

INSPECTION REPORT

Partial Complete Exploration
 Inspection Date: 02/04/2003 / Time: 9:45 AM-2 PM
 Date of Last Inspection: 01/14/2003

Mine Name: Dugout Canyon Mine County: Carbon Permit Number: C/007/039
 Permittee and/or Operator's Name: Canyon Fuel Company, LLC.
 Business Address: P.O. Box 1029, Wellington, Utah 84542
 Company Official(s): Vicky Miller
 State Official(s): Peter Hess, Gregg Galecki Federal Official(s): None
 Weather Conditions: Sunny, cold; temperature range from teens to thirties Fahrenheit
 Type of Mining Activity: Underground Surface Prep Plant 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, Division Orders, and amendments.

	EVALUATED	N/A	COMMENTS	NOV/ENF
1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. SIGNS AND MARKERS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. TOPSOIL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. HYDROLOGIC BALANCE:				
a. DIVERSIONS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. SEDIMENT PONDS AND IMPOUNDMENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c. OTHER SEDIMENT CONTROL MEASURES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d. WATER MONITORING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e. EFFLUENT LIMITATIONS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. EXPLOSIVES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. NONCOAL WASTE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
10. SLIDES AND OTHER DAMAGE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. CONTEMPORANEOUS RECLAMATION	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. BACKFILLING AND GRADING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. REVEGETATION	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. SUBSIDENCE CONTROL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
15. CESSATION OF OPERATIONS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. ROADS:				
a. CONSTRUCTION/MAINTENANCE/SURFACING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. DRAINAGE CONTROLS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17. OTHER TRANSPORTATION FACILITIES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. SUPPORT FACILITIES/UTILITY INSTALLATIONS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19. AVS CHECK (4 th Quarter- April, May, June)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. AIR QUALITY PERMIT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
21. BONDING & INSURANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

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(Continuation Sheet)

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(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE

The permittee's current DOGM permit remains in effect until March 16, 2003. The permit renewal process within the Division is ongoing.

The permittee applied for a permit renewal for the UPDES permit during November of 2002.

Two amendments are being reviewed by Division personnel at this time relative to the Dugout Canyon Mine. The first would allow the installation of a secondary substation in a small un-named canyon along the ancillary road providing access to the main substation. The other amendment would permit a waste rock facility for the disposal of coal processing waste.

3. TOPSOIL

The permittee has removed the two small piles of subsoil from the Gilson well pad area (See the 01/14/2003 inspection report) to the permanent storage location for the Dugout Mine soils.

The permanent storage area for the Dugout Mine soils was inspected this day. The storage areas are surrounded by high berms; vegetation is starting to develop. The piles have been constructed without the implementation of surface roughening. There were no signs of erosion on any of the piles.

4A. HYDROLOGIC BALANCE: DIVERSIONS

Most of the mine site's drainage ditches were under frozen compacted snow. Culvert inlets and outlets that were inspectable appeared to be capable of functioning as designed.

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The permittee conducted the fourth quarter 2002 / annual impoundment inspection on November 15, 2002. Mr. Dave Spillman, P.E., performed this work. There were no signs of instability or structural weakness or any other types of hazard noted by the inspection report. The annual certification requirement for the pond was performed by Mr. Spillman on December 31, 2002.

Observations made during November relative to the sediment level in the mine site pond indicated that the impoundment should be cleaned during the spring of 2003. According to Ms. Miller, plans are being made to conduct the work.

4C. HYDROLOGIC BALANCE: OTHER SEDIMENT CONTROL MEASURES

As discussed in the January inspection report, the permittee was asked to evaluate the sediment control on the outslope of the access road going to the water tanks. The berm which parallels the outslope has not needed enhancement. Much of the erosion control on the outslope is provided by native rock and native vegetation. According to Ms. Miller, the berm was hydro-seeded upon completion of the mine's construction activities. The access road was a pre-SMCRA road. The permittee has been asked to evaluate the in-place sediment controls via computer modeling to ensure that they are adequate.

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4D. HYDROLOGIC BALANCE: WATER MONITORING

Discharge monitoring reports for the months of October through December 2002 were reviewed. The site has three permitted discharge points, with 002A being the mine site sediment pond. Points 001A and 003A are the mine water discharge points and the water tanks overflow to Dugout Creek. The sediment pond experienced an outfall during October, with an average/maximum flow reported of 179,520 gallons per day. No exceedances of effluent parameters were reported. All reports were signed by Mr. Dave Spillman, Manager of Technical Services, and forwarded to the proper government agencies in an expedient fashion.

Mr. Gregg Galecki reviewed the permittee's third quarter water monitoring information prior to today's inspection. There were no compliance issues noted with that information.

7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS

As noted above, the permittee is in the process of permitting a waste rock disposal facility. A rock split in the coal seam currently being extracted has necessitated this.

8. NONCOAL WASTE

The permittee has stored the cutter head / bit wheels noted in the January inspection report in an area approved for that purpose. The yellow railings noted adjacent to the water tanks have been moved to the upper pad by the picnic facilities. The piping is a support structure for an awning over the tables.

9. PROTECTION OF FISH, WILDLIFE, AND RELATED ENVIRONMENTAL VALUES

The permittee certified a new spill prevention control and countermeasure plan for the Dugout site on January 31, 2003. Mr. Dave Spillman performed the work.

14. SUBSIDENCE CONTROL

The permittee completed the required annual subsidence survey for 2001-2002 on October 15 & 16. That information will be submitted with the annual report for the Dugout site that is due by March 31, 2003.

16A. ROADS: CONSTRUCTION/MAINTENANCE/SURFACING

Thawing was occurring during today's field inspection. The ancillary roads at the site were dampened, where sunshine melted available snow. Other ancillary roads had residual moisture within their surface materials and were not dusty. The truck-loading loop is a primary road, and is surfaced with blacktop. Parking areas and ancillary roads that require a better surface are graveled.

16B. ROADS: DRAINAGE CONTROLS

All drainage controls for the roads were functioning as designed.

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18. SUPPORT FACILITIES/UTILITY INSTALLATIONS

The permittee conducted a quarterly and annual inspection of the wastewater treatment facility /leech field on November 15. This work was also conducted by Mr. Spillman, Manager of Technical Services for this Canyon Fuel Company Mine. There were no problems noted with the area; however, a comment was made relative to the vegetative cover on the disturbance. The permittee's inspection report noted that the vegetation ranges from "meager to nonexistent". The drought conditions that have prevailed in Utah over the last five years are reflected here.

20. AIR QUALITY PERMIT

The current Air Quality Approval Order for the Dugout Mine was approved by Utah Department of Environmental Quality/BAQ on September 11, 2002. The approved throughput for the mine is 5,000,000 tons per 12-month period.

21. BONDING AND INSURANCE

The permittee's current general liability insurance remains in effect until July 31, 2003. A general aggregate of \$500,000 is in place with an amount of \$300,000 for each occurrence. These amounts meet the minimum requirements for bodily injury and property damage mandated by R645-301-890.100. Coverage for damages resulting from the use of explosives is provided.

Inspector's Signature: _____ Date: February 10, 2003
Peter Hess #46

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
Dave Spillman, Canyon Fuel
Price Field office
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