



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

Inspection Report

Representatives Present During the Inspection:	
Company	Vicky S. Miller Environmental Specialist
Company	David G. Spillman Manager of Technical Services
Company	Erwin Sass General Manager
OGM	Pete Hess Environmental Scientist III

Permit Number:	C0070039
Inspection Type:	COMPLETE
Inspection Date:	Tuesday, April 24, 2007
Start Date/Time:	4/24/2007 8:35:00 AM
End Date/Time:	4/24/2007 2:30:00 PM
Last Inspection:	Tuesday, March 27, 2007

Inspector: Pete Hess, Environmental Scientist III

Weather: Sunny, cool; 40's F.

Inspection ID Report Number: 1281

Accepted by: whedberg
5/1/2007

OK

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

9,471.00	Total Permitted
51.10	Total Disturbed
	Phase I
	Phase II
	Phase III

Mineral Ownership

- Federal
- State
- County
- Fee
- Other

Types of Operations

- Underground
- Surface
- Loadout
- Processing
- Reprocessing

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

The Permittee notified the Division on February 12, 2007 that the fourth quarter of 2006 surface and ground and ground water monitoring information for the Dugout Canyon Mine permit area was in the DOGM web site pipeline and was acceptable for uploading. The Permittee continues to meet the Special Condition included in Attachment "A" of the current State permit.

The Permittee has completed the first quarter of 2007 water monitoring requirements for the permit area.

Inspector's Signature:

Pete Hess

Date: Wednesday, April 25, 2007

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 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 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 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 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 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 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 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 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 has submitted an amendment to the Utah Division of Air Quality to increase the throughput for the Dugout Mine to 7 MTPY. The document is currently undergoing the public comment period, which expires May 24, 2007.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

The Permittee's qualified individual (Ms. Miller) performed the first quarter of 2007 impoundment inspections for the mine site sediment pond and waste rock impoundments on February 21, and March 24, 2007 respectively. Those reports were completed on April 19, 2007. A first quarter report for the sediment basin within the Pace Canyon fan portal facility was not noted. As observed this day, the elevation of the contained water in the Mine site pond appeared to be approximately 15-inches below the discharge elevation. Both the waste rock pond and the Pace Canyon sediment basin had damp bottoms. No compliance issues were noted for any of these ponds.

4.d Hydrologic Balance: Water Monitoring

All three forks of Dugout Creek were flowing this day, as was Pace Creek below the fan portal site. The Carbon County area has received numerous weather fronts over the past ten days, bringing winds and rain / snow. The benches and roads accessing the degasification well sites (Book Cliffs area) received snow during the 18-hour period preceding today's inspection.

4.e Hydrologic Balance: Effluent Limitations

Ms. Miller indicated that the UPDES mine water discharge point in Dugout Creek had experienced an exceedance for total iron recently. The 24-hour verbal notification and 5-day written notification to the Utah DWQ have been met. The Permittee anticipates that it will be necessary to discharge mine water through the permitted UPDES outfall at the Pace Canyon fan portal facility. It is not clear when this will be initiated.

5. Explosives

The insurance coverage provided under the general liability insurance policy provides coverage for damage incurred from the use of explosives (XCU).

7. Coal Mine Waste, Refuse Piles, Impoundments

The Permittee's Manager of Technical Services, Mr. Dave Spillman, P.E., conducted the fourth quarter 2006 waste rock pile inspection for the Dugout disposal area on November 3, 2006. The report for this inspection, including the required P.E. certification was completed on January 23, 2007. The inspection did not note any signs of instability, structural instabilities, or other hazards. This report stated that as of November 3, 2006, approximately 3700 tons of coal processing waste had been transported to this site from the Savage Coal Terminal wash plant. The Dugout disposal facility is permitted to receive coal mine waste and / or coal processing waste from all of the Canyon Fuel Company Mines located in Utah. As observed this day, the active lift of this pile drains toward the 100-year, 6-hour event ditch, which then reports to the refuse site pond. There were no visible signs of noncoal waste with the compacted lift; there were no indications of spontaneous combustion within the pile. The sediment pond was noted as having a damp bottom. The open channel spillway from this impoundment has never seen flow, but appears capable of functioning as designed.

9. Protection of Fish, Wildlife and Related Environmental Issues

The Permittee anticipates that the annual raptor survey for this site will occur sometime during May.

11. Contemporaneous Reclamation

Degasification well site G-13 has had half of its disturbed area acreage roughened for water harvesting potential. At the request of the surface landowners (Milton and Ardith Thayn heirs) the Permittee has ordered native tree seedlings for planting at G-13. These include Douglas fir, Ponderosa pine, and blue spruce. The Permittee also anticipates reclaiming well site G-6, and one of the well bores at G-7. Refilling of the subsidence cracks detected during 2006 at well site G-7 will also occur if it is determined necessary. To date, access to this area for R645 inspection purposes is not possible due to road conditions.

14. Subsidence Control

The Permittee submitted an annual subsidence report for 2006 with the annual report (received March 21, 2007 at the DOGM). The field survey for the subsidence report was completed on September 6, 2006 by Ware Surveying and Engineering, Helper, Utah. The following longwall panels were extracted during 2006; 4, 160 feet of GIL-4 and all of GIL-4A (short panel, 2310 foot length). Both panels had 870 foot face widths. Based upon review of the submitted subsidence information, the single monitoring pointing for GIL-4 reported a surface deformation of -4.51 feet. The maximum settling reported in the GIL-4A panel 2.79 feet. The subsidence information is P.E. certified by Mr. Dave Spillman.

16.b Roads: Drainage Controls

The water bars within the Pace Canyon fan portal disturbed area appeared to have functioned as designed.

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18. Support Facilities, Utility Installations

The Permittee currently has two degasification well sites approved for drilling, (G-9C and G-15A and B). Additional wells are currently being permitted for the 2007 drilling season.