

INSPECTION REPORT

Partial XXX Complete Exploration
 Inspection Date: 07/01/2003/ Time: 12:05-2:30 PM
 Date of Last Inspection: 06/24/2003

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 Federal Official(s): None
 Weather Conditions: sunny; warm; 80's Fahrenheit
 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, Division Orders, and amendments.

	EVALUATED	N/A	COMMENTS	NOV/ENF
1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. SIGNS AND MARKERS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. TOPSOIL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. HYDROLOGIC BALANCE:				
a. DIVERSIONS	<input type="checkbox"/>	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. WATER MONITORING	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. EFFLUENT LIMITATIONS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. EXPLOSIVES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. SLIDES AND OTHER DAMAGE	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. CONTEMPORANEOUS RECLAMATION	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. BACKFILLING AND GRADING	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. REVEGETATION	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. SUBSIDENCE CONTROL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. CESSATION OF OPERATIONS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. ROADS:				
a. CONSTRUCTION/MAINTENANCE/SURFACING	<input type="checkbox"/>	<input type="checkbox"/>	<input 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 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 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

INSPECTION REPORT
(Continuation Sheet)

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(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

As noted in the June 24, 2003 inspection report, the mine site sediment pond had been scheduled for cleaning in the near future. The permittee initiated that work on July 1, with Nielson Construction Company performing the work.

After removing one or two buckets of sediment from the pond, the trackhoe operator accidentally hooked a connection band, which formed the joint between two lengths of corrugated metal pipe which form the primary discharge culvert for the pond, UPDES point 002A. This occurred at approximately 11:15 AM.

The permittee had removed as much water from the pond prior to initiating the cleaning as possible. However, a spring exists near the inlet ditch to the pond, near the uphill toe of the pond. When the hole in the culvert was made, a volume of sediment and coal fines reported through the opening into the discharge culvert, thence to the Dugout Creek drainage. At this point, the machine operator attempted to plug the opening by placing a bucket full of dirt over the opening. During the chaos, the permittee attempted to reduce the impact to the channel by installing three silt fences in the channel, approximately seven hundred feet down stream of where the sludge entered the channel.

The permittee notified the Division at the Price Field Office at 11:25 AM; the message was received by the assigned reclamation specialist at 12:05 PM. The Salt Lake Division headquarters was notified at the same time.

Upon arriving at the site, this individual met with Ms. Vicky Miller, Environmental Engineer and Messrs. Rick Olsen, General Manager, and Dave Spillman, Manager of Technical Services for the permittee. The permittee had placed a plug in the outlet of the corrugated metal discharge pipe that consisted of several travel pads (jute material covered with brattice cloth) being stuffed into the pipe. The "plug" was then sealed further using a polyurethane foam pack.

The Dugout Creek drainage was walked for several hundred feet and photographs were taken. A water sample was taken at the bridge that crosses the drainage approximately 500 feet SSW of the mine permit boundary, and designated as DC-1. A second water sample (DC-2) was taken at the location where the permittee has constructed the silt fences, (approximately 700 feet below UPDES point 002A).

The water samples were taken to Commercial Testing and Engineering Co., Huntington, Utah for analysis. Utilizing chain of custody forms, and after conferring with the assigned Division Hydrologist, the following parameters were requested for analysis: pH, settleable solids, TDS, TSS, conductivity, and sulfate.

As of the writing of this report, lab results have not been received.

On July 2, 2003, Messrs. Gregg Galecki and Steve Fluke, Reclamation Hydrologists from the Salt Lake office visited the mine and the Dugout drainage to provide additional input relative to any potential environmental impacts.

The permittee notified the Utah Division of Water Quality at approximately the same time they informed the DOGM of the accident. The Utah Division of Wildlife Resources was also notified.

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7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS

All construction activities have been completed at the new waste rock facility, with the exception of the construction of the disturbed area perimeter fence, and the hydro seeding of the areas needing revegetation. The hydro seeding will also act as dust control for much of the waste rock site; all of the hydro-seeding work will be accomplished at the same time.

The permittee was hauling coal mine waste to the newly permitted disposal cell this day. The material was being leveled and compacted.

16B. ROADS: DRAINAGE CONTROLS

The permittee has recently performed maintenance work on the water tank access road, cleaning the various ditches that define the three alternate sediment control areas along this access.

18. SUPPORT FACILITIES/UTILITY INSTALLATIONS

Construction activities continue at the secondary substation location. To date, the concrete foundations have been completed as have the underground wiring circuits. At the present time, power poles are being set to support the conductors between the primary and secondary substations. Electrical Contractors, Inc. was on site this day routing the surface circuits to the locations where the transformers will be installed.

20. AIR QUALITY PERMIT

The access road to the waste rock site had recently been watered, as trucks were hauling refuse to the disposal cell.

Inspector's Signature: _____ Date: July 31, 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
Rick Olsen, Canyon Fuel, via email
Dave Spillman, Canyon Fuel, via email
Chris Hansen, Canyon Fuel, via email
Price Field office

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