



State of Utah

Department of Natural Resources

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Division of Oil, Gas & Mining

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Division Director

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Governor

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Lieutenant Governor

Table with 2 columns: Company, Name, Title. Rows include Vicky S. Miller (Environmental Specialist) and Pete Hess (Environmental Scientist III).

Inspection Report

Table with 2 columns: Field, Value. Fields include Permit Number (C0070039), Inspection Type (COMPLETE), Inspection Date (Tuesday, June 28, 2005), Start Date/Time (6/28/2005 8:32:00 AM), End Date/Time (6/28/2005 1:15:00 PM), Last Inspection (Tuesday, May 17, 2005).

Inspector: Pete Hess, Environmental Scientist III

Weather: Cool, overcast; rain in PM.

InspectionID Report Number: 652

Accepted by: whedberg
7/5/2005

Permittee: CANYON FUEL COMPANY LLC
Operator: CANYON FUEL COMPANY LLC
Site: DUGOUT CANYON MINE
Address: PO BOX 1029, WELLINGTON UT 84542
County: CARBON
Permit Type: PERMANENT COAL PROGRAM
Permit Status: ACTIVE

Current Acreages

Table with 2 columns: Value, Description. Rows include 7,083.71 Total Permitted, 51.11 Total Disturbed, and three rows for Phase I, Phase II, and Phase III.

Mineral Ownership

- Checked: Federal, State, Fee
Unchecked: County, Other

Types of Operations

- Checked: Underground
Unchecked: Surface, Loadout, Processing, Reprocessing

Report summary and status for pending enforcement actions, permit conditions, Division Orders, and amendments:

The Permittee continues to submit quarterly surface and ground water monitoring information for the Dugout Canyon Mine permit area in an electronic fashion to the Division EDI, meeting the terms of the requirement included in the Special Permit Condition / Attachment "A" of the current State permit.

There are no other compliance actions pending within the Dugout Canyon Mine permit area.

The Pace Canyon facilities were inspected on June 23; the main Mine facilities were inspected on June 28, 2005.

Inspector's Signature

Date Tuesday, June 28, 2005

Pete Hess, Environmental Scientist III

Inspector ID Number: 46

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

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 Not Applicable.
 - b. For PARTIAL inspections check only the elements evaluated.
2. Document any noncompliance situation by reference 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, Divison Orders, and amendments.

	Evaluated	Not Applicable	Comment	Enforcement
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.a Hydrologic Balance: Diversions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.b Hydrologic Balance: Sediment Ponds and Impoundments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.c Hydrologic Balance: Other Sediment Control Measures	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.d Hydrologic Balance: Water Monitoring	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.e Hydrologic Balance: 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 checked="" 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 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Contemporaneous Reclamation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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.a Roads: Construction, Maintenance, Surfacing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
16.b Roads: 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	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
20. Air Quality Permit	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Bonding and Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
22. Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. Permits, Change, Transfer, Renewal, Sale

The current State permit issued by the DOGM became effective on March 3, 2003; expiration will occur on March 16, 2008. A midterm permit review of the MRP will be initiated by the DOGM sometime in September, 2005.

3. Topsoil

The Carbon County area has received small amounts of rain over the past two weeks, assisting in the maintenance of the protective cover crops on the Dugout Canyon Mine topsoil piles, which are located along the Nine Mile Canyon road. The OSM/DOGM Evaluation Team conducted an inspection of these piles on June 14, 2005. A report of that inspection is pending. The topsoil pile located on the north end of the Pace Canyon disturbed area has a topsoil storage sign in place. A berm needs to be installed on the southern edge of this pile. The Permittee agreed to place the necessary berm, in order to retain the resource for reclamation purposes.

4.a Hydrologic Balance: Diversions

The Permittee has installed the following diversions with their respective culverts at the Pace Canyon construction facility; PCUC-3, which is the undisturbed bypass culvert under the road at the north end of the disturbance, PCUD-1, and PCUC-1 which is the undisturbed collection ditch / culvert on the slope WNW of the air shaft. This culvert is routed beneath the north topsoil pile, and discharges to Pace Creek. The culvert which underlies the south topsoil pile (PCUC-2) has also been installed and carries the undisturbed flow from the un-named drainage west of the construction site to Pace Creek.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

The second quarter 2005 impoundment inspections for the waste rock and mine site disturbed areas were conducted on June 27, and June 28, 2005, respectively by Ms. Miller. The completed reports indicated that there were no signs of instability or other hazardous conditions. The waste rock pond has approximately 95% of its sediment storage capacity remaining. The sediment level in the mine site sediment pond was not capable of being determined because of the 2-3 feet of water being contained. This pond was cleaned in June/July of 2004, and was recertified at the same time. The sediment trap located at the south end of the Pace Canyon disturbed area has had the retention volume installed, but lacks the discharge culvert to Pace Creek. A berm will be installed about the trap when final shaping of the pad area reporting to it is completed. A berm will also be installed at that time. At the present, large rocks have been installed at the basin's edge to prevent entry.

