INSPECTION REPORT

Partial ____ Complete XXX Exploration ____
Inspection Date: 03/11/2003 / Time: 8:20 AM-2:30 PM
Date of Last Inspection: 02/11/2003

Mine Name: Bear Canyon Mine County: Emery Permit Number: **C/015/025**
Permittee and/or Operator's Name: Co-Op Mining Company
Business Address: P.O. Box 1245, Huntington, Utah 84528
Company Official(s): Mr. Mark Reynolds, engineer
State Official(s): Peter Hess Federal Official(s): None
Weather Conditions: Sunny / Warm; temperature in forties, Fahrenheit
Type of Mining Activity: Underground XXX Surface ___ Prep Plant ___ Other ____
Existing Acreage: Permitted 3336.18 Disturbed 37.17 Regraded ____ Seeded ____
Status: Active XXX

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 N/A.
   b. For partial inspections check only the elements evaluated.
2. Document any noncompliance situation by referencing 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, Division Orders, and amendments.

		EVALUATED	N/A	COMMENTS	NOV/ENF
1.	PERMITS, CHANGE, TRANSFER, RENEWAL, SALE	[X]	[ ]	[X]	[ ]
2.	SIGNS AND MARKERS	[X]	[ ]	[ ]	[ ]
3.	TOPSOIL	[X]	[ ]	[ ]	[ ]
4.	HYDROLOGIC BALANCE:				
a.	DIVERSIONS	[X]	[ ]	[X]	[ ]
b.	SEDIMENT PONDS AND IMPOUNDMENTS	[X]	[ ]	[X]	[ ]
c.	OTHER SEDIMENT CONTROL MEASURES	[X]	[ ]	[X]	[ ]
d.	WATER MONITORING	[X]	[ ]	[X]	[ ]
e.	EFFLUENT LIMITATIONS	[X]	[ ]	[X]	[ ]
5.	EXPLOSIVES	[X]	[ ]	[X]	[ ]
6.	DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES	[ ]	[X]	[ ]	[ ]
7.	COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS	[ ]	[X]	[ ]	[ ]
8.	NONCOAL WASTE	[X]	[ ]	[X]	[ ]
9.	PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL ISSUES	[X]	[ ]	[X]	[ ]
10.	SLIDES AND OTHER DAMAGE	[ ]	[X]	[ ]	[ ]
11.	CONTEMPORANEOUS RECLAMATION	[X]	[ ]	[X]	[ ]
12.	BACKFILLING AND GRADING	[X]	[ ]	[ ]	[ ]
13.	REVEGETATION	[X]	[ ]	[ ]	[ ]
14.	SUBSIDENCE CONTROL	[X]	[ ]	[X]	[ ]
15.	CESSATION OF OPERATIONS	[X]	[ ]	[X]	[ ]
16.	ROADS:				
a.	CONSTRUCTION/MAINTENANCE/SURFACING	[X]	[ ]	[X]	[ ]
b.	DRAINAGE CONTROLS	[X]	[ ]	[X]	[ ]
17.	OTHER TRANSPORTATION FACILITIES	[X]	[ ]	[ ]	[ ]
18.	SUPPORT FACILITIES/UTILITY INSTALLATIONS	[X]	[ ]	[X]	[ ]
19.	AVS CHECK (4th Quarter- April, May, June)	[X]	[ ]	[ ]	[ ]
20.	AIR QUALITY PERMIT	[X]	[ ]	[ ]	[ ]
21.	BONDING & INSURANCE	[X]	[ ]	[X]	[ ]

(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE

The currently approved Utah permit includes three conditions; the first is that Federal mine plan approval is required prior to the initiation of coal extraction activities in leases designated as U-038727 and U-0020668. Federal mine plan approval was received from the Department of Interior, Office of Surface Mining, on February 2, 2002.

The second permit condition is that the permittee must submit water-monitoring information to the Division's electronic database. This has been, and continues to be, accomplished on a quarterly basis.

The third permit condition is that the pumping of mine water to the old mine workings north of Big Bear and Birch Spring will be controlled and monitored as stipulated by the Division with revision of that procedure only as directed by the Division and with the prior approval of the Division. According to Mr. Reynolds, the permittee drilled an in-mine borehole between the Blind Canyon and the Hiawatha seams in July of 2002 to drain that water into the lower seam such that it could be used. Thus, the requirement that the permittee must control and monitor that volume is no longer necessary and the permit condition has been satisfied.

4A. HYDROLOGIC BALANCE: DIVERSIONS

The under road culvert designated as C-15U is showing signs of deterioration in that the black plastic flex pipe which routes the flow over BTCA "K" (See Plate 7-1E) is beginning to pull away from the discharge end of the galvanized corrugated metal pipe. Mr. Reynolds made note of this. A machine similar to a trackhoe is necessary to reach over the outslope in order to pull the flex pipe up the slope such that it can be re-attached.

The discharge end of the culvert designated as C-5D (See Plate 7-1C) has been crushed down by a wheeled vehicle probably making too tight of a turn coming out of the maintenance shop. Flow is not completely stopped, but the culvert is not capable of meeting the design event. Mr. Reynolds agreed to have the culvert repaired.

