State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

Inspection Report

Permit Number:	**C0070039**
Inspection Type:	COMPLETE
Inspection Date:	Wednesday, May 11, 2016
Start Date/Time:	5/11/2016 8:00:00 AM
End Date/Time:	5/11/2016 11:00:00 AM
Last Inspection:	Wednesday, April 13, 2016

Representatives Present During the Inspection:	
Company	Bill King
OGM	Karl Houskeeper

Inspector: Karl Houskeeper,

Weather: Clear Skies, Temp. 39 Deg. F.

InspectionID Report Number: 5520

Accepted by: JHELFRIC
5/23/2016

Permitee: **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

9,801.00	**Total Permitted**
108.70	**Total Disturbed**
37.00	**Phase I**
19.00	**Phase II**
	Phase III

Mineral Ownership

- [x] Federal
- [x] State
- [ ] County
- [x] Fee
- [ ] Other

Types of Operations

- [x] Underground
- [ ] Surface
- [ ] Loadout
- [ ] Processing
- [ ] Reprocessing

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

Karl R. Houskeeper

Inspector's Signature:

Karl Houskeeper,
Inspector ID Number: 49

Date Wednesday, May 11, 2016

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining.

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UTAH DNR OIL, GAS & 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 performace 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	☑	☐	☑	☐
2.	Signs and Markers	☑	☐	☑	☐
3.	Topsoil	☑	☐	☐	☐
4.a	Hydrologic Balance: Diversions	☑	☐	☐	☐
4.b	Hydrologic Balance: Sediment Ponds and Impoundments	☑	☐	☑	☐
4.c	Hydrologic Balance: Other Sediment Control Measures	☑	☐	☐	☐
4.d	Hydrologic Balance: Water Monitoring	☐	☐	☐	☐
4.e	Hydrologic Balance: Effluent Limitations	☑	☐	☑	☐
5.	Explosives	☑	☐	☐	☐
6.	Disposal of Excess Spoil, Fills, Benches	☑	☐	☐	☐
7.	Coal Mine Waste, Refuse Piles, Impoundments	☑	☐	☑	☐
8.	Noncoal Waste	☑	☐	☐	☐
9.	Protection of Fish, Wildlife and Related Environmental Issues	☑	☐	☐	☐
10.	Slides and Other Damage	☑	☐	☐	☐
11.	Contemporaneous Reclamation	☑	☐	☐	☐
12.	Backfilling And Grading	☑	☐	☐	☐
13.	Revegetation	☑	☐	☐	☐
14.	Subsidence Control	☑	☐	☐	☐
15.	Cessation of Operations	☑	☐	☐	☐
16.a	Roads: Construction, Maintenance, Surfacing	☑	☐	☐	☐
16.b	Roads: Drainage Controls	☑	☐	☐	☐
17.	Other Transportation Facilities	☑	☐	☐	☐
18.	Support Facilities, Utility Installations	☑	☐	☐	☐
19.	AVS Check	☑	☐	☐	☐
20.	Air Quality Permit	☑	☐	☑	☐
21.	Bonding and Insurance	☑	☐	☑	☐
22.	Other	☑	☐	☐	☐

1. Permits, Change, Transfer, Renewal, Sale

The mining permit issued through the Division of Oil, Gas & Mining for the Dugout Canyon Mine is C/007/0039. The permit was issued on March 16, 2013 and expires on March 16, 2018. The permit requires electronic submission of all water quality data.

The Air Quality permit is DAQO-C0116340001-16 effective February 16, 2016. This permit remains in effect.

UPDES Permit UT-0025593 effective September 1, 2015 and expires at midnight on August 31, 2020.

Insurance coverage is through National Union Fire Insurance Company, Policy # GL6576428. The Insurance is effective beginning February 1, 2016 and expires on February 1, 2017. The policy includes explosion coverage. The certificate holder is listed as the State of Utah. The cancellation clause is acceptable to the Division of Oil, Gas & Mining. All minimum coverage requirements have been met.

The mine site has a SPCC Plan in place. The Plan is dated October 2010 and is P.E. dated, stamped and signed by a Utah P.E. on October 23, 2015.

Reclamation agreement signed by both parties on January 13, 2009.

2. Signs and Markers

Mine identification signs are posted at the entrance into the mining permit area at the main mine facility, waste rock site and topsoil storage area. All three signs contained all of the required information and are up to date.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

First quarter 2016 sediment pond inspections were done as follows:

Refuse Sediment Pond 03/21/2016.
Leach Field 03/22/2016.
Surface Facilities Sediment Pond 02/23/2016.

4.e Hydrologic Balance: Effluent Limitations

The discharge monitoring report for January, February, March and April 2016 were checked during the inspection. No problems were noted.

7. Coal Mine Waste, Refuse Piles, Impoundments

First quarter 2016 refuse pile inspection was done on 03/21/2016. Pile was stable with no visible hazards.

20. Air Quality Permit

The Air Quality permit is DAQO-C01166340001-16 effective February 16, 2016. This permit remains in effect.

21. Bonding and Insurance

Bond # 4005A1917 for $3,550,000.00, July 31, 2007.