

INSPECTION REPORT

Partial XXX Complete Exploration
 Inspection Date: 07/30/2003/ Time: 9-11 AM
 Date of Last Inspection: 07/01/2003

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 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. EXPLOSIVES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input 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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(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

4A. DIVERSIONS

The permittee had Nielson Construction Company on site this day installing a “U” shaped gabion basket about the inlet of the undisturbed bypass culvert receiving flow from the East Fork of Dugout Creek. The permittee had installed silt fences at the toe of the slopes adjacent to the bottom of the East fork channel. Material was still being placed and compacted during today’s inspection.

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The permittee’s pond cleaning contractor, Nielson Construction Company, inadvertently opened up the primary discharge culvert on July 1, 2003, allowing a volume of coal fines and sediment to discharge to Dugout Creek. As a result of this material entering the drainage and flowing outside of the Mine’s permit boundary, N03-46-3-1, 1 of 1 was issued on 07/01/2003.

During a meeting with the Utah Division of Water Quality, the Utah Division of Wildlife Resources, and the Division, several remedial actions were established and documented in a modification to the notice of violation (dated July 9, 2003). The remedial actions included:

- 1) Repair the mine site sediment pond to function as designed.
- 2) Clean all remaining coal fines and sediment from the primary spillway discharge pipe using precautions to prevent further impact.
- 3) When the Flow in Dugout Creek was minimal, remove the three silt fences that had been installed and the trapped coal fines associated with them.

The permittee notified the Division prior to today’s inspection that the cleaning of the mine site pond had been completed and that the sediment and coal fines that had accumulated in the primary discharge pipe had been cleaned. The removal of the three silt fences had not been completed prior to today’s inspection. Upon examining each of the three silt fence locations, it was determined that there were no accumulations of coal fines present. The permittee was instructed to proceed with the removal of the silt fence material, wire screen, and roof bolts. The modification of N03-46-3-1, 1 of 1 directed the permittee to implement all mitigation measures prior to 07/31/2003. The violation was terminated upon notification that the silt fences had been removed.

As a result of the accident on July 1, the permittee made several modifications to the “as constructed” pond. These include:

- 1) Encasing the primary discharge culvert in concrete to provide additional protection.
- 2) Installing two lengths of steel reinforcing bar in a vertical position, adjacent to each side of the encased spillway. The upper sections of the markers have been painted a bright red.
- 3) Installing a flange on the outlet of the primary discharge pipe. This will be fitted with a plug that will be installed prior to initiating cleaning of the pond. Thus if a similar occurrence would take place, this “plug” would stop any material from entering the channel.

It should also be noted that a new 60% sediment level cleanout indicator has been installed on the vertical portion of the primary discharge spillway. Same has been painted a bright red for easy monitoring (See “O” drive, 007039/Images/07302003/Dscn0134.jpg).

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4C. HYDROLOGIC BALANCE: OTHER SEDIMENT CONTROL MEASURES

The silt fences that provide the treatment for the water tanks access road runoff in ASCA's #2 and #3 appeared to be capable of functioning as designed. These fences are installed adjacent to the inlets of under road culverts that report the runoff to the upper length (above the mine site disturbance) of the Dugout Creek drainage.

4D. HYDROLOGIC BALANCE: WATER MONITORING

The pumping of water from the old Knight Mine workings has been discontinued for the present time.

5. EXPLOSIVES

Numerous boxes were observed stored adjacent to the dynamite and detonator storage magazines at the Gilson well pad. Upon examination, the boxes were determined to contain clay "dummies" which are used for the stemming of holes. The permittee may want to consider moving these, as the cardboard containers are combustible, and a potential for a "housekeeping" infraction could develop.

7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS

There was no activity at the Dugout waste rock disposal site during today's inspection. Ms. Miller indicated that the fence to delineate the permitted area for the site will be installed the week starting August 4th.

13. REVEGETATION

The following areas will be hydro seeded the week of August 25, 2003:

- 1) The topsoil and subsoil storage piles located at the Dugout waste rock facility.
- 2) The topsoil pile located at the Soldier Canyon/Dugout topsoil storage facility located along the Nine Mile Canyon road. This is the soil that came from the un-named canyon in which the Dugout secondary substation was built.
- 3) The area adjacent to, and including, the gabion basket being constructed at the East Fork of Dugout Creek.

18. SUPPORT FACILITIES/UTILITY INSTALLATIONS

The permittee was in the process of making final electrical checks prior to energizing the secondary substation that has been constructed in the un-named canyon behind the main office building facility. Ms. Miller anticipated that the substation would be energized on 07/31/2003.

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21. BONDING AND INSURANCE

The permittee provided the Division with new general liability insurance information prior to today's inspection. The renewed coverage period is from 07/31/2003 to 07/31/2004. A general aggregate amount of \$500,000 is provided; the liability coverage amount for each occurrence is \$300,000. The general liability coverage includes coverage for damages incurred through the use of explosives.

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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