

Outgoing
C0070039
#3517
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State of Utah
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

MICHAEL R. STYLER
Executive Director

JOHN R. BAZA
Division Director

June 3, 2010

Erwin Sass, General Manager
Canyon Fuel Company, LLC
P.O. Box 1029
Wellington, Utah 84542

Subject: 2009 Annual Report Review, Dugout Canyon Mine, C/007/0039, Task ID #3517, Outgoing File

Dear Mr. Sass:

The Division staff has completed the 2009 Annual Report Review. Enclosed is a copy of the review for Dugout Canyon Mine, C/007/0039 completed on June 3, 2010.

Please see the comments in the attached annual report review form and submit the necessary information as soon as possible.

Thank you for your diligence in completing the Annual Report. If you have any questions, please call me at (801) 538-5325.

Sincerely,

Daron R. Haddock
Permit Supervisor

sqj
Enclosure
O:\007039.DUG\FINAL\reviewletter.doc

This Annual Report shows information the Division has for your mine. Please review the information to see if it is current. If the information needs to be updated please do so in this document. At the end of each section the operator is asked to verify if the information is correct. Please answer these questions and make all comments on this document. Submit the completed document and any additional information identified in the Appendices to the Division by April 30, 2010. During a complete inspection an inspector will check and verify the information. To enter text, click in the cell and type your response. You can use the tab key to move from one field to the next. To enter an X in a box, click next to the box, right click, and select properties, then the checked circle, then hit enter, or hit the unchecked circle if the X is to be removed.

GENERAL INFORMATION

Permittee Name	Canyon Fuel Company, LLC
Mine Name	Dugout Canyon Mine
Operator Name (If other than Permittee)	NA
Permit Expiration Date	March 17, 2013
Permit Number	C/007/0039
Authorized Representative Title	Erwin Sass, General Manager
Phone Number	(435) 637-6360
Fax Number	(435) 636-2897
E-mail Address	esass@archcoal.com
Mailing Address	P.O.Box 1029, Wellington, Utah 84542
Designated Representative Resident Agent	C.T. Corporation Systems
Resident Agent Mailing Address	50 West Broadway, Salt Lake City, UT 84104
Number of Binders Submitted	2

Operator, please update any incorrect information.

IDENTIFICATION OF OTHER PERMITS

Identify other permits that are required in conjunction with mining and reclamation activities.

Permit Type	ID Number	Description	Expiration Date
MSHA Mine ID(s)	42-01890	Rock Canyon Seam	N/A
	42-01888	Gilson Seam	N/A
MSHA Impoundment(s)	N/A		
NPDES/UPDES Permit(s)	UT0025593	UPDES Discharge Permit and Storm Water Discharge Permit	November 30, 2014
PSD Permit(s) (Air)	DAQE-001-1999	Air Quality Permit	N/A

Other

MSHA Mine ID(s)	1211-UT-09-01890-01	Refuse Pile	N/A

Operator, please update any incorrect information.

CERTIFIED REPORTS

List the certified inspection reports as required by the rules and under the approved plan that must be periodically submitted to the Division. Specify whether the information is included as Appendix A to this report or currently on file with the Division.

Certified Reports:	Required		Included	or	DOGM file location Vol, Chapter, Page
	Yes	No			
Excess Spoil Piles	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
Refuse Piles	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		In the Annual Report
Impoundments	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		In the Annual Report
Other					
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

Operator Comments:

Inspector:

Has the operator complied with this section? Yes No

Inspector Comments:

COMMITMENTS AND CONDITIONS

The Permittee is responsible for ensuring annual technical commitments in the MRP and conditions accepted with the permit are completed throughout the year. The Division has identified these commitments below and has provided space for you to report what you have done during the past year for each commitment. If the particular section is blank, no commitment has been identified and no response is required for this report. If additional written response is required, it should be filed under Appendix B to this report.

