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DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

August 1, 2016

Kirt Tatton, General Manager
Canyon Fuel Company, LLC
P.O. Box 1029
Wellington, Utah 84542

Subject: 2015 Annual Report Review Completion, Dugout Canyon Mine, C/007/0039, Task ID #5142

Dear Mr. Tatton:

The Division staff has completed the review of the 2015 Annual Report for the Dugout Canyon Mine. Enclosed is a copy of the review with each reviewer's comments. Thank you for your diligence in completing the Annual Report. If you have any questions, please call me at (801) 538-5350.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Christensen".

Steve Christensen
Permit Supervisor

SKC/sqs
Enclosure
O:\007039.DUG\WG5142 ANNUAL REPORT\WG5142AnnRptComplLtr.doc



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Annual Report

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 the date specified in the cover letter. 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	March 3, 2018
Operator Name	Same	Phone Number	+1 (435) 637-6360
Mailing Address	PO Box 1029	Email	dspillman@bowierources.com
City	Wellington		
State	Utah	Zip Code	84542

DOGM File Location or Annual Report Location

Excess Spoil Piles	<input type="checkbox"/> Required <input checked="" type="checkbox"/> Not Required	
Refuse Piles	<input checked="" type="checkbox"/> Required <input type="checkbox"/> Not Required	
Impoundments	<input checked="" type="checkbox"/> Required <input type="checkbox"/> Not Required	
Other:		

OPERATOR COMMENTS

REVIEWER COMMENTS Met Requirements Did Not meet Requirements

The annual report included copies of the quarterly inspection of the Refuse pile completed on: 3/22/15, 6/11/15, 9/19/15, and 12/2/15 for the Waste rock disposal site. The inspection reports were completed by Dave Spillman, a Utah PE certified professional engineer. The certified refuse pile 2015 annual assessment estimates a total of 17,347 tons delivered to the site during 2015, with an average density of the placed/compacted refuse being 106 pcf. The remaining capacity of the facility is 94,068 ton without the Phase I expansion. The December report states the prep work for the foundations of the Phase I was started by Nielson. . The Permit requires one sample per every 5,000 CY, the last same was taken on 12/2/15. The Permittee has addressed the requirements of this commitment. (CP)

COMMITMENTS AND CONDITIONS

The Permittee is responsible for ensuring annual technical commitments in the Mining and Reclamation Plan 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 RAPTOR SURVEYS

Objective: To 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 the nest or raptors could be impacted from mining (subsidence or proximity to surface facilities).

Frequency: Annually

Status: Ongoing

Reports: Annual

Citation: MRP, Chapter 3, Page 3-20

Operator Comments

See Appendix D Confidential

Reviewer Comments Met Requirements Did Not Meet Requirements

LR, 4/29/16: The raptor survey was performed as evidenced by report prepared by Mt. Nebo Scientific, Inc, January 2016. A survey for nests within a ½ mile buffer from surface activities resulted in no active nest being identified. With the expansion of the waste rock site, a ground survey was conducted around a ½ mile buffer from the outer limits of the waste rock site. No nests were discovered.

Title: SUBSIDENCE MONITORING VISUAL INSPECTIONS

Objective: To check for surface subsidence features.

Frequency: Annually

Status: Ongoing

Reports: Annual

Citation: MRP, Volume 3, Chapter 5, Section 525.100, page 5-29

Operator Comments

See Appendix C, No subsidence occurs under Dugout's current and future mine plan.

Reviewer Comments Met Requirements Did Not Meet Requirements

The Permittee included a subsidence mine map and summary table within the annual report. The subsidence map shows the locations of each of the subsidence monitoring point for the Dugout Mine as of 2014. The subsidence table includes information from 2001 to 2015, the subsidence report included a visual check for subsidence during water monitoring events and the included reports details that no surface irregularities were observed. The Permittee has addressed the requirements of this commitment. (CP).

Title: WASTE ROCK SAMPLING

Objective: To protect ground and surface water and potentially substantiate lesser cover at the waste rock site.

Frequency: One sample per 5,000 cubic yards taken to the waste rock site. Acid/toxic material to be buried within 30 days and should be compacted, and isolated from water infiltration.

