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

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INSPECTION REPORT

Handwritten initials/signature

Partial: XXX Complete: Exploration:
Inspection Date & Time: 5/29/2001 / 8 AM-11 AM
Date of Last Inspection: 4/30/2001

Mine Name: Centennial Project County: Carbon Permit Number: C/007/019
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, Senior Geologist, authorized representative for the permittee
State Official(s): Peter Hess Federal Official(s): None
Weather Conditions: Sunny, clear, warm, 60's F
Existing Acreage: Permitted 5179.49 Disturbed 35.27 Regraded Seeded
Status: Active XXX

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 4 columns: EVALUATED, N/A, COMMENTS, NOV/ENF. Rows include: 1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE; 2. SIGNS AND MARKERS; 3. TOPSOIL; 4. HYDROLOGIC BALANCE; 5. EXPLOSIVES; 6. DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES; 7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS; 8. NONCOAL WASTE; 9. PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES; 10. SLIDES AND OTHER DAMAGE; 11. CONTEMPORANEOUS RECLAMATION; 12. BACKFILLING AND GRADING; 13. REVEGETATION; 14. SUBSIDENCE CONTROL; 15. CESSATION OF OPERATIONS; 16. ROADS; 17. OTHER TRANSPORTATION FACILITIES; 18. SUPPORT FACILITIES/UTILITY INSTALLATIONS; 19. AVS CHECK (4th Quarter- April, May, June); 20. AIR QUALITY PERMIT; 21. BONDING & INSURANCE.

( COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE )

**1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE**

The permittee ceased longwall coal extraction in the Aberdeen Mine just prior to March 26, 2001, at which time, pillar extraction in the Pinnacle Mine using continuous miners was initiated. The Aberdeen Mine continues to be ventilated. Mr. Glasson was informed this day that prior to sealing of the Aberdeen Mine, the permittee must submit a permit amendment to identify and locate mining related machinery and/or other mining related apparatus such that the UDNR/OGM can make a written finding relative to the potential affect which the abandonment of such material might have on the hydrologic regime associated with the Aberdeen Mine.

There are no other amendments to the Centennial Project mining and reclamation plan pending at this time.

**4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS**

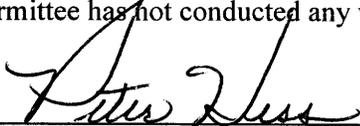
As noted in the April 2001 inspection report, a question arose during the inspection concerning the available remaining capacity for sediment storage in Pond "C". The annual impoundment inspection report form, certified by Mr. Dan Guy, Utah registered professional engineer, and dated November 30, 2000, indicates that on 11/30/2000, 0.016 acre feet or 0.2 feet of storage capacity remained in Pond "C". It was decided during the May inspection that a survey of the sediment elevation in Pond "C" would be performed to determine the level of sediment and the amount of storage capacity remaining.

The survey conducted May 14, 2001 by Mr. Guy indicates that 0.4 feet of elevation difference exists between the current sediment level (7046.5 feet) and the sixty percent clean out elevation of 7046.9 feet. A review of Plate 12, Sediment Pond "C" from the Centennial MRP indicates that 7046.9 feet is correct relative to the 60% sediment clean out elevation. A copy of Mr. Guy's report to the permittee is attached to this inspection report. At this point, it appears that there is no issue relative to Pond 'C'.

The permittee, through Nielson Construction Co., has replaced the concrete inlet diversion to pond "E" (located on the NE corner) which was destroyed during the last cleaning of the pond during December 2000. The permittee needs to update the "as-built" drawing for pond "E" to reflect the new configuration of the inlet diversion. Plate 13, "Sediment Pond "E" As Constructed (dated 5/19/89) shows a rip-rap inlet diversion. The diversion, which was destroyed during the last cleaning, was constructed of concrete. It is suggested that a new "as-built" drawing for pond "E" be submitted to meet the requirements of R645-301-514.312. Pond "E" received a P.E. certification during the 2000 annual pond inspection on November 30, 2000, at which time the pond was noted as being one-third cleaned. The pond's inlets were noted as being "O.K."

**4D. HYDROLOGIC BALANCE: WATER MONITORING**

To date, the permittee has not conducted any water monitoring for the second quarter 2001.

Inspector's Signature:   
Peter Hess #46

Date: June 6, 2001

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

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

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# BLACKHAWK ENGINEERING, INC.

Rt. 1, Box 146-H5 - Helper, Utah 84526 - Telephone (435) 637-2422

To: Mike Glasson  
From: Dan Guy  
Subject: Centennial Pond "C" Volume  
Date: May 14, 2001

Per your request, I have resurveyed the Centennial Project Sediment Pond "C" to determine the available sediment storage capacity.

The existing sediment level is at elevation 7046.5 - the projected cleaning elevation is 7046.9, or 0.4' above the present level. Based on the Stage-Volume Data in the Permit, this provides for an additional 0.09 ac.ft. of sediment storage prior to reaching the proposed cleaning point. The maximum sediment level is at elevation 7048.7, or approximately 2.2 feet above the existing level.

It should be noted that these elevations differ slightly from those on the Annual Pond Certification. The elevations on the pond certification were taken from a stage-volume data sheet generated prior to the 12/30/98 update in the M.R.P.; however, the relative differences in elevation are close to that shown by the recent survey. The existing sediment capacity to cleanout is actually 0.074 ac.ft. more than shown on the annual report.

The sediment storage for this pond is based on a conservative number of 0.05 acre-feet/acre of disturbance. This number is higher than the number generated by the USLE method for a 3-year period. In addition, the new R645 regulations require only that a sediment pond have "adequate sediment storage volume", and doesn't require cleaning specifically at a 60% capacity level, but requires "periodic sediment removal sufficient to maintain adequate volume for the design event." For these reasons, and the fact that the minesite will likely soon be under final reclamation, I see no reason to immediately clean the pond. It does still have approximately 0.584 acre feet of sediment storage capacity, which is the equivalent of nearly four years of sediment loading as calculated by the USLE Method on Table IV-9 in the M.R.P. This is in addition to the capacity required for the 10 year/24 hour design event.

A handwritten signature in cursive script, appearing to read 'Dan', is located at the bottom right of the page.