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GARY R. HERBERT
Governor

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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Inspection Report

Permit Number:	C0070039
Inspection Type:	PARTIAL
Inspection Date:	Thursday, December 16, 2010
Start Date/Time:	12/16/2010 9:30:00 AM
End Date/Time:	12/16/2010 11:30:00 AM
Last Inspection:	Tuesday, December 14, 2010

Inspector: Steve Christensen

Weather: 10-15 mph wind, partly cloudy, Temp-32 deg.'s F.

InspectionID Report Number: 2603

Accepted by: jhelfric

12/21/2010

Representatives Present During the Inspection:	
	Steve Christensen
OGM	Kevin Lundmark
Company	Vicky Miller

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

Current Acreages

9,751.00	Total Permitted
108.70	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:

On December 16th, 2010, Division representatives Steve Christensen and Kevin Lundmark conducted an inspection of the Pace Canyon fan facility of the Dugout Canyon Mine. The primary reason for the site visit was to inspect the mine-water discharging from the Pace Canyon fan facility. The Permittee self-reported the discharge of elevated iron concentrations at UPDES outfall 005. The UPDES compliance level for total iron is 1.1 parts-per-million (ppm).

Inspector's Signature:

Steve Christensen,

Inspector ID Number: 54

Date

Monday, December 13, 2010



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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Signs and Markers	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.c Hydrologic Balance: Other Sediment Control Measures	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.d Hydrologic Balance: Water Monitoring	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Noncoal Waste	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Protection of Fish, Wildlife and Related Environmental Issues	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.b Roads: Drainage Controls	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. Other Transportation Facilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Support Facilities, Utility Installations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. AVS Check	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Air Quality Permit	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Bonding and Insurance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. Other	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. Topsoil

The topsoil piles located at the Pace Canyon Fan facility were observed during the site visit. No signs of excessive erosion or cutting were observed. The topsoil piles appeared well vegetated and stable.

4.a Hydrologic Balance: Diversions

The existing diversion that routes the mine-water discharge from the Pace Canyon Fan facility to Clarks Valley Reservoir was observed during the site inspection. Orange staining of the diversion was clearly visible at the time of the inspection. The orange staining of the diversion was observed outside of the Dugout Canyon Mine's permit area.

4.e Hydrologic Balance: Effluent Limitations

The primary purpose of the site inspection was to observe impacts associated with mine-water discharge activity. On November 10th, 2010, the Permittee self-reported to the Division that total iron concentrations in the mine-water discharge at UPDES Outfall 005 (Pace Canyon Fan facility discharge) had exceeded the limitation of 1.0 ppm.

At the time of the inspection orange staining associated with the iron precipitate from the mine-water discharged within the Pace Creek drainage channel at the outlet of Outfall 005. A sample was obtained by Division personnel for laboratory analysis (Sample ID- Pace). At the time of the sampling, the discharge at Outfall 005 produced the following field readings: temperature- 20.3 degrees Celsius, ph- 7.67 and conductivity of 4,043- umhos/cm. The water was slightly turbid.

The orange staining within the Pace Creek drainage was observed outside of the permit area. The mine-water discharge is currently being routed into a pre-existing diversion that reports to Clarks Valley Reservoir. According to Dugout representative Vicky Miller, the staining extends from the outlet of UPDES Outfall 005 to the diversion that routes the mine-water to the reservoir.

Vicky Miller indicated that the mine-water discharge at Outfall 005 was in compliance for the month of November (based on two sampling events). However, the discharge was out of compliance (per UPDES compliance levels) for TDS. Ms. Miller indicated that an additional in-mine sump/water retention area had come on-line the previous day. She further indicated that continuing work is being done underground to ensure that the mine-water discharge remains compliant. Continued monitoring will be conducted.

In the event that underground efforts are not successful in maintaining compliant mine-water discharge, Ms. Miller indicated that they will submit a mitigation plan to the Division in early January 2011. The plan will consist of installing an underground pipe-line system to route the mine-water discharge to a series of retention ponds. Two retention ponds would be built initially, with the potential for two more. The retention ponds would be constructed on SITLA land outside the opening of Pace Canyon.

Clarks Valley Reservoir was inspected as well. The reservoir was discharging water at the time of the inspection. A sample was collected at the outlet of the reservoir (Sample ID- Clarks). At the time of sampling, the reservoir discharge produced the following field readings: temperature- 5.0 degrees Celsius, ph-8.20 and conductivity of 3,850- umhos/cm. The reservoir discharge water was clear and colorless.



Pace Canyon Just Below Permit Boundary Looking Downstream



Photo Showing Iron Precipitate in Pace Creek Just Downstream from Outfall 005



Photo Showing Iron Precipitate in Pace Creek Just Downstream from Outfall 005