

C/007/006, C/007/011,
C/015/009, C/007/039

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United States Department of the Interior

OFFICE OF SURFACE MINING
Reclamation and Enforcement
Western Region Office
1999 Broadway, Suite 3320
Denver, CO 80202-3050



April 3, 2012

Dear Mr. Haddock,

Enclosed for your records are copies of the Office of Surface Mining's (OSM) inspection reports for the Star Point, Hiawatha, Trail Mountain, and Dugout Mines conducted the week of May 5, 2012.

april 5/05

If you have any questions regarding the inspection reports, please contact me at eshaeffer@osmre.gov or (303) 293-5025.

Sincerely,

Elizabeth Shaeffer
Environmental Protection Specialist
Denver Field Division

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APR 09 2012
DIV. OF OIL, GAS & MINING



U.S. DEPT. OF THE INTERIOR
OFFICE OF SURFACE MINING
Mine Site Evaluation
State Program



1. Permittee/Person CANYON FUEL COMPANY LLC		9. Permit Number UT-007-039	10. Permit Type PP
2. Address 12 MILE N CANYON		11. Field Visit Date 3/6/2012 <small>mm - dd - yyyy</small>	12. Purpose OP
3. City WELLINGTON		13. SRA Present Y	14. Permit Status A
4. State UT		15. Site Status AN	16. Facility Type BEFG
5. Zip Code 84542	6. Phone Number (435) 637-6360	17. OSM Office # 141	18. CCID #
7. Operator Name, if Different than Permittee ARCH WESTERN BITUMINOUS GROUP		19. Land Code SF	20. M.S.H.A. ID #
8. Mine Name DUGOUT CANYON MINE		21. State Abbrev. UT	22. County/Burrough CARBON
		23. AVS Permittee Entity ID Number	24. State Office

25. Hours

2.0	a. Permit Review
2.0	b. Site Visit Time
8.0	c. Travel Time
3.0	d. Report Writing

26. Signature Block

Elizabeth Shaeffer
Signature:

Elizabeth Shaeffer, ID#377
Printed Name:

Date: 4/3/2012

27. Reviewing Official:

Kenneth J. ...
Signature:

Review Date: 4/3/12
mm - dd - yyyy

Is Supplemental MSE Page Used Y/N Y

Permit Type - Item 10 IP = Interim Program PP = Permanent Program NP = No Permit

Purpose Type Codes - Item 12
Oxx...Oversight RFX...Reclamation Fees CCR...Citizen Complaint Referral (non-site visit)
Axx...Assistance Fxx...Federal Actions CC...Citizen Complaint (initial site visit)
CCF...Assistance

Joint Inspection - Item 13 A joint inspection is when a state inspector accompanies an OSM inspector at any time during the review of the mine site

Permit Status - Item 14

A Active: Coal mining activities occurring or permitted but not yet disturbed.	AB Abandoned: All surface and underground coal mining activities have ceased and operator has left the site without completing reclamation as defined in 30 CFR 840:11(g).
IN Inactive (Permanent Program Permit): Phase II completed or Temporary Cessation of Operations. (Interim Program Permit): Coal mining completed and reclamation activities initiated.	AB1 Bond Forfeiture: Bond forfeiture officially in process or completed and reclamation in progress or not yet commenced.
BR Bond Release: Reclamation completed and State Regulatory Authority(RA) has released all of the bond (Phase III Release).	AB2 Partially Reclaimed Forfeiture: Forfeited site where all bonds have been used to reclaim site, but site not reclaimed to Program standards.
	AB3 Reclaimed Forfeiture: Forfeited site that has been reclaimed to Program standards.
	NA Not Applicable: When site is unpermitted.