Admin R645-301-100
Soils R645-301-200

Title: WASTE ROCK SAMPLING**Objective:** protection of ground and surface water and potentially substantiate lesser cover at the waste rock site**Frequency:** One sample per 5,000 cu yds taken to the waste rock site.**Status:** Material stored at the mine site for a "short period of time".**Reports:** To be submitted with the annual report (*and to be included in RA Attachment 5-4?). Acid/toxic material to be buried within 30 days.**Citation:** Chap. 5, Sec. 513.400., Sec. 528.300, Sec. 536 and Refuse Pile Amendment. Volume Section 536.**Operator:** Has this commitment been acted on this year?Yes No Not required this year. If yes, comment;**Operator Comments:**

Repeat, see engineering

Inspector:Has the operator complied with this commitment? Yes No **Inspector Comments:**

This duplicate commitment will be removed from the form. See comments under Engineering.

Title: Movement of stockpiled topsoil, subsoil and boulders during refuse expansion**Objective:** Facilitate expansion of waste rock site, protect topsoil/subsoil resource through relocation and addition of organic matter to stockpiles, salvage additional subsoil from northwest portion of site**Frequency:** once**Status:** in limbo until expansion**Reports:** As built of reconstructed stockpiles within six months**Citation:** Refuse Pile Amendment Sec. 234.100, 234.300, and 242.100, Sec 243Plate RA 2-2**Operator:** Has this commitment been acted on this year?Yes No Not required this year. If yes, comment;**Operator Comments:**

Reporting in Annual Report not required by regulation or permit commitment

Inspector:Has the operator complied with this commitment? Yes No **Inspector Comments:**

This commitment was reviewed by Priscilla Burton on May 11, 2010. Appendix A of the Annual report indicates that the topsoil and subsoil piles have been relocated. Aero-Graphics Inc. conducted an aerial overflight volumetric survey of the site on May 6, 2009. **As-builts required per the commitments stated in Refuse Pile Amendment Sec. 234.100, 234.300, and 242.100, Sec 243Plate RA 2-2 should be provided to the Division.**

Title: ANNUAL OVERFLIGHT RAPTOR SURVEYS.

Objective: Obtain baseline data prior to mining disturbances including subsidence of cliff habitat. Conduct follow-up surveys within one year if nests were observed during the baseline surveys and if operations resulted in subsidence.

Frequency: Annually.

Status: On going.

Reports: Annual Reports. Citation: Vol. Chap 3, Sec. 322, p. 3-13.

Operator: Has this commitment been acted on this year?

Yes No Not required this year. If yes, comment;

Operator Comments:

Inspector:

Has the operator complied with this commitment? Yes No

Inspector Comments:

Dr. Patrick Collins conducted the 2009 raptor survey. The survey was conducted on the ground and only indicated presence/ absence and not productivity. Four nests were surveyed, num 776, 1454, 1670 and 424. One golden eagle nest (776) was located and was active in 2009. A previously identified red tailed hawk nest and a raven nest were not located. The active golden eagle nest was not in line of sight of surface facilities and would therefore not be impacted by mining activities.

Title: RAPTOR NESTS AND SUBSIDENCE.

Objective: Permittee and agencies will determine, nine months or the summer period prior to potential subsidence, methods of avoidance, protection or removal, and mitigation plans for raptor nests within the subsidence zone.

Frequency: Lease/project dependent.

Status: On going.

Reports: Annual Reports will provide over-flight results.

Citation: Vol. Chap 3, Sec. 332, p. 3-21, Sec. 333.300, p. 3-33, 3-34; Vol. Degas Wells, Sec. 322.200, p. 3-6; Condition 10 of March 16, 1998 permit.

Operator: Has this commitment been acted on this year?

Yes No Not required this year. If yes, comment;

Operator Comments:

Reporting in annual report not required by regulation or permit commitment.

Inspector:

Has the operator complied with this commitment? Yes No

Inspector Comments:

The annual report is not a requirement of the permit. The annual report is intended to aid the operator and the Division in completing commitments established by the Mining and Reclamation Plan. Additional time can be set aside to review commitment obligations each year if the operator chooses not to submit a summary in the annual report.

According to the annual subsidence map, three nests were in the vicinity of subsidence areas. These nests consisted of two raven nests and a red tailed hawk nest. None of the three nests were found during the 2009 raptor survey. The redtailed hawk nest was last tended in 2005. Since that year the nest has not been found and is considered to be dilapidated. Both raven nests were inactive in 2008. From this information, it can be concluded that no nest will be impacted by mining disturbances.