4.c Hydrologic Balance: Other Sediment Control Measures

The alternate sediment control areas located along the water tank access road were inspected this day. All of the silt fences appeared to be capable of functioning as designed. All of the diversion culverts were in working order. The silt fence located on the west side of Pace Creek appears to be capable of functioning as designed.

4.d Hydrologic Balance: Water Monitoring

The Division notified the Permittee on June 21, 2005 that all of the surface and ground water monitoring information for the Dugout Canyon Mine permit area had been successfully uploaded into the DOGM EDI, with the exception of reportable quantities for GW-24-1. An E-mail received on 6/28/2005 from the Division to the Permittee indicated that GW-24-1 had been removed from the Permittee's required ground water monitoring regime after the fall quarter of 2004. Changes have been made accordingly to the Division EDI to reflect the dropped monitoring point. As observed during today's field inspection, all forks of Dugout Creek were flowing a good volume of water.

5. Explosives

To date, there has not been any blasting activities conducted for the construction activities in Pace Canyon. It is anticipated that it will be possible to remove the upper ten feet of material at the air shaft location with machinery, prior to initiation of explosive usage. As drilling / blasting will probably begin at least ten feet below surface, the requirements of R645-301-524 will not be applicable. All blasting will be regulated under 30 CFR 75.1300.

7. Coal Mine Waste, Refuse Piles, Impoundments

There was no activity at the waste rock site this day. The facility has been graded and compacted to direct intercepted precipitation toward the 100 year/6 hour diversion. Construction activities in Pace Canyon have exposed the Gilson coal seam in the intake portal face up area. The seam is approximately eleven feet thick in the area. The coal is considered to be mine development waste, and is being hauled to the waste rock facility via ten-wheel dump trucks. The piles that have been transported have been deposited along the SW edge of the main storage volume at the waste rock site. Also, material containing coal mine waste from the old Snow Mine tipple area has been stored along the southern edge of the refuse material, as a construction berm. A small pile of this same material exists next to the waste rock pond access road. This material appears, at least in color, to have a possible use in reclamation. Ms. Miller indicated that it was her intent to sample the material to determine its characteristics relative to the DOGM's topsoil guidelines.

11. Contemporaneous Reclamation

An evaluation of degasification wells GIL-2, GIL-3, GIL-4, GIL-5, GIL-6 was conducted during today's records review. Based on an inspection of the Gilson seam mine map dated June 1, 2005, de-gas wells GIL-2 and Gil-3 exist in the Gilson seam #1 longwall panel which was sealed by January 15, 2005. Holes GIL-4, GIL-5 and GIL-6 exist in longwall panel #2, Gilson coal seam, which was sealed May 8, 2005. Hole #3 was last monitored for combustible gas content on September 8, 2004. Hole #2 was last monitored on April 9, 2005. Similarly, holes 4, 5, and 6 are no longer being monitored for combustible gas content. As the five holes are no longer being monitored, it is this inspector's opinion that "permanent cessation of methane venting" has been reached and that it is time to push these degasification holes into reclamation. A possible compliance action was discussed with the Permittee. The Division is of the opinion that more clarification is needed from the BLM, MSHA, and the DOGM as to at what point the Permittee must pursue the reclamation of these wells. A meeting to discuss this topic is being evaluated.

14. Subsidence Control

The Permittee submitted an Annual Report to the DOGM on March 23, 2005, which contains a subsidence report / map for 2004. The review of that data is pending.

16.a Roads: Construction, Maintenance, Surfacing

Although the Permittee has completed the resurfacing of the primary haul road drainage swale (adjacent to the Mine site sediment pond), the conveyor belting necessary to complete the diversion along the associated guard rail, and the guard rail itself remain to be completed. Also, the Permittee must submit "as-built" information for this modification to the surface drainage plan, (approved April 27, 2005 via DOGM permitting process).

16.b Roads: Drainage Controls

See comments under 16a.

18. Support Facilities, Utility Installations

In Pace Canyon, Nielson Construction was in the process of forming the collar for the air shaft, in preparation for concrete. A Hilfiker wall has been installed North of the shaft collar to stabilize the cut bank.

19. AVS Check

The Division completed an evaluation report of the OSM Applicant Violator System for Canyon Fuel Company, LLC. on May 26, 2005. That report determined the following; there were no violations retrieved by the system. The current Organizational Family Tree (OFT) generally concurs with the information submitted and approved by the DOGM in General Chapter 1, Ownership and Control Information approved in February of 2005.

Permit Number: C0070039
Inspection Type: COMPLETE
Inspection Date: Tuesday, June 28, 2005

21. Bonding and Insurance

The current general liability insurance will expire on July 31, 2005. Coverage amounts of \$500,000 for general aggregate and \$300,000 for each occurrence are in place. Coverage for damage incurred from the use of explosives is provided. Policy #3711-00-10 issued by the Federal Insurance Company meets the requirements of R645-301-890.