Site Status - Item 15

ND No Disturbance: No coal mining and reclamation operations have been started.	MC Mining Complete: No mining activity on site, site regraded and awaiting bond release.	NS Non-Site Visit: Status of site not determined.
EX Coal Exploration: Coal exploration operations have started and where coal mining operations have not begun.	TC Temporary Cessation: The RA has granted cessation of mining pursuant to 30 CFR 816/817:13(b).	FP Forfeiture Pending: The RA is pursuing actions to revoke the permit, collect the performance bond(s), and/or reclamation of forfeited site is in progress.
AP Active Coal Producing: Coal surface mining activities are occurring.	P1 Phase I Release: At least Phase I bond release granted for entire permitted area. For interim permits, partial bond release.	FR Forfeited and Reclaimed: Forfeiture reclamation completed.
AN Active Non-Producing: Active non-producing facility such as tipple or preparation plant.	P2 Phase II Release: At least Phase II bond release for the entire permitted area.	FO Abandoned Site: Abandoned site that is permitted but there is no bond.
NM No Mining: The Permit Status is active, site is not in Temporary Cessation, no surface coal mining activity, and site not regraded.	P3 Phase III Release: Reclamation completed and the RA has released all bond.	WC Wildcat: Coal mining and reclamation operations have or are taking place and the activity is not covered by the required permits from the RA.

Facility Type Codes - Item 16

A ...Surface	D ...Ancillary (Haulroad, Conveyor, and/or Rails	H ...Exploration Permits	K ...Government Financed Construction Exemption
B ...Underground	E ...Refuse and/or Impoundment	I ...Notice of Intent to Explore	L ...Remining site permitted under 30 CFR 785.25
C ...Preparation Plant	F ...Loading Facility and/or Tipple	J ...Exempt 16 and 2/3	
	G ...Stockpiles		

Small Business Regulatory Enforcement Fairness Act (SBREFA)
Your Comments are Important

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about Federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you are a small business (a business with 500 or fewer employees including those of affiliates) and wish to comment on the enforcement or compliance activities of OSM, call 1-888-REG-FAIR (1-888-734-3247).

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APR 09 2012

DIV. OF OIL, GAS & MINING

U.S. DEPT. OF THE INTERIOR
OFFICE OF SURFACE MINING
Mine Site Evaluation

Permittee/ Person	CANYON FUEL COMPANY LLC	Permit Number	UT-007-039	Field Visit Date	3/6/2012	State Program Continuation Page
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28. Performance Standard Categories

Codes: 1=Compliance, 2=Noncompliance, 3=Not Planned, 4=Not Started, 5=Noncompliance Identified Elsewhere, 6=Previously Cited, 7=Permit Defect

