

INSPECTION REPORT

Partial XX Complete Exploration
 Inspection Date: 09/24/2003 / Time: 10:40a.m.-1:30p.m.
 Date of Last Inspection: 08/27/2003

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, Clear, 70'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, 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 type="checkbox"/>	<input type="checkbox"/>
b. SEDIMENT PONDS AND IMPOUNDMENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input 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 checked="" 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 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 type="checkbox"/>	<input type="checkbox"/>	<input 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 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. DRAINAGE CONTROLS	<input checked="" 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 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

INSPECTION REPORT
(Continuation Sheet)

PERMIT NUMBER: C/007/039

DATE OF INSPECTION: 09/24/2003

(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE

The permittee is in the process of preparing a permit amendment to address the “as-built” requirements of the R645 coal rules relative to the waste rock disposal facility.

A meeting is scheduled on October 8th with the permittee and representatives of the Division to evaluate two modifications to the surface drainage plan at the main facilities area. According to Ms. Miller, the permittee is evaluating possible methods to reduce the frequency of cleaning the mine site sediment pond. The installation of a sediment trap as well as a modification of an undisturbed drainage ditch are the two proposals. An amendment will be submitted to address this as well as any concerns aired during the 10/8 meeting.

The permittee recently submitted “as-built” information for the modifications that were made to the mine site sediment pond as the result of the accidental, off-site impact and discharge of coal fines and sediment from the permit area on July 1, 2003. Review of the submitted information within the Division is pending.

3. TOPSOIL

The permittee has hydro seeded the topsoil and subsoil piles located within the waste rock disposal area. Two areas remain to be seeded. These are the topsoil pile created for the storage of material from the secondary substation canyon (the storage pile is located at the storage facility for the Soldier Canyon and Dugout Mines soil storage facility along the Nine Mile Canyon road), and the recently completed gabion basket / headwall located where the lower east fork drainage is routed beneath the run-of-mine coal storage pad (main facilities area).

4C. HYDROLOGIC BALANCE: OTHER SEDIMENT CONTROL MEASURES

The permittee has repaired the silt fence located on the north side of the waste rock facility access road. The fence appears to have functioned since the necessary maintenance was performed.

The permittee has installed a twenty gallon water trough beneath the two mine water discharge pipes (UPDES point 001A) which discharge into the Dugout Creek drainage up canyon of the pad containing the pump house and the run-of-mine coal storage pad. A concern relative to the potential erosive action of this discharge was aired by the Division during the August inspection. The trough, as it is filled with water, will reduce the impact of the flows encountering the channel bottom and enhance the dissolved oxygen parameter of this water. All flow in Dugout Creek this day was from the mine water being discharged.

4D. HYDROLOGIC BALANCE: WATER MONITORING

The east and west forks of Dugout Creek (located above the mine’s permit boundary) were reporting a minimal flow this day.

There was no flow observed in the lower east fork of Dugout Creek, or in the channel above the mine that reports to the main disturbed area bypass culvert.

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(Continuation Sheet)

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4E. HYDROLOGIC BALANCE: EFFLUENT LIMITATIONS

The permittee has recently made application to the Utah Department of Environmental Quality, Division of Water Quality to convert from a general UPDES permit to an industrial permit. This is due to the possibility that the permittee may not be able to meet the maximum sediment loading of one ton per day for total dissolved solids. The application was submitted on September 5, 2003.

The permittee experienced an exceedance in total iron from UPDES outfall 001A during August of 0.15 mg/l. This is due to the constant discharge of intercepted ground water from the old Knight Mine works. The permittee notified the Utah Division of Water Quality, as well as the Division of this exceedance via written correspondence on September 9, 2003.

7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS

The permittee notified the Division on September 2, 2003 of the need to recover high ash coal / refuse from the waste rock facility for blending purposes. The need to do this is based upon a contractual obligation to enhance product ash-fusion temperature. Once blended, the product will be crushed and shipped. According to the correspondence received from the permittee on September 2, 2003, all applicable royalties will apply to the blended product.

The cable gate which previously barred unauthorized access to the waste rock disposal area and met the requirements of 30 CFR 77.214, paragraph (d) has been replaced by a pipe/field fence gate where the access road enters the pad area.

As noted above, "as-built" information for the waste rock facility is being prepared for submittal to the Division.

The sediment pond located at the waste rock facility contained water this day; this is runoff received during August. There were no problems noted with the impoundment.

Inspector's Signature: _____ Date: September 26, 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
Vicky Miller, Canyon Fuel, via email
Price Field office

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