Title: WILDLIFE EXCLUSIONARY PERIODS.

Objective: Adhere to wildlife exclusionary periods during any surface disturbance activities including drilling, unless approved by the Division.

Frequency: Project dependent

Status: Ongoing

Reports: Report on mitigation activities approved by the Division if exclusionary periods could not be met.

Citation: Vol. 3, Chapter 3, Sec. 358, p. 3-55

Operator: Has this commitment been acted on this year?

Yes No Not required this year. If yes, comment;

Operator Comments:

Reporting in annual report not required by regulation or permit commitment.

Inspector:

Has the operator complied with this commitment? Yes No

Inspector Comments:

Title: GOSHAWKS.

Objective: Conduct ground surveys for goshawks in areas with mature stands of fir in Section 21 and 17 if areas are planned for mining facilities or subsidence.

Frequency: Project dependent

Status: Ongoing

Reports: annual, include report if undermining these areas.

Citation: Vol. Chap 3, Sec. 322.200, p. 3-18, Vol. Degas Wells, Sec. 322.200, p. 3-7.

Operator: Has this commitment been acted on this year?

Yes No Not required this year. If yes, comment;

Operator Comments:

Reporting in annual report not required by regulation or permit commitment.

Inspector:

Has the operator complied with this commitment? Yes No

Inspector Comments:

The areas referred to in Section 21 and 17 were not undermined or otherwise disturbed.

Landuse, Cultural Resources, Air Quality R645-301- 400

Engineering R645-301-500

Title: SUBSIDENCE MONITORING VISUAL INSPECTIONS.

Objective: Check for surface subsidence features.

Frequency: Annually.

Status: On going.

Reports: Annual Report.

Citation: 525.100 (Subsidence Monitoring)

Operator: Has this commitment been acted on this year?

Yes No Not required this year. If yes, comment;

Operator Comments:

Inspector:

Has the operator complied with this commitment? Yes No

Inspector Comments:

Title: WASTE ROCK SAMPLING.**Objective:** protection of ground and surface water and potentially substantiate lesser cover at the waste rock site.**Frequency:** One sample per 5,000 cu yds taken to the waste rock site.**Status:** Material stored at the mine site for a "short period of time"**Reports:** To be submitted with the annual report (*and to be included in RA Attachment 5-4). Acid/toxic material to be buried within 30 days.**Citation:** Chap. 5, Sec. 513.400., Sec. 528.300, Sec. 536 and Refuse Pile Amendment Volume Section 536.**Operator:** Has this commitment been acted on this year?Yes No Not required this year. If yes, comment;**Operator Comments:****Inspector:**Has the operator complied with this commitment? Yes No **Inspector Comments:**

Appendix A of the Annual Report was reviewed by Priscilla Burton on 5/11/2010. It contains the quarterly waste rock site certifications. Aero-Graphics Inc. conducted an aerial overflight volumetric survey on May 6, 2009 for the purpose of evaluating volumes at the site. The February 2010 report date (December 2009 inspection date) indicates that 274,000 tons of refuse were hauled to the Dugout Waste Rock site from the Savage Coal Terminal preparation plant in 2009.

Collection and sample analysis is based upon volume rather than tonnage. The bulk density of the waste is estimated by the Division as 70 lbs/cu ft or 0.95Tons/cu yd. Based on this estimate, one sample/5,000 cu yd equates to one sample/4,750 tons. Therefore 58 samples should be provided to represent 274,000 tons. The total number of samples analyzed and reported to the Division was 42. Depending upon the bulk density of the waste, the Permittee may not be in compliance with the sampling and analysis requirements of Chap. 5, Sec. 513.400., Sec. 528.300, Sec. 536 and Refuse Pile Amendment Volume Section 536.200. A deficiency was written under task 3542 to address this issue.

Waste rock analysis results for 19 samples was received on May 6, 2009 and the analysis of 23 additional samples was received on April 27, 2010 (also included in the annual report). These analyses indicate waste placed in February and March 2009 is sodic (five samples representing 25,000 tons of waste were high pH and high SAR values, EC below 4 mmhos). The August 2, 2009 sample is acid forming (representing 5,000 tons). Waste placed in November 2009 is suspect for acid formation (sample also represents 5,000 tons).

