



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

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: Role, Name. Row 1: OGM, Pete Hess, Environmental Scientist III. Row 2: Company, Vicky S. Miller, Environmental Specialist.

Inspection Report

Table with 2 columns: Field, Value. Fields include Permit Number (C0070039), Inspection Type (COMPLETE), Inspection Date (Tuesday, February 28, 2006), Start Date/Time (2/28/2006 8:35:00 AM), End Date/Time (2/28/2006 1:10:00 PM), Last Inspection (Monday, January 23, 2006).

Inspector: Pete Hess, Environmental Scientist III

Weather: Overcast / showers. 40's to 50's F.

InspectionID Report Number: 882

Accepted by: whedberg
2/28/2006

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: 9,471.00 Total Permitted, 51.11 Total Disturbed, Phase I, Phase II, 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 current State permit has one Special Permit Condition, which is listed under Attachment "A"; that condition requires that the Permittee submit all quarterly ground and surface water monitoring information in an electronic form to the Division web site. The Permittee submitted the fourth quarter of 2005 water monitoring information to the Division electronic web site on January 4, 2006.

There are no compliance actions currently pending for the Dugout Canyon Mine permit area.

Access to the Pace Canyon facility was not possible this day due to snow depths.

Inspector's Signature:

Date: Tuesday, February 28, 2006

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 checked="" 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 checked="" 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 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.a Roads: Construction, Maintenance, Surfacing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.b Roads: Drainage Controls	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input 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 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 and Insurance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
22. Other	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

1. Permits, Change, Transfer, Renewal, Sale

The Division is currently reviewing an application to permit two new degasification wells (G-11 and G-12) for the Dugout Canyon Mine permit area. Ms. Miller indicated that the Permittee will be submitting a new application in the near future to permit wells G-13, G-14, G-15, G-16, and G-17.

3. Topsoil

The #2 topsoil storage pile area at the waste rock site (adjacent to the 100-year six diversion which reports to the pond) needs to have the containment berm about its perimeter enhanced to meet its design specification. As noted in the November 29, 2005 inspection report, the topsoil piles associated with the newly completed Pace Canyon fan portal disturbance had yet to be seeded, due to sub-freezing temperatures which had impaired the hydroseeding machine. Ms. Miller confirmed this day the the piles were hand seeded on December 29, 2005 by herself and Mr. Corey Heaps, mine engineer. The raking of the seed into the soils was minimal due to the extreme roughening which had been implemented for moisture harvesting purposes.

4.a Hydrologic Balance: Diversions

The Permittee is having a problem with the ditch designated as DD-4 (See Plate 7-5 in Chpt. 7 of the MRP) located on the SW corner of the disturbance. The amount of flow which should report to the sediment trap re-freezes every afternoon, and ice buildup in this ditch has accumulated to the point that water reporting to this area is flowing out into the yard area in an uncontrolled fashion. The Permittee is concerned about this, but is frustrated as to how to correct the problem. The design depth of DD-4 must be maintained, as this is needed to transfer flow to the inlet of the sediment trap located in the area. It was suggested that the Permittee place a berm on the outside edge of DD-4 in the area to keep flow from running out over the pad until temperatures increase and the frozen ditch can be redefined. Ms. Miller indicated that concreteing the ditch in this area may improve the flow situation along with an increase in ditch width. The open ditch between the outlet of the sediment trap and the drop drain (through which flow reports into the Mine site pond) has an earth bottom, and machinery runs through the depression to access material from the storage pad on the other side. A machine crossing here was also discussed, although equipment wheel tracks through the mud is generally not blocking ditch DD-4 in this area. Ms. Miller indicated that the Permittee intends to black top the area, in order to help alleviate the muddy conditions in that operational area. It should be noted that although some flow is uncontrolled in this area, everything continues to report to the drop inlet grate thence into the pond. There is no offsite flow of untreated water.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

Mr. Dave Spillman, P.E., conducted the fourth quarter of 2005 impoundment inspections for the Dugout ponds on December 27, 2005. There were no hazardous conditions noted for either the Mine site pond or the waste rock pond. The Permittee's inspection report noted that it will be necessary to remove sediment from the Mine site pond in the spring of 2006 to retain sufficient sediment storage volume. The removal of the dewatering device from the Mine site pond primary discharge upright (DOGM approved January 3, 2006) will also occur at this time. Mr. Spillman indicated that he had not been able to complete the final inspection of the sediment trap at the Pace Canyon fan portal facility.

