issues

1) The Division holds an \$ 8,000 amount of bond for the 0.49 acres of re-disturbance which was necessary to repair Ditch 31 (100 year six hour drainage from permit area "A" roadside waste rock site three years ago. The repair was necessary just upchannel of the Horse Canyon Creek confluence. The Permittee has asked the Division to determine if this amount and the remaining reclamation responsibility can be re-evaluated for bond release. A Division biologist and plant scientist inspected the acreage this day; the 0.49 acres includes the access road which was necessary to access the re-construction area. All other acreage at Horse Canyon "A" has received Phase III bond release (as of November 30, 2009). 2) The Division conditionally approved a Wildlife Protection and Enhancement Plan for Lila Canyon on June 16, 2010 (Task ID #3579). This will address the installation of two guzzlers along with several other BLM requirements.

11. Contemporaneous Reclamation

The Permittee has the seed on site to address the Annual Report commitment (as contained in the MRP) to test whether summer seeding will increase establishment of the warm season grass species. This seeding will occur on four areas in the incised slopes of the #1 sediment pond.

12. Backfilling And Grading

The Permittee intends to bring in a D-9H dozer from the Wildcat Loadout to continue grading of rock tunnel material on the shop/warehouse pad (which is now being used for temporary coal storage).

13. Revegetation

Please refer to comment on the required test plot / Annual Report commitment relative to summer seeding / establishment of warm season species.

14. Subsidence Control

The Permittee is producing one machine shift per day, advancing between 60 - 80 feet per shift. Multiple faces are now being developed. To date, 5500 tons have been produced.

17. Other Transportation Facilities

The new Emery County Road # 126 to the Mine is being actively constructed; all rough cut grading has been completed, and undisturbed culverts are installed. The Permittee expects the asphalt paving to be completed by November, 2010.

18. Support Facilities, Utility Installations

The Permittee has constructed a 120 foot X 225 foot electrical substation pad approximately 200 feet due south of the mine office and bath house trailer facilities. 36 inch Sonotube footers were being poured this day.

19. AVS Check

AVS information is currently being updated as part of the Division Order DO-04 issued for the Wildcat Loadout.

21. Bonding and Insurance

The Permittee provided an Acord form general liability insurance renewal on June 7, 2010 to the Division. Coverage amounts of \$ 2,000,000 and \$ 1,000,000 are provided for general aggregate and each occurrence categories respectively. Coverage for damage incurred from the use of explosives is included, as is subsidence coverage (\$ 500,000 property damage deductible per claim). The cancellation clause has been modified to meet the requirements of the R645-301-890 mining rules.

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22. Other

Division Order DO-09A requires the installation of a chain link gate over one portal and a rock fill in the other at the old Lila Canyon fan portals (west end of Level One of the U.S. Steel Geneva Mine). The DO requires that this work be completed by September 1, 2010. To date, plans are still being finalized to contract this work.