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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

C0070039
Outgoing
#3771
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July 14, 2011

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

Subject: 2010 Annual Report Review Completion, Dugout Canyon Mine, C/007/0039, Task ID #3771

Dear Mr. Sass:

The Division staff has completed the review of the 2010 Annual Report. Enclosed is a copy of the review with each reviewer's comments completed on July 14th, 2011. Please submit six copies of the following items as separate applications with a C1/C2 form for approval and incorporation into the official mining and reclamation plan by August 18th, 2011.

- In accordance with R645-301-521, -525.240 please resubmit the Rock Canyon Seam 2011 Budget Map and Gilson Seam 2011 Budget Map for incorporation into the M&RP.

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
Coal Program Manager

DRH/SKC/ss
cc: Price Field Office
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Annual Report

Date

7/14/11

This Annual Report shows information the Division has for your mine. Submit the completed document and any additional information identified in the Appendices to the Division by **March 31, 2011**. During a complete inspection an inspector will check and verify the information.

GENERAL INFORMATION

Company Name Canyon Fuel Company, LLC

Mine Name Dugout Mine

Permit Number C/007/0039

Permit expiration Date 2013-03-17

Operator Name

Phone Number

+1 (435) 637-6360

Mailing Address PO Box 1029

Email

esass@archcoal.com

City

Wellington

State

UT

Zip Code

84542

CERTIFIED REPORTS

DOG M File Location or Annual Report Location

Excess Spoil Piles

 Required Not Required

Refuse Piles

 Required Not Required

Impoundments

 Required Not Required

Other:

Attached Appendix A

Attached Appendix A

OPERATOR COMMENTS

REVIEWER COMMENTS



Met Requirements



Did Not meet Requirements

The permittee have submitted four quarter of sediment pond inspection including annual sediment pond inspection. The annual sediment pond inspection is P.E. Certified. The permittee has submitted four quarters of refuse pile inspections. These reports are P.E. Certified.

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 additional written response is required, it should be filed as an attachment to this report.

Title: Annual over-flight raptor surveys.

Objective: Obtain baseline data prior to mining disturbances including subsidence of cliff habitat and any surface disturbances (construction, reclamation or exploration). 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

Citation: Vol. 2, Chap 3, Sec. 322, p. 3-13.

OPERATOR COMMENTS

In the Dugout Canyon Mine approved M&RP there is no Appendix 2-6 or Map 2-4. No request for experimental practice was made by Dugout or field trials with Douglas/Fir reference area. No commitment found in the permit documents to support this reference.

REVIEWER COMMENTS



Met Requirements



Did Not meet Requirements

Reviewed by Ingrid Campbell (3/17/2011). The Operators comments do not pertain to the above commitment. However, a raptor survey was included in the confidential section of the 2010 annual report. The raptor survey was conducted by Dr. Patrick Collins of Mt. Nebo Scientific. The survey was conducted by ground on May 26-28th, 2010 and included areas near surface mining operations and future mining operations. No hawks or eagles were spotted at or around the known nest locations during the survey. It was also determined that mining activities are not adversely affecting the nesting patterns of one active golden eagle nest located on the permit area near surface facilities. This nest has been active on and off since it was first surveyed in 1999 regardless of mining activities.

Title: Subsidence Monitoring Visual Inspections

Objective: Check for surface subsidence features

Frequency: Annually

Status: Ongoing

Reports: Annual

Citation: Vol. 3, Chap. 5, Section 525:100, pg. 5-29

OPERATOR COMMENTS

REVIEWER COMMENTS



Met Requirements



Did Not meet Requirements

A map was submitted giving the amount of subsidence at subsidence location in a table.

[Redacted]

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 COMMENTS

[Redacted]

REVIEWER COMMENTS



Met Requirements



Did Not meet Requirements

Reviewed by Priscilla Burton on 4/18/2011. Appendix E of the annual report provides a table of waste rock volumes and sampling, based upon haul load invoices (not provided). A total of 270,406 tons were hauled to the site in 2010. The analysis of 63 samples were provided with the annual report, which meets the requirement of 1 sample per 5,000 cu yds of waste (assuming the density to be approximately 1T/cu yd. per communication from Permittee, 10/06/2010). All 14, first quarter samples will likely be acid forming if exposed to air and water, based upon their calcium carbonate and pyritic sulfur content. A sample taken in in June and two in October will also be acid forming. A sample in October has unacceptable SAR for the surface four feet. Waste with the potential for acid-formation should be compacted, buried and isolated from water infiltration.

The following commitments are not required for the current annual report year, but will be required by the permittee in the future as indicated by the Status item. These commitments are included for information only, and do not currently require action.

Title: Overburden sampling and analysis

Objective: Generate quality substitute topsoil

Frequency: Final reclamation

Status: long term

Reports: at final reclamation

Citation: Chap 2., Sec224, Sec. 233.100, Sec.233.300, Sec. 233.400

OPERATOR COMMENTS (Optional)

Title: Nutrients and Amendments

Objective: establishment of vegetation

Frequency: at final reclamation

Status: long term

Reports: at final reclamation

Citation: Chap 2, Sec 243; Refuse Pile Amendment Volume Sec. 243

OPERATOR COMMENTS (Optional)

REPORTING OF OTHER 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 an attachment to this report or currently on file with the Division.

Please List Attachments:

REVIEWER COMMENTS Met Requirements Did Not meet Requirements

NA

LEGAL, FINANCIAL, COMPLIANCE AND RELATED INFORMATION

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 an attachment to the report.

LEGAL/ FINANCIAL UPDATE

Included

DOGM File Location or Annual Report Location

Ownership and Control	<input type="checkbox"/>	General Chapter 1, stand-alone 1" binder on file in SLC Division office.
	<input type="checkbox"/>	
	<input type="checkbox"/>	
	<input type="checkbox"/>	

REVIEWER COMMENTS Met Requirements Did Not meet Requirements

The ownership and control information does not require updates/revisions at this time. The information currently incorporated in the approved Mining and Reclamation Plan (MRP) is up to date.

MAPS

Copies of mine maps, current and up-to-date through at least December 31, 2010, are to be provided to the Division as an attachment 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.

Map Name	Map Number	Included		Confidential	
		Yes	No	Yes	No
Annual subsidence map		<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mine Map	Gilson & Rock Canyon Seams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REVIEWER COMMENTS Met Requirements Did Not meet Requirements

Maps are P.E certified with 5year projections. Subsidence map shows location of subsidence monitoring locations. There is a chart giving subsidence displacement.

OTHER INFORMATION

Please provide any comments of further information to be included as part of the Annual Report. Any other attachments are to be provided as an attachment to this report. If information is submitted as a group rather than by individual mine, please identify each of the mine's data in the list below.

Please List Attachments:

Waste Rock Sampling Analyses
 Raptor Survey Report (Confidential)
 Snotel Report
 Subsidence Report
 9th East Unrecovered Equipment

REVIEWER COMMENTS