4.c Hydrologic Balance: Other Sediment Control Measures

Please refer to comments relative to ditch DD-4, under section 4a.

4.d Hydrologic Balance: Water Monitoring

The Permittee submitted the fourth quarter of 2005 surface and ground water monitoring information to the DOGM electronic web site on January 4, 2006, meeting the Special Permit Condition included as Attachment "A" in the current State permit.

4.e Hydrologic Balance: Effluent Limitations

The site's current UPDES permit remains in effect until November 30, 2009. Discharge monitoring reports for January 2006 were submitted to the respective government agencies on February 14, 2006, well in advance of the 28th of the month following the reporting period deadline within the permit. Outfalls 002 through 006 were reported as "no discharge". Outfall 001, did have mine water flow to Dugout Creek, reporting approximately a half of a million gallons per day.

5. Explosives

The Permittee has not conducted any surface blasting activities recently. Inspection of the powder and detonator magazines which are located on the Gilson well pad did not reveal any compliance issues.

7. Coal Mine Waste, Refuse Piles, Impoundments

The Permittee's Manager of Technical Services performed the fourth quarter of 2005 refuse pile inspection on December 27, 2005. Mr. Spillman did not observe any signs of instability, structural weakness or other hazardous conditions during the inspection. As of 12/27, approximately 120,800 tons of reject have been stored at this site. The Permittee's inspection report / P.E. certification was completed by Mr. Spillman on February 7, 2006. As observed this day, there were no indications of spontaneous combustion within the pile. Erosion was not noted. The pile is well graded to report intercepted precipitation to the 100-year 6-hour diversion ditch. The Permittee has transported snow accumulations to this site. These piles have been placed on the north slope of the refuse such that they can melt and have the water report to the pond inlet ditch. The Permittee has Division approval to store snow at the waste rock site.

8. Noncoal Waste

Several lengths of fire hose were observed in the snow piles which have been placed on the refuse pile, so they can melt. It is not known if the hoses are damaged, or if they can be returned to service. Ms. Miller intends to see that they are removed as the snow melts, and not buried within the pile.

14. Subsidence Control

The Permittee is currently re-evaluating the subsidence control / subsidence monitoring portion of the MRP, as required by the DOGM via the mid-term permit review process.

18. Support Facilities, Utility Installations

Mr. Spillman conducted a fourth quarter inspection for the leach field associated with the Mine on December 27, 2006. There were no compliance issues noted by the Permittee's inspection report. This information is also sent to the South Eastern Utah District Health Department.

20. Air Quality Permit

The paved parking area which is immediately south and east of the truck loading facility was observed to have a fair amount of earth fines as well as coal fines, in various areas. Due to subfreezing temperatures, the flushing of this material to the sediment pond is impractical, as well as hazardous for employees. The Permittee may want to consider vacuuming, or another method to reduce the potential for wind borne transport of these fines about the site. Most air quality permits do not specifically require the wetting of paved areas to assist in the control of fugitive dust.

21. Bonding and Insurance

The current general liability insurance coverage remains in effect until July 31, 2006. The Acord form which is retained at the site indicates that "XCU" is provided. However, the Division has recently re-evaluated the requirement of R645-301-890.100. This Coal Mining Rule states that "coverage must be provided for damage(s) incurred from the use of explosives." The Permittee was asked to have the Company affording coverage to specifically state this on the Acord form when the policy is re-newed. The current reclamation agreement for this site was last updated in 2004. The Permittee is aware that this document needs revision to add degasification wells G-4 through G-10, as well as the Pace Canyon fan portal disturbance. The Permittee's records indicate that 57.75 acres of disturbance have been created in the development of the Dugout Canyon Mine.

22. Other

Ms. Miller indicated that she has completed the preparation of the Dugout Canyon Mine Annual reports for 2005; same will be submitted in the very near future.