Status: Ongoing. **Please indicate the volumes or tonnage placed during the year into the refuse pile and the remaining capacity in the pile.**

Reports: Annual report, and to be included in RA attachment 5-4.

Citation: MRP, Chapter 5, Section 513.400, Section 528.300, Section 536 and Refuse Pile Amendment Volume, Section 536.200

Operator Comments

See Appendix C

Reviewer Comments Met Requirements Did Not Meet Requirements

7/29/2016, PWB. A total of 17,347 tons were placed in 2015. At an average density of 106 pounds per cubic foot, this equates to 327,303 CF or 12,122 CY of waste. Samples were taken on 3/3/2015, 8/14/2015, and 12/02/2015. The waste rock analyses are found on E-page 57 of the annual report. Samples were sandy loam, or loamy sand in texture. Samples were near neutral in pH. Salinity was good to fair according to the Division Overburden Guidelines. There were no unsuitability issues except for the loamy sand sample in which the sulfur form is dominated by pyrite. Even in this sample, however, there is adequate neutralization potential in the waste. Should this material remain on the surface at final reclamation, it would need to be amended by organic matter to improve water and nutrient retention.

Title: SEALING OF WELLS

Objective: Permanent casing and sealing of wells when no longer in use.

Frequency: Once upon termination of use.

Status: N/A

Reports: Report on status of wells

Citation: Chp. 6, Section 631, Chp. 7, Section 765

Operator Comments

Degas Wells G-2 through G-7, G-9 through G-14, G-16, G-18, G-19, G-22, G-25, G-26, G-30 G-31 are sealed.

Reviewer Comments Did Not Meet Requirements Met Requirements

The sites listed have been sealed, reclaimed, and are in various phases of bond release. As of June 2016, site G3 and G4 are under review for phase III bond release. (AD)



FUTURE COMMITMENTS AND CONDITIONS

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" field. These commitments are included for information only, and do not currently require action. If you feel that the commitment is no longer relevant or needs to be revised, please contact the Division.

Title: OVERBURDEN SAMPLING AND ANALYSIS

Objective: Generate quality substitute topsoil

Frequency: At Final Reclamation

Status: long term

Reports: at final reclamation

Citation: MRP, Chapter 2, Section 224, Section 233.100, .300, and .400.

Title: NUTRIENTS AND AMENDMENTS

Objective: Establishment of vegetation

Frequency: At final reclamation

Status: Long term

Reports: At final reclamation

Citation: MRP, Chapter 2, Section 243; Refuse Pile Amendment Volume, Section 243.

Title: VEGETATION MITIGATION PROJECT FOR BATS

Objective: Permittee will plant additional willows along the channel where sufficient space allows.

Frequency: At final reclamation

Status:

Reports: At final reclamation

Citation: Vol. Chap 3, Sec. 322, pp. 3-19 through 3-20.

OPERATOR COMMENTS (OPTIONAL)

REVIEWER COMMENTS

REPORTING OF OTHER TECHNICAL DATA

Please list other technical data or information that was not included in the form above, but is required under the approved plan, which must be periodically submitted to the Division.

Please list attachments:

Reviewer Comments

MAPS

Copies of mine maps, current and up-to-date, are to be provided to the Division as an attachment to this report in accordance with the requirements of R645-301-525.240. 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	Appendix C	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mine Map - Gilson Seam	Appendix B	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mine Map - Rock Canyon Seam	Appendix B	<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"/>

Reviewer Comments Met Requirements Did Not Meet Requirements

The Permittee included a mine map for Gilson seam and Rock Canyon Seam with the approximate dates projected to be mined through 2020 in Appendix B. Appendix C included the annual subsidence report. The Permittee included a subsidence mine map and summary table within the annual report. The subsidence map shows the locations of each of the subsidence monitoring point for the Dugout Mine as of 2015. The subsidence table includes information from 2001 to 2015, which ranged from 0.06 ft to an upheaval of 5.50 ft. The subsidence report included a visual check for subsidence during water monitoring events and the included reports details that no surface irregularities were observed. The Permittee has addressed the requirements of this commitment. (CP).