



State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Inspection Report

| | |
|------------------|--------------------------|
| Permit Number: | C0070039 |
| Inspection Type: | COMPLETE |
| Inspection Date: | Wednesday, June 17, 2020 |
| Start Date/Time: | 6/17/2020 8:00:00 AM |
| End Date/Time: | 6/17/2020 12:00:00 PM |
| Last Inspection: | Thursday, May 28, 2020 |

| |
|---|
| Representatives Present During the Inspection: |
| OGM Karl Houskeeper |

Inspector: Karl Houskeeper

Weather: Clear Skies, Temp. 86 Deg. F.

InspectionID Report Number: 6693

Accepted by: SCHRISTE

7/1/2020

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

| | |
|----------|------------------------|
| 9,568.00 | Total Permitted |
| 106.88 | Total Disturbed |
| 37.00 | Phase I |
| 18.95 | Phase II |
| 1.82 | Phase III |

Mineral Ownership

- Federal
- State
- County
- Fee
- Other

Types of Operations

- Underground
- Surface
- Loadout
- Processing
- Reprocessing

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

Pictures were taken and are attached to the PDF version of this inspection report.

Vicky Miller with Wolverine Fuels shadowed the Division inspector during the field inspection. Paperwork for the complete inspection was obtained electronically and via e-mails.

Pace Canyon Shaft sealing is taking place (see photo's 1-3). Discharge points 001, 003 and 005 are sealed. Mine site is idled, but the waste rock site remains operational.

Inspector's Signature:

Date Wednesday, June 17, 2020

Karl Houskeeper,
Inspector ID Number: 49



Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining. telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • www.ogm.utah.gov

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

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, 2018 and expires on March 16, 2023. 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 Imperium Insurance Company. The Insurance is effective beginning May 1, 2020 and expires on May 1, 2021. 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 January 2017 and is P.E. dated, stamped and signed by a Utah P.E. on January 12, 2017.

Reclamation agreement signed by both parties on August 23, 2013.

Business license is from Carbon County, License #110 (Canyon Fuels Co. LLC., issued on 01/01/2020 and expires on 12/31/2020.

2. Signs and Markers

The identification signs at the mine entrance, refuse pile entrance and topsoil pile storage area were all checked as part of the complete inspection. The name, address, phone number and mining permit number were all displayed on each sign as required by law. The signs are in compliance.

4.a Hydrologic Balance: Diversions

Diversions are open and functional.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

The sediment pond at the mine site contains water. Sediment pond #1 & #2 at the waste rock site are dry. First quarter 2020 sediment pond inspections were conducted on February 28, 2020. Second quarter 2020 sediment pond inspections were done on May 6, 2020. All existing sediment levels are below the 60% sediment elevation that requires cleaning.

4.e Hydrologic Balance: Effluent Limitations

No problems noted. Discharge reports are submitted electronically.

Discharge points 001, 003 and 005 have been sealed. Paperwork has been submitted to renew the UPDES permit.

5. Explosives

The powder and cap magazines are located up-canyon from the main mine facilities. The area is remote. The magazines have identification signs indicating Explosives. The signs are placed in a manner to be compliant. The magazines are grounded against a lightning strike.

7. Coal Mine Waste, Refuse Piles, Impoundments

The waste rock second quarter 2020 inspection was done on 05/06/2020 and certified by a Utah P.E. No problems were noted.

Reclamation of the waste rock surface and slopes is scheduled to begin next week. Currently the slopes of the pile original pile are being graded to bring them into contour. The subsoil and topsoil piles on top of the refuse pile are scheduled to be used next week along with live haul material that is being or has been stripped from the waste rock expansion area near sediment pond #2. This reclamation will only cover a portion of the original pile. A portion of the surface along with the slopes facing the expansion area are not part of this reclamation.

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.

ATTACHMENT A – Photos Dugout June 17, 2020 site visit



PHOTO 1

Pace Canyon Shaft Closure

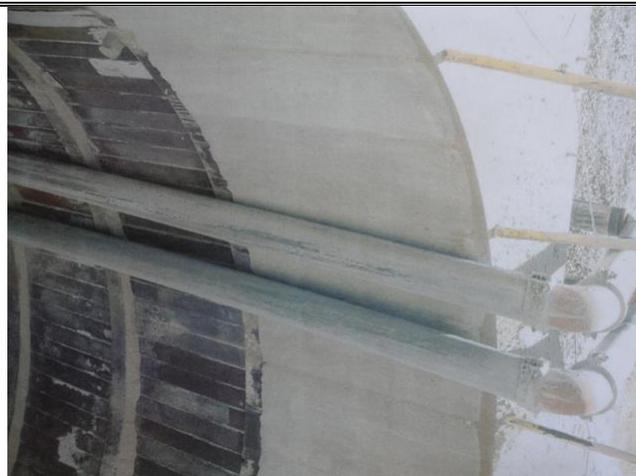


PHOTO 2

Pace Canyon Shaft Closure



PHOTO 3

Pace Canyon Shaft Closure



PHOTO 4

Dugout Waste Rock Site Overview

ATTACHMENT A – Photos Dugout June 17, 2020 site visit



PHOTO 5

Dugout Waste Rock Site Overview



PHOTO 6

Dugout Waste Rock Site Identification Sign



PHOTO 7

Dugout Waste Rock Site Overview



PHOTO 8

Dugout Mine Identification Sign

ATTACHMENT A – Photos Dugout June 17, 2020 site visit



PHOTO 9

Dugout Mine Sediment Pond



PHOTO 10

Dugout Mine Overview



PHOTO 11

Dugout Mine Overview



PHOTO 12

Dugout Waste Rock Site Interim Subsoil/Topsoil Piles

ATTACHMENT A – Photos Dugout June 17, 2020 site visit



PHOTO 13

Dugout Waste Rock Site Expansion



PHOTO 14

Dugout Waste Rock Site Expansion