



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

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Division Director

JON M. HUNTSMAN, JR.
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 (PARTIAL), Inspection Date (Wednesday, June 28, 2006), Start Date/Time (6/28/2006 8:40:00 AM), End Date/Time (6/28/2006 12:45:00 PM), Last Inspection (Wednesday, May 31, 2006).

Inspector: Pete Hess, Environmental Scientist III
Weather: Sunny, hot; 80's to 90's F. Some Cumulus clouds.
InspectionID Report Number: 996

Accepted by: whedberg
7/10/2006

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, 57.75 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 Permittee is current relative to the submittal of quarterly surface and ground water monitoring information.
There are no compliance actions currently pending within the Dugout Canyon Mine permit area.
The Mine is currently extracting the GIL-4A longwall panel, which is the last of the reserves in the GILSON BLOCK 1 area.

Inspector's Signature:

Date Wednesday, June 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 checked="" type="checkbox"/>	<input type="checkbox"/>
3. Topsoil	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.a Hydrologic Balance: Diversions	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input 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 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 type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Explosives	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 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.a Roads: Construction, Maintenance, Surfacing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.b Roads: 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	<input type="checkbox"/>	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input 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 Permittee is in the process of obtaining a Right-of-Way from the USDOJ / BLM in the Clark's Valley area (T14S, R12E, Section 1, Lot 2) for the purpose of establishing a storage and lay-down area for conducting coal mining activities. Ms. Miller indicated that the ROW had essentially been approved, but she had not received a signed "official" copy from ARK Land Company in St. Louis. The Permittee may want to consider submitting this ROW as an addendum to the permits section of the Dugout Canyon MRP. The area is outside of the approved permit area for the Mine.

2. Signs and Markers

Degasification well site G-7 did not have a permittee identification sign on the access gate when observed. The sign had been removed by high winds but was replaced by Ms. Miller during the course of today's inspection.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

The Permittee provided the Division a copy of the post-cleanout inspection report for the Mine site sediment pond this day. The inspection was conducted by Mr. Dave Spillman, Manager of Technical Services on May 15, 2006, following completion of the cleaning activity on May 10, 2006. The pond has a solid bottom, as determined from Mr. Spillman's inspection report, and the cleaning was completed to this elevation, providing 100% of the sediment storage volume available in the pond. There were no signs of instability noted. The professional engineer's certification of the 5/15/2006 inspection report was completed by Mr. Spillman on June 26, 2006.

4.d Hydrologic Balance: Water Monitoring

Both forks of the upper Dugout Creek were flowing this day, as was Pace Creek. The Permittee submitted the first quarter of 2006 surface and ground water monitoring data to the Division web site on June 15, 2006, meeting the Special Permit Condition included as Attachment "A" of the current State permit.

7. Coal Mine Waste, Refuse Piles, Impoundments

The Permittee, via Neilson Construction Company, continues to operate the screening plant at the active waste rock site. High ash coal which has been placed in temporary storage at the waste rock site is being screened and loaded for shipment to the Savage Coal Terminal. Savage is gearing up to re-start the old Beaver Creek Coal Company wash plant at that site in order to wash the Dugout coal.

9. Protection of Fish, Wildlife and Related Environmental Issues

Ms. Miller informed the Division this day that the eagle nesting area which was undermined during December 2005 (GIL-3 panel) will be inspected by Mr. Leroy Mead of the Utah Division of Wildlife Resources as well as Ms. Miller on July 11, 2006. The DOGM biologist assigned to this CFC Mine will be informed of this inspection.

10. Slides and Other Damage

The Permittee notified the Division of a subsidence crack located near degasification well G-7 on June 27, 2006. This crack, which is located on the SE corner of the G-7 varies in width from a few inches to approximately 1.5 feet; visible length at the surface is approximately 150-175 feet. A second crack was discovered during today's inspection on the north edge of the pad. The Permittee has been instructed to submit a plan to the Division for the repair of these cracks. Well pad G-7 is located directly over the tailgate entries of long wall panel GIL-3, and is immediately adjacent to a coal barrier which has been established to protect the submains accessing the Gilson Block 2. The area where the cracks have been identified was undermined during December of 2005. There were no trees observed in either of these cracks. Although there were no cattle observed in the immediate G-7 pad area, the Permittee's and the Division's main concern is the protection of the domestic animals as well as wildlife in the area.

11. Contemporaneous Reclamation

Degasification well sites G-3 and G-4 were inspected this day. Both sites have been backfilled. The Permittee hand seeded the areas prior to the onset of winter. As a result, both well sites have revegetated and the protective cover is flourishing. No signs of erosion were visible.

18. Support Facilities, Utility Installations

The following degasification well sites were inspected this day; G-7, G-3, G-4, G-6, and G-2. Wells G-2, G-5, and G-7 are being retained for venting purposes / post sealing of the underground extraction area. Sites G-3 and G-4 have been recalimed. G-6 will be reclaimed in 2006. Wells G-11 and G-12, which are relative to the GIL-5 longwall panel, received final DOGM approval on June 21, 2006.

22. Other

The Permittee responded to the deficiencies aired in the Division's midterm review on May 19, 2006. The review of the Task ID #2528 submittal is pending.