Geology R645-301-600

Hydrology R645-301-700

Title: SEDIMENT CONTROL

Objective: Construction activities will not occur during major precipitation events and siltation structures will be installed prior to beginning site construction.

Frequency: After heavy precipitation events.

Status: On-going.

Reports: Annual.

Citation: Methane Degasification Amendment, Chapter 7, Page 7-16.

Operator: Has this commitment been acted on this year?

Yes No Not required this year. If yes, comment;

Operator Comments:

Reporting in annual report not required by regulation or permit commitment.

Inspector:

Has the operator complied with this commitment? Yes No

Inspector Comments:

Bonding & Insurance R645-301-800

Other Commitments

*Reminder: If equipment has been abandoned during 2009, an amendment must be submitted that includes a map showing its location, a description of what was abandoned, whether there were any hazardous or toxic materials and any revision to the PHC as necessary.

REPORTING OF TOHER TECHNICAL DATA

List other technical data and information as required under the approved plan, which must be periodically submitted to the Division. Specify whether the information is included as Appendix B to this report or currently on file with the Division.

Operator Comments:

Inspector:

Has the operator complied with this section? Yes No

Inspector Comments

LEGAL, FINANCIAL, COMPLIANCE AND RELATED INFORMATION

Change in administration or corporate structure can often bring about necessary changes to information found in the mining and reclamation plan. The Division is Requesting that each permittee review and update

the legal, financial, compliance and related information in the plan as part of the annual report. Please provide the Department of Commerce, Annual Report of Officers, or other equivalent information as necessary to ensure that the information provided in the plan is current. Provide any other change as necessary regarding land ownership, lease acquisitions, legal results from appeals of violations, or other changes as necessary to update information required in the mining and reclamation plan. Include certified financial statements, audits or worksheets, which may be required to meet bonding requirements. Specify whether the information is currently on file with the Division or included as Appendix C to the report.

Legal / Financial Update	Required		Included or Included	DOGM File location Vol, Chapter, Page	Comments
	Yes	No			

Department of Commerce, Annual Report Officers	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Chapter 1 in MRP	
Other					
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

Operator Comments:

Inspector:

Has the operator complied with this section? Yes No

Inspector Comments:

MAPS

Copies of mine maps, current and up-to-date through at least December 31, 2009, are to be provided to the Division as Appendix D to this report in accordance with the requirements of R 645-301-525.240. The map copies shall be made in accordance with 30 CFR 75.1200 as required by MSHA. Mine maps are not considered confidential. (Please provide a CD.)

Confidential information is limited to:

R645-300-124.310. Information that pertains only to the analysis of the chemical and physical properties of the coal to be mined, except information on components of such coal which are potentially toxic in the environment.

R645-300-124.330. Information on the nature and location of archeological resources on public land and Indian land as required under the Archeological Resources Protection Act of 1979 (P. L. 96-95, 93 Stat. 721, 16 U.S.C. 470).

R645-301-322, Fish and Wildlife Information; R645-301-322.100, the scope and level of detail for such information will be determined by the Division in consultation with state and federal agencies with responsibilities for fish and wildlife and will be sufficient to design the protection and enhancement plan required under R645-301-333 and R645-301-322.230, other species or habitats identified through agency consultation as requiring special protection under state or federal law; R645-301-333.300, Include protective measures that will be used during the active mining phase of operation.

APPENDIX A

Certified Reports

Excess Spoil Piles
Refuse Piles
Impoundments

As required under R645-301-514

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APPENDIX B

Reporting of Technical Data

Including monitoring data, reports, maps, and other information
As required under the approved plan or as required by the Division

In accordance with the requirement of R645-310-130 and R645-301-140

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APPENDIX C

Legal Financial, Compliance and Related Information

Annual Report of Officers
As submitted to the Utah Department of Commerce

Other change in ownership and control information
As required under R645-301-110

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APPENDIX D

Mine Maps

As required under R645-302-525-270

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APPENDIX E

Other Information

In accordance with the requirements of R645-301 and R645-302

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