



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

Representatives Present During the Inspection:

Table with 2 columns: Role and Name. Rows include OGM Pete Hess Environmental Scientist III and Company Vicky S. Miller Environmental Specialist.

Inspection Report

Table with 2 columns: Field and Value. Fields include Permit Number (C0070039), Inspection Type (COMPLETE), Inspection Date (Friday, April 21, 2006), Start Date/Time (4/21/2006 8:43:00 AM), End Date/Time (4/21/2006 2:40:00 PM), Last Inspection (Thursday, March 30, 2006).

Inspector: Pete Hess, Environmental Scientist III

Weather: Clear, cool; 50's F.

InspectionID Report Number: 931

Accepted by: whedberg
4/26/2006

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 and Description. Rows include 9,471.00 Total Permitted, 57.75 Total Disturbed, and Phase I, II, 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 in an electronic form to the Division EDI web site, thus meeting the Special Permit Condition included in Attachment "A" of the current State permit. The fourth quarter of 2005 monitoring information was submitted on January 4, 2006.

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

The Permittee initiated a longwall move just prior to today's inspection.

A meeting to discuss degasification wells will be held on April 25, 2006 at the Price BLM. The Permittee has applications in to the DOGM to permit wells G-11 and G-12, and G-13 thru G-17. The Permiitee would like to initiate the drilling of wells G-11 and G-12 at the end of May.

Inspector's Signature:

Date

Monday, April 24, 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 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 checked="" 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 type="checkbox"/>            | <input type="checkbox"/> |
| 12. Backfilling And Grading                                      | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" 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 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 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 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 type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> |

### **1. Permits, Change, Transfer, Renewal, Sale**

The Permittee is preparing an amendment to expand the area available for coal storage in upper Dugout Canyon. Submittal of that amendment is pending. The Permittee has received the fly over data for the Pace Canyon facility; the preparation of "as-built" information is pending.

### **3. Topsoil**

The soil piles located in Pace Canyon are showing signs of sprouting. Fine grass blades were observed on both piles during today's inspection. The Permittee evaluated the amount of storage area remaining for soil storage in the Nine Mile Canyon soil storage facility. The area will be needed to store the soils recovered in order to expand the waste rock storage volume at the Dugout Canyon waste rock facility.

#### **4.a Hydrologic Balance: Diversions**

The Permittee has submitted two minor hydrologic design changes for the MRP. The first change is the design of a berm about the secondary topsoil pile at the waste rock facility. This berm must be capable of total containment for precipitation from the 10 year 24 hour event. The second minor change is for a berm about the inlet to undisturbed culvert UC-6, which is located on the north corner of the primary electrical substation (main Mine facilities area).

#### **4.b Hydrologic Balance: Sediment Ponds and Impoundments**

The Permittee's qualified representative, Ms. Vicky Miller, performed the first quarter of 2006 impoundment inspections for the waste rock impoundment as well as the mine site sediment pond on February 27, 2006 and March 27, 2006 respectively. There were no signs of instability or other hazardous conditions noted for either pond, either during the quarterly inspection, or during today's field inspection. Water fowl have been observed on several occasions on the surface of the waste rock pond. Deer tracks are readily observed in the waste rock pond area. The Permittee's inspection report notes that the Mine site pond sediment level is at the 60% cleanout elevation. That report also states that it is the Permittee's intent to initiate cleaning of this facility as soon as the ice melts off this pond.

#### **4.c Hydrologic Balance: Other Sediment Control Measures**

Today's visit to the Pace Canyon fan portal facility was the Permittee's, as well as the Division's first visit since snow melt-off. The construction process for this facility relied heavily on silt fences, and some of these had been pushed over by snow accumulation. Many of these fences can be removed once vegetation has been re-established. The Permittee intends to repair these sediment controls as soon as possible.

#### **4.d Hydrologic Balance: Water Monitoring**

The Permittee has completed the first quarter of 2006 surface and ground water monitoring field requirements; the receipt of the analytical data for same is pending. The Permittee submitted the March 2006 discharge monitoring reports for the Dugout Canyon Mine's six UPDES outfalls on April 19, 2006. No exceedances of effluent parameters were noted by the review of these forms. Pace Creek and Dugout Creek were both observed to be flowing this day.

#### **4.e Hydrologic Balance: Effluent Limitations**

Outfalls 005 and 006 were noted as having "no flow" from the Pace Canyon fan portal area. The sediment basin did not contain water. All mine water continues to be discharged to Dugout Creek.

#### **7. Coal Mine Waste, Refuse Piles, Impoundments**

The Permittee has recently submitted an amendment to the Utah Division of Air Quality to increase the annual production limit for the Mine. The amendment will also incorporate the waste rock disposal facility into the permit area of the Approval Order. This is being done in anticipation of loading the coal which is in storage at the waste rock facility for shipment to the wash plant located at the Savage Coal Terminal, C/007/022. The first quarter of 2006 waste rock pile inspection was not available during today's inspection.

#### **9. Protection of Fish, Wildlife and Related Environmental Issues**

The raptor nesting area which was undermined (December 2005) by the longwall panel which has just been completed was observed at a distance. There does not appear to be significant damage to this cliff area. A closer examination by the DOGM and DWR is pending.

#### **12. Backfilling And Grading**

The Permittee partially plugged degasification well G-6 prior to the onset of winter; it is anticipated that the remainder of the plug will be installed as soon as snow melt has occurred and soil moisture conditions improve to the point that back filling and grading can begin.

#### **13. Revegetation**

As noted above, the establishment of a protective vegetative cover on the Pace Canyon topsoil piles is starting to occur. Fine blades of grass are sprouting on these piles.

#### **14. Subsidence Control**

The Permittee submitted the 2005 subsidence report for the Dugout Canyon Mine permit area on March 7, 2006; the review of that report is pending. The Permittee is preparing a response to the midterm permit review deficiencies which were generated relative to subsidence control and subsidence monitoring. A request for an extension has been granted by the Division such that the Permittee can finalize the response to those deficiencies.

#### **16.b Roads: Drainage Controls**

The four water bars located inside the disturbed area perimeter of the Pace Canyon fan portal are effectively routing the intercepted road runoff to the outslope adjacent to Pace Creek. Some minor erosion was noted where these flows drop off the edge of the road, but the areas generally appear stable. Some large rocks have rolled from the road berm. All drainage controls in the main facilities area were functioning as designed.

#### **20. Air Quality Permit**

See comment under section 7, Refuse Piles. The Permittee recently completed 2005 Emissions Inventory reports for the Utah Division of Air Quality.

#### **21. Bonding and Insurance**

The Permittee's general liability insurance coverage remains in effect until July 31, 2006. The general coverage includes coverage for "XCU". XCU is the acronym used by the insurance industry to indicate that coverage including damages incurred from the use of explosives is provided, as required in R645-301-890.100.