



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

INSPECTION REPORT

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Michael O. Leavitt
Governor
Lowell P. Braxton
Division Director

Partial:___ Complete:XXX Exploration:___
Inspection Date & Time: 1/13/99 / 8:15a.m.-12:00p.m.
Date of Last Inspection: 12/29/98

Mine Name: Soldier Canyon Mine County: Carbon Permit Number: ACT/007/018
Permittee and/or Operator's Name: Canyon Fuel Company
Business Address: P.O. Box 1029, Wellington, Utah 84542
Type of Mining Activity: Underground XXX Surface___ Prep. Plant___ Other___
Company Official(s): Mark Scanlon
State Officials(s): Peter Hess Federal Official(s): None
Weather Conditions: Clear, Sunny, High 30's
Existing Acreage: Permitted- 5186.17 Disturbed- 24 Regraded- 0 Seeded- 0 Bonded- 95.2
Increased/Decreased: Permitted-___ Disturbed-___ Regraded-___ Seeded-___ Bonded-___
Status: Exploration/ XXX Active/ Inactive/ Temporary Cessation/ Bond Forfeiture
Reclamation (___ Phase I/ ___ Phase II/ Final Bond Release/ Liability ___ Year)

REVIEW OF PERMIT, PERFORMANCE STANDARDS & PERMIT CONDITION REQUIREMENTS

Instructions

- 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 N/A.
b. For partial inspections check only the elements evaluated.
2. Document any noncompliance situation by referencing 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, Division Orders, and amendments.

Table with 5 columns: Item, EVALUATED, N/A, COMMENTS, NOV/FINE. Rows include items like PERMITS, CHANGE, TRANSFER, RENEWAL, SALE; SIGNS AND MARKERS; TOPSOIL; HYDROLOGIC BALANCE; DIVERSIONS; SEDIMENT PONDS AND IMPOUNDMENTS; etc.

INSPECTION REPORT
(Continuation sheet)

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PERMIT NUMBER: ACT/007/018

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(Comments are Numbered to Correspond with Topics Listed Above)

1. PERMITS, CHANGE, TRANSFER, RENEWAL SALE

Mr. Dave Spillman, Manager of Technical Services informed me this day that an amendment will be forthcoming which will place the Soldier Canyon Mine in temporary cessation of mining (until 2013) as required under R645-301-515.320 and 515.321. The status for further extraction of the Soldier Canyon reserves is unknown at this time and same will be based solely on market conditions at the depletion of the Dugout reserves.

Mr. Spillman also indicated that there has been no mining in the vicinity of the Pine Canyon springs area for one year, and that it is his intent to discontinue monitoring of same. According to Mr. Spillman, this is already approved in the current mining and reclamation plan. Mr. Jim Smith, Reclamation Hydrologist with the DOGM SLO, has been informed of Mr. Spillman's intentions.

3. TOPSOIL

The permittee has hydro-seeded the secondary Dugout Canyon topsoil pile which has been stockpiled in the expanded Soldier Canyon topsoil storage area.

4b. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The fourth quarter 1998 impoundment inspections for the mine site and sewage lagoon impoundments was conducted by Mr. Steve Nye on December 28, 1998. There were no hazardous conditions or signs of instability reported. All impoundments contain water and are frozen.

The annual impoundment certification requirements are addressed by Mr. Dave Spillman, P.E., in the annual report.

4d. WATER MONITORING

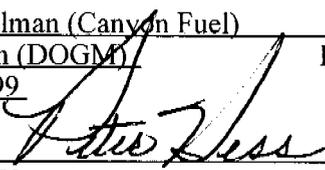
The third quarter water monitoring report for the site was submitted to the DOGM SLO on December 17, 1998. Submitted data is based on samples taken in August and September, 1998.

Discharge monitoring reports for the months of September, October and November, 1998 were reviewed. None of the site's UPDES discharge points had outfall. All reports were timely.

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

Copy of this Report:

Mailed to: Dave Spillman (Canyon Fuel) Henry Austin (OSM)
Given to: Joe Helfrich (DOGM) Filed to: Price Field Office
Date: January 19, 1999

Inspector's Signature:  #46
Peter Hess