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The permittee conducted the fourth quarter and annual impoundment inspections and certifications for the site's three operating impoundments on December 23, 2002. Mr. Miles Stephens is the permittee's qualified person performing the impoundment inspections; Mr. Charles Reynolds, Utah registered professional engineer certified the inspection reports according to protocol established by the Utah Department of Commerce, Division of Occupational and Professional Licensing.

The following was noted during the review of the impoundment inspection reports:

a) Sediment pond "C" (treats runoff from the bath house pad) showed no signs of instability or other hazardous conditions. The elevation of the 60% sediment level has been established at 7,030.3 feet. The elevation of the sediment in the pond has been reported at 7, 029 feet.

b) Sediment pond "B" inspection report indicated that the impounding embankment appeared sound with no signs of structural instability. This pond was in the process of being cleaned until freezing temperatures became prevalent. Cleanout of the pond will be completed when

the material dries sufficiently to be handled. The 60% sediment cleanout elevation in pond "B" is 7,062.9 feet.

During today's field inspection, an old tire was observed in this pond; the permittee was directed to remove the tire and properly dispose of same.

c) Sediment pond "A": the inspection of this impoundment did not note any signs of instability or other hazardous conditions. The existing sediment level in pond "A" was determined to be 7,083 feet; the sixty percent cleanout elevation for pond "A" has been established to be 7,086 feet. It should be noted that the size of the sediment deposition in the delta at the base of the inlet ditch is quite large, and the method that was used to determine the amount of sediment capacity remaining is not clearly specified in the certification of this impoundment. Although the pond was last cleaned in August of 2000, same receives wash down water/coal fines from conveyors and the maintenance shop, in addition to storm water runoff.

A fourth sediment pond is permitted at the site, and is the sediment containment for the #3 mine portal pad area. To date, only a small basin has been developed to control runoff from the portal pad area. Mr. Charles Reynolds indicated that the construction to complete pond "D" will be initiated the week of March 17. The regulation requiring inspections of this "to be constructed" impoundment (R645-301-514.311) during the construction process was discussed with Mr. Reynolds. Although the storage capacity for the 10 year 24 hour event for pond "D" is 4,125 cubic feet (total volume, water and sediment) the approved design will, when implemented, be rated for 7,724 cubic feet. Thus, an excess storage volume of 3,600 cubic feet will be available if the approved design is implemented. It was pointed out to the permittee that if it is the intent of the permittee to use pond "D" as a combination sediment/mine water treatment pond, then same must be permitted through the Division prior to treating mine water through the pond "D" structure.

4C. HYDROLOGIC BALANCE: OTHER SEDIMENT CONTROL MEASURES

The silt fences that the permittee has installed at the top of the eastern embankment of the Bear Creek channel beneath the #3 mine overland conveyor are capable of functioning, but lack structural integrity. The fabric has merely been stapled to 1" x 1" oak stakes and there is no means of support for the fabric between the stakes allowing it to sag. As the fences will be the only means of sediment control until vegetation is established within the alternate sediment control area, it is recommended that the permittee evaluate the installation to make them more sound, or increase the inspection frequency of the fences in order to prevent a compliance issue.

The Bear Canyon mining disturbance incorporates twenty alternate sediment control areas that include three catch basins in the Wild Horse Ridge area. Two of the catch basins provide sediment control along the #3 mine primary access road and conveyor. A third catch basin will be implemented to provide the sediment control for the Wild Horse Ridge #4 Mine (Tank seam) portal pad area. A review of the newly formatted mining and reclamation plan (under review within the Division as of January 27, 2003, and pending approval) for the Bear Canyon site (See Appendix 7K) includes water shed and runoff data used to design the two basins, (See page 7K-23, 24, 25). The pending plan commits the permittee to inspect the basins "at least quarterly for stability, erosion, and capacity". **It is recommended that the permittee develop an inspection report form for the catch basins, such that the quarterly inspections can be documented in order to prevent a potential compliance situation.**

4D. HYDROLOGIC BALANCE: WATER MONITORING

The permittee conducted the required surface and ground water monitoring for the site for the fourth quarter of 2002 during the month of October. A review of the permittee's field notes and laboratory analyses revealed that many of the monitoring sites were frozen at that time. All monitoring sites that were sampled had results showing cation/anion balances within the acceptable error range. There were no abnormalities noted with the data that was reviewed.

Discharge monitoring reports for the months of December 2002 and January and February of 2003 were reviewed for compliance and timely submittal. UPDES point 004A, which is the mine water discharge point to Bear Creek, is the only outfall which discharges on a regular basis. None of the Sediment ponds were noted as discharging during the three-month period.

The permittee has completed the first quarter of 2003 surface and ground water monitoring requirements with the exception of wells SDH-2, SDH-3, MW-114 and MW-117. The submitted information is in the "pipeline" and is awaiting the permittee's approval to upload same into the Division's data base.

The aforementioned wells were not monitored by the permittee during 