



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

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INSPECTION REPORT

Partial ___ Complete XXX Exploration ___
Inspection Date: 05/09/2002/ Time: 10:00am-2:30pm
Date of Last Inspection: 04/04/2002

Mine Name: Dugout Canyon Mine County: Carbon Permit Number: C/007/039
Permittee and/or Operator's Name: Canyon Fuel Company
Business Address: P.O. Box 1029, Wellington, Utah 84542
Company Official(s): Vicky Miller
State Official(s): Stephen J. Demczak Federal Official(s): None
Weather Conditions: Warm, 60's
Type of Mining Activity: Underground ___ Surface ___ Prep Plant XXX Other ___
Existing Acreage: Permitted 7083.71 Disturbed 22.65 Regraded ___ Seeded ___
Status: Active

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, permit conditions, Division Orders, and amendments.

Table with 5 columns: Item, EVALUATED, N/A, COMMENTS, NOV/ENF. Rows include categories like PERMITS, SIGNAGE, TOPSOIL, HYDROLOGIC BALANCE, EXPLOSIVES, WASTE, ENVIRONMENTAL ISSUES, RECLAMATION, etc.

INSPECTION REPORT
(Continuation Sheet)

PERMIT NUMBER: C/007/039

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(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE

The permittee has submitted an amendment and a significant revision to the Division. These are the topsoil storage area at Soldier Creek and the Dugout Refuse Pile. The refuse pile is considered the significant revision. The amendment due date to be reviewed by the Division is June 8, 2002, and the significant revision is due July 15, 2002.

2. SIGNS AND MARKERS

The disturbed area markers were located at the Gilson well that is under construction. The permittee is surveying some of the disturbed area markers to determine the exact disturbed area acreage.

3. TOPSOIL

The topsoil pile is located next to the topsoil pile at Soldier Creek Mine. It is located within the Soldier Creek permit area.

4A. HYDROLOGIC BALANCE: DIVERSIONS

The diversions appeared to be capable of functioning as designed. However, several diversions had a build-up of sediment. The permittee has committed to clean these diversions. The permittee will clean the diversion when the mining equipment is moved away to access the diversions. This will be done in the next couple of days. It is not a violation at this time.

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The sediment pond was inspected for the first quarter by the permittee on February 19, 2002. No hazardous conditions were noted in the report.

The sediment pond did contain water but is unlikely to discharge in the near future.

4D. HYDROLOGIC BALANCE: WATER MONITORING

The permittee has taken all water samples for the second quarter except for the wells. The permittee has not entered the first quarter water data into the Electronic Data System. The permittee will complete second quarter sampling and enter first quarter water data by the end of the quarter.

4E. HYDROLOGIC BALANCE: EFFLUENT LIMITATIONS

There was no discharge for January and February. The mine discharge 001A had a water sample for March. The water quality met the requirements of the UPDES permit.

The Dugout Mine has three point sources water discharge locations. These are 001A (Mine discharge), 002A(Water tank overflow), and 003A (sediment pond).

8. NONCOAL WASTE

The area was free of non-coal waste material.

INSPECTION REPORT
(Continuation Sheet)

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18. SUPPORT FACILITIES/UTILITY INSTALLATIONS

The permittee is under construction with the office/bathhouse/shop building and the Gilson well project. The Division approved these projects.

19. AVS CHECK

The identification sign was inspected and complied with the R645 Coal Rule.

21. BONDING AND INSURANCE

The Division is determining the amount. The permittee anticipates a reduction in the bond amount. Currently, the bonding amount is \$3,682,000. This reduction will be applied to the bonding amount of the proposed refuse pile.

The insurance accord form was reviewed and was found to comply with the R645 Coal Rules. This policy will expire on July 31, 2002.

Both parties signed the Reclamation Agreement on May 9, 2001.

Inspector's Signature: _____


Stephen J. Demczak #39

Date: May 20, 2002

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

cc: James Fulton, OSM
Rick Olsen, Canyon Fuel
Dave Spillman, Canyon Fuel
Chris Hansen, Canyon Fuel
Price Field office

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