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State of Utah
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining

JON M. HUNTSMAN, JR.
Governor
GARY R. HERBERT
Lieutenant Governor

MICHAEL R. STYLER
Executive Director
JOHN R. BAZA
Division Director

June 30, 2010

Glen Jensen
P.O. Box 154
Elmo, Utah 84521

Subject: Lila Canyon Extension Spring Reconnaissance, UtahAmerican Energy Inc., Horse Canyon Mine, C/007/0013

Dear Mr. Jensen:

Thank you for the opportunity to meet at the Horse Canyon Mine to perform a reconnaissance of springs within the mine permit area of the Lila Canyon extension. A copy of our inspection report is attached.

If you have any questions, please feel free to call me at (801) 538-5352 or Jim Smith at (801) 538-5262.

Sincerely,

Kevin Lundmark
Hydrologist

KWL/sqs
Enclosure
cc: Jay Marshall, UtahAmerican Energy
Vaughn Hughes, BLM
Marc Stilson, Water Rights
Leroy Mead, DWR
Price Field Office
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The State of Utah

Department of
Natural Resources

Division of
Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

Representatives Present During the Inspection:	
OGM	Kevin Lundmark
OGM	Joe Helfrich Environmental Scientist III
State	Marc Stillson Regional Engineer
Company	Jay Marshall Resident Agent

Inspection Report

Permit Number:	C0070013
Inspection Type:	COURTESY
Inspection Date:	Wednesday, June 09, 2010
Start Date/Time:	6/9/2010 9:00:00 AM
End Date/Time:	6/9/2010 3:00:00 PM
Last Inspection:	

Inspector: Kevin Lundmark

Weather: Sunny, temperature 70s to 80s

InspectionID Report Number: 2400

Accepted by: jhelfric

6/24/2010

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:

A field trip to springs in the Lila Canyon Mine permit area was held on June 9, 2010. The field trip was scheduled to help address concerns raised to Marc Stillson (Div Water Rights) over potential impacts to springs from mining at the Lila Canyon Mine.

In addition to the representatives listed above, the following individuals attended the field trip: Glen Jensen (grazing permittee), Kirk Jensen (rancher), Vaughn Hughes (BLM), Leroy Mead (DWR), Rick Wilde (DWR).

Inspector's Signature:

Kevin Lundmark,

Inspector ID Number: 63

Date

Monday, June 21, 2010

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

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Permit Number: C0070013
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 Inspection Date: Wednesday, June 09, 2010

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 type="checkbox"/>	<input type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4.d Hydrologic Balance: Water Monitoring

The following springs were visited:

1. Unnamed spring (no water right) in SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec 2 T16S R14E – This spring is located approximately $\frac{1}{4}$ to $\frac{1}{2}$ mile from road and was not observed. This spring is approx. $\frac{1}{2}$ mile north of the permit area.
2. Quaker Spring (no water right) NE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec 12 T16S R14E – This spring is developed with a trough and piping. Source area is protected with fencing. Not currently monitored, but was monitored during 1994 & 1994 spring and seep inventory as location 3A or 3C. This spring is inside the permit area but will not be undermined and is outside the area of subsidence. Field measurements: flow = 2.4 L/min, pH = 8.09, sp. cond. = 414 μ S/cm, temp = 14.1 C at 11:40. Another spring was identified by the ranchers in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec 1 T16S R14E but was not visited. This spring is outside the permit area.
3. Cottonwood Spring (water rights 91-399, 91-2537 & 91-2521). Water right 91-2521 appears to be mis-located in DWRI database. UEI holds water right 91-399 for spring with developed trough, and monitors this location as L-7-G. Field measurements: flow = 1.6 L/min, pH = 8.02, sp. cond. = 823 μ S/cm, temp = 14.1 C at 12:30. The spring issues from the channel approximately 75 feet north of the trough, flows above ground approximately 20 feet before a portion of the flow is collected into piping. Kirk Jensen stated that the flow has decreased during the last week. Marc Stillson agreed to investigate the discrepancy in locations for the associated 3 water rights.
4. Cabin Spring (water rights 91-808, 91-2538). Water right 91-2538 appears to be associated with the developed spring, while 91-808 (UEI) appears to be the channel below the spring or another source. Cabin spring issues from the channel approximately 100 feet up-channel from the trough, and flow from the spring is conveyed to the trough by piping. Cabin spring is monitored quarterly by UEI as location L-8-G, although this spring is outside the mine permit area. Field measurements: flow 3.2 L/min, pH 7.57, temp 11.5 C, sp. cond. 820 μ S/cm.
5. Pine Spring (water right 91-2539). Pine spring is inside the mine permit area and monitored quarterly by UEI as location L-9-G. Pine spring issues from the channel bottom, then infiltrates. A trough and piping were washed out several years ago and have not been replaced; the trough was observed in the channel several hundred feet below the spring. Water rights 91-810 (UEI) and 91-2517 have not been located and are believed to potentially be associated with surface water flow in the channel below Pine Spring. No field measurements were taken at Pine Spring.
6. Wood Chopper Spring (no water right). Wood chopper spring is just outside the mine permit area and is monitored quarterly by UEI as location L-12-G. Pooled water was observed in the channel at the spring location; however, no water flow was observed. No field measurements were taken at Wood Chopper Spring.

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During the field trip, Marc Stillson indicated that for springs without water rights, the two potential courses of action are 1) BLM file a diligence claim, or 2) file for a new water right by BLM and user (would have a priority date of 2010). The point of contact at BLM for water rights is Karl Ivory.

Jay Marshall indicated that the 2nd quarter 2010 water monitoring would be performed beginning the week of June 21, 2010, and that Quaker Spring would be monitored (field parameters + sampling) during the 2nd quarter 2010 event