



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

INSPECTION REPORT

SLO
[Handwritten initials]

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Partial: XXX Complete: Exploration:
Inspection Date & Time: 10/9 AM- 11:30 AM
Date of Last Inspection: 9/28/00

Mine Name: Centennial Project County: Carbon Permit Number: AC
Permittee and/or Operator's Name: Andalex Resources, Inc.
Business Address: P.O. Box 902, Price, Utah 84501
Type of Mining Activity: Underground XXX Surface Prep. Plant Other
Company Official(s): Mike Glasson, Environmental Coordinator
State Official(s): Peter Hess, Greg Galecki Federal Official(s): None
Weather Conditions: Clear, sunny/cool, 40's F
Existing Acreage: Permitted 5179.49 Disturbed 35.27 Regraded Seeded
Status: Exploration Active XXX Inactive Temporary Cessation Bond Forfeiture
Reclamation (Phase I Phase II Final Bond Release Liability Year)

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 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/ENF. Rows include: PERMITS, CHANGE, TRANSFER, RENEWAL, SALE; SIGNS AND MARKERS; TOPSOIL; HYDROLOGIC BALANCE; EXPLOSIVES; DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES; COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS; NONCOAL WASTE; PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES; SLIDES AND OTHER DAMAGE; CONTEMPORANEOUS RECLAMATION; BACKFILLING AND GRADING; REVEGETATION; SUBSIDENCE CONTROL; CESSATION OF OPERATIONS; ROADS; OTHER TRANSPORTATION FACILITIES; SUPPORT FACILITIES/UTILITY INSTALLATIONS; AVS CHECK; AIR QUALITY PERMIT; BONDING & INSURANCE.

INSPECTION REPORT

(Continuation sheet)

PERMIT NUMBER: ACT/007/019

DATE OF INSPECTION: 10/18/2000

(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

4A. HYDROLOGIC BALANCE: DIVERSIONS

A small amount of debris was observed in the inlet to the 18-inch culvert located in the right fork of the upper facilities area (designated as culvert C-O on Plate 6, As Constructed Surface Facilities, Deadman Canyon). Mr. Glasson had this cleaned prior to the end of the inspection.

The inspection of the undisturbed diversion designated as UD-3 on Plate 6, As Constructed Surface Facilities, Deadman Canyon, revealed that sediment has built up in the ditch to the point that flows which are supposed to be carried by the ditch are going over the head of the embankment and creating minor erosion on the slope above the lower Pinnacle Mine portals. The sediment, which is filling in this ditch, is coming from the cut bank immediately NE of UD-3. Mr. Glasson had surface personnel hand shovel the ditch gradient such that future flows would remain within the ditch prior to the end of the inspection.

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The permittee has initiated the clean out of pond "E", which was described in the September report as having reached the maximum sediment level. According to Mr. Glasson, approximately ten truck loads (assumed to be 12 cubic yards per load) have been removed from pond "E" and hauled to the Wildcat Loadout for dispersal on that waste rock disposal facility.

4C. HYDROLOGIC BALANCE: OTHER SEDIMENT CONTROL MEASURES

Two of the three straw bales filtering devices, which operate in series within diversion ditch UD-3, are bypassing. Although this ditch carries undisturbed flow, the permittee has implemented straw dikes here to filter out sediment which is coming from the adjacent cut bank. Mr. Glasson agreed to repair the bypassing dikes.

4D. HYDROLOGIC BALANCE: WATER MONITORING

According to the UDNR/OGM-SLO, the permittee has not submitted the first quarter 2000 water monitoring report for the Centennial site. This conflicts with information which was determined relative to this report during the September complete inspection. At that time, it was determined, (based on the date on the cover sheet) that the first quarter information had been submitted on April 21, 2000.

Mr. Glasson later submitted the required information to the Division before the end of today's inspection.

As noted in the September inspection report, the permittee has failed to submit the second quarter 2000 water monitoring report due to not receiving the laboratory analysis reports for the sites designated as Well #1 and spring S18-1. Mr. Glasson indicated during today's inspection that the required analyses

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(Continuation sheet)

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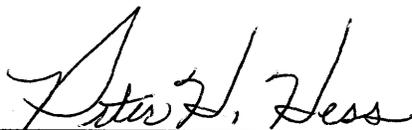
had still not been received. Mr. Glasson was informed that the permittee had 48 hours to submit the required water monitoring information to the Division.

On October 20, 2000, at approximately 1:20 PM, the UDNR/OGM/SLO had not received the second quarter water monitoring information. Notice of violation N2000-46-2-1, 1 of 1 was issued at that time to Andalex Resources, Inc. for failure to conduct surface and ground water monitoring in accordance with the approved water monitoring regime and the R645 coal rules.

On October 31, 2000, it was determined that the permittee had submitted information to the PFO via FAX to attempt to address the water monitoring requirements for the second quarter of 2000. A review of that data indicated that the FAX was received at 12:03 PM on October 20, 2000. The submitted information did not contain laboratory analyses for monitoring points Well #1 and S18-1 as sampled on June 21, 2000. It was determined that the notice of violation would stand.

The investigation, as to why the permittee's analytical laboratory has not been able to provide the water chemistries for the June 21, 2000 samples for Well #1 and S18-1, continues as of November 1, 2000.

Inspector's Signature: _____



Peter H. Hess #46

Date: November 1, 2000

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

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cc: James Fulton, OSM
Mike Glasson, Andalex
Price Field office

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