<p>A. Administrative</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Mining within Valid Permit 2. <input type="checkbox"/> Mining within Bonded Area 3. <input type="checkbox"/> Terms & Conditions of Permit 4. <input type="checkbox"/> Liability Insurance 5. <input type="checkbox"/> Ownership and Control 6. <input type="checkbox"/> Temporary Cessation 7. <input type="checkbox"/> AML Rec. Fees - Non-Respondent 8. <input type="checkbox"/> AML Rec. Fees - Failure to Pay <p>B. Hydrologic Balance</p> <ol style="list-style-type: none"> 1. <input checked="" type="checkbox"/> 1 Drainage Control 2. <input type="checkbox"/> Inspections & Certifications 3. <input type="checkbox"/> Siltation Structures 4. <input checked="" type="checkbox"/> 1 Discharge Structures 5. <input type="checkbox"/> Diversions 6. <input type="checkbox"/> Effluent Limits 7. <input type="checkbox"/> Ground Water Monitoring 8. <input type="checkbox"/> Surface Water Monitoring 9. <input type="checkbox"/> Drainage - Acid-Toxic Materials 10. <input type="checkbox"/> Impoundments 11. <input type="checkbox"/> Stream Buffer Zones <p>C. Topsoil & Subsoil</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Removal 2. <input type="checkbox"/> Substitute Materials 3. <input checked="" type="checkbox"/> 1 Storage and Protection 4. <input type="checkbox"/> Redistribution 	<p>D. Backfilling & Grading</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Exposed Openings 2. <input type="checkbox"/> Contemporaneous Reclamation 3. <input type="checkbox"/> Approximate Original Contour 4. <input type="checkbox"/> Highwall Elimination 5. <input type="checkbox"/> Steep Slopes (includes downslope) 6. <input type="checkbox"/> Handling of Acid and Toxic Materials 7. <input type="checkbox"/> Stabilization (rills and gullies) <p>E. Excess Spoil Disposal</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Placement 2. <input type="checkbox"/> Drainage Control 3. <input type="checkbox"/> Surface Stabilization 4. <input type="checkbox"/> Inspections & Certifications <p>F. Coal Mine Waste (Refuse Piles/Impoundments)</p> <ol style="list-style-type: none"> 1. <input checked="" type="checkbox"/> 1 Drainage Control 2. <input type="checkbox"/> Surface Stabilization 3. <input checked="" type="checkbox"/> 1 Placement 4. <input type="checkbox"/> Inspections & Certifications 5. <input type="checkbox"/> Impounding Structures <p>G. Use of Explosives</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Blaster Certification 2. <input type="checkbox"/> Distance Prohibitions 3. <input type="checkbox"/> Blast Survey/Schedule 4. <input type="checkbox"/> Warnings & Records 5. <input type="checkbox"/> Control of Adverse Effects 	<p>H. <input type="checkbox"/> Subsidence Control Plan</p> <p>I. Roads</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Road Construction 2. <input type="checkbox"/> Certification 3. <input type="checkbox"/> Drainage 4. <input checked="" type="checkbox"/> 1 Surfacing and Maintenance 5. <input type="checkbox"/> Reclamation <p>J. Signs & Markers</p> <ol style="list-style-type: none"> 1. <input checked="" type="checkbox"/> 1 Signs 2. <input checked="" type="checkbox"/> 1 Markers <p>K. <input type="checkbox"/> Distance Prohibitions</p> <p>L. Revegetation</p> <ol style="list-style-type: none"> 1. <input type="checkbox"/> Vegetative Cover 2. <input type="checkbox"/> Timing <p>M. <input type="checkbox"/> Postmining Land Use</p> <p>N. Other</p> <p>General Performance Category</p> <p>_____</p> <p>_____</p> <p>_____</p>
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Performance Standard Categories 30 CFR Counterparts

<p>A. Administrative 1. Valid Permit 773.11 2. Mining within Bonded Area 773.11 3. Terms & Conditions of Permit 773.17 4. Liability Insurance 800.60 5. Ownership and Control 778.13 6. Temporary Cessation §42.11(e) & §16.817.131 7. AML Rec. Fees - Non-Respondent §70.15(b) 8. AML Rec. Fees - Failure to Pay §70.15(a)</p> <p>B. Hydrologic Balance (§16/§17.41-57) 1. Drainage Control 45 2. Inspections & Certifications 49(a)(10) 3. Siltation Structures 46 4. Discharge Structures 47 5. Diversions 43 6. Effluent Limits 42 7. Ground Water Monitoring 41(c) 8. Surface Water Monitoring 41(e) 9. Drainage-Acid - Toxic Materials 41(f) 10. Impoundments 49 11. Stream Buffer Zones 57</p> <p>C. Topsoil & Subsoil (§16/§17.22) 1. Removal 22(a) 2. Substitute Materials 22(c) 3. Storage and Protection 22(c) 4. Redistribution 22(d)</p> <p>D. Backfilling & Grading (§16/§17.95-107) 1. Exposed Openings §16/§17.13, 14, 15, & §23.11 & 21 2. Contemporaneous Reclamation 100 3. Approximate Original Contour 102(a)(1) 4. Highwall Elimination 102(a)(2) 5. Steep Slopes (includes downslope) 107 6. Handling of Acid & Toxic Materials 102(c) 7. Stabilization (rills and gullies) 95(b)</p>	<p>E. Excess Spoil Disposal (§16/§17.71-74) 1. Placement 71(e) 2. Drainage Control 71(f) 3. Surface Stabilization 71(g) 4. Inspections & Certifications 71(h)</p> <p>F. Coal Mine Waste (Refuse Piles/Impoundments) (§16/§17.81-84) 1. Drainage Control 83(a) 2. Surface Stabilization 83(b) 3. Placement 83(c) 4. Inspections and Certifications 83(d) 5. Impounding Structures 84</p> <p>G. Use of Explosives (§16/§17.61-68) 1. Blaster Certification 61(c) 2. Distance Prohibitions 61(d) 3. Blast Survey/Schedule 62-64 4. Warnings & Records 66 & 68 5. Control of Adverse Effects 67</p> <p>H. Subsidence Control Plan (§17.121-122)</p> <p>I. Roads (§16/§17.150-151) 1. Road Construction 150(c) 2. Certification 151(a) 3. Drainage 150(b)-151(d) 4. Surfacing and Maintenance 150(e)-151(d) 5. Reclamation 150(f)</p> <p>J. Signs & Markers (§16/§17.11) 1. Signs 11(a),(b), & (c) 2. Markers 11(a),(b),(d),(e), & (f)</p> <p>K. Distance Prohibitions (761.11)</p> <p>L. Revegetation (§16/§17.111-116) 1. Vegetative Cover 111 & 116 2. Timing 113</p> <p>M. Postmining Land Use (§16/§17.133)</p>
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Dugout Mine Partial Oversight Inspection
Utah Division of Oil, Gas, and Mining (DOGM) Permit ID # UT-007-039
Tuesday, March 6, 2012 1:00-3:00

Operator: Arch Western Bituminous Group (Arch Coal)

Participants:

Steve Demczak, DOGM
Elizabeth Shaeffer, OSM, Badge # 377
Vicky Miller, Arch Coal

Weather conditions: upper 40's, partly cloudy
Ground conditions: partially snow-covered

This was a partial oversight inspection of the Dugout Mine conducted jointly by Steve Demczak of the DOGM Price Field Office and Elizabeth Shaeffer of OSM's Denver Field Division. Vicky Miller of Arch Coal joined us for this inspection. This site was active at the time of inspection, and the belt was operating (Photo 6692). The mine recently experienced a drastic reduction in force, going from 265 to 117 employees.

In April, Arch Coal will switch from a longwall miner to a continuous miner. Panel 14 is currently being mined by the longwall. The longwall will be shut down, moved, and stored at the next panel planned for mining, or given to other Arch Mines.

Signs and Markers

The mine ID sign was intact and contained all of the necessary information.

Hydrology/Drainage Control

The sediment ponds were last inspected on November 3, 2011. The pond near the facilities area was not discharging at the time of this inspection (Photos 6693 and 6694). A sump was recently built in the diversion ditch so that sedimentation can be cleaned out above the pond, alleviating any additional build-up at the pond.

The sedimentation pond near the waste rock site contained a small amount of water. Water that runs off the waste rock pile reports to this pond through ditches. The waste rock pile and sedimentation pond are shown in Photos 6695 and 6696, respectively.

Topsoil

Dugout Mine stores topsoil in two piles near the Soldier Canyon Mine. Both piles appeared stable with no signs of erosion (Photo 6697).

Roads and Other Items:

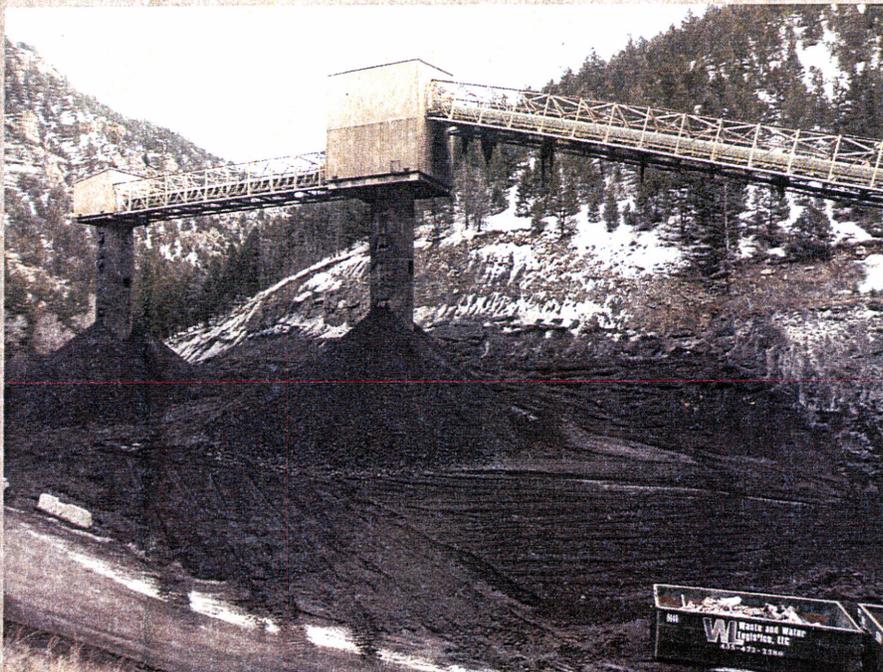
All roads were well maintained. The portal area was organized and free of non-coal waste (Photo 745).

Please see attachment for inspection photos.

I&E Inspection Photos

Permit: UT-007-039 Inspection Date: 3/6/2012

Permittee: CANYON FUEL COMPANY LLC



Notes:



Photo ID: 6692

Photographer: SMESHAEFFER

Date Taken: 3/6/2012

State: UT

County: CARBON

Latitude: 0393208

Longitude: 1104603

Subject: DUGOUT MINE CONVEYOR BELT

Mine Name: DUGOUT CANYON MINE



Notes:

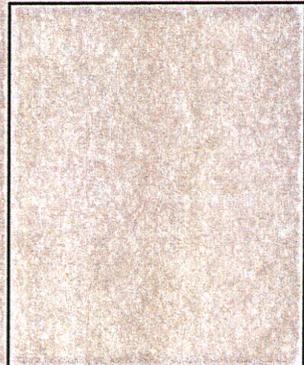


Photo ID: 6693

Photographer: SMESHAEFFER

Date Taken: 3/6/2012

State: UT

County: CARBON

Latitude: 0393208

Longitude: 1104603

Subject: FACILITIES AREA SEDIMENTATION POND

Mine Name: DUGOUT CANYON MINE

I&E Inspection Photos

Permit: UT-007-039 Inspection Date: 3/6/2012

Permittee: CANYON FUEL COMPANY LLC



Notes:

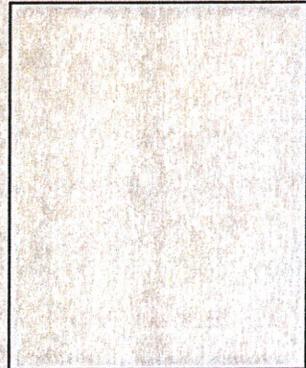


Photo ID: 6694

Photographer: SMESHAEFFER

Date Taken: 3/6/2012

State: UT

County: CARBON

Latitude: 0393208

Longitude: 1104603

Subject: FACILITIES AREA SEDIMENTATION POND (2)

Mine Name: DUGOUT CANYON MINE



Notes:

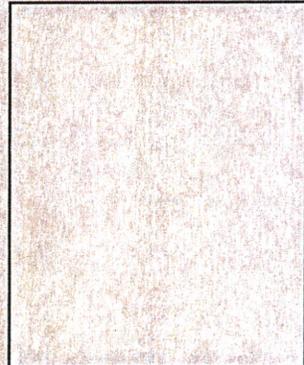


Photo ID: 6695

Photographer: SMESHAEFFER

Date Taken: 3/6/2012

State: UT

County: CARBON

Latitude: 0393208

Longitude: 1104603

Subject: WASTE ROCK PILE

Mine Name: DUGOUT CANYON MINE

I&E Inspection Photos

Permit: UT-007-039 Inspection Date: 3/6/2012

Permittee: CANYON FUEL COMPANY LLC



Notes:

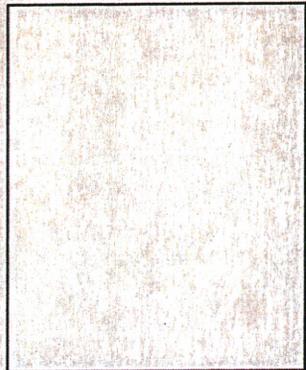


Photo ID: 6698

Photographer: SMESHAEFFER

Date Taken: 3/6/2012

State: UT

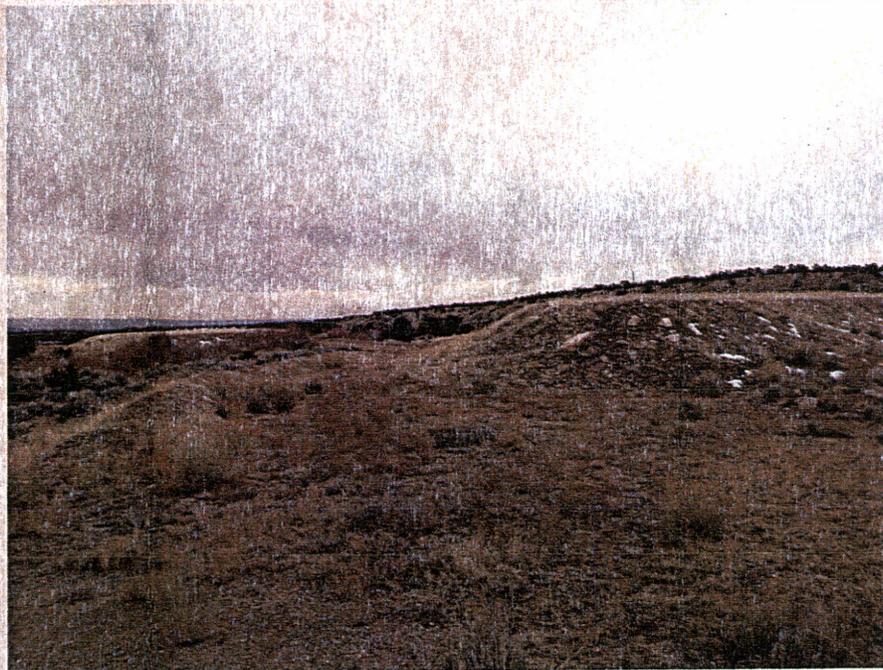
County: CARBON

Latitude: 0393208

Longitude: 1104603

Subject: WASTE ROCK SEDIMENTATION POND

Mine Name: DUGOUT CANYON MINE



Notes:

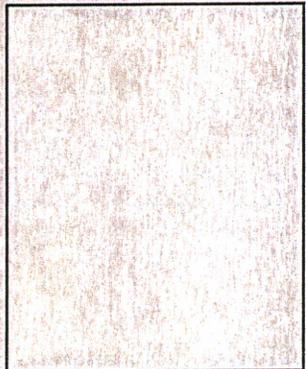


Photo ID: 6699

Photographer: SMESHAEFFER

Date Taken: 3/6/2012

State: UT

County: CARBON

Latitude: 0393208

Longitude: 1104603

Subject: TOPSOIL STOCKPILES

Mine Name: DUGOUT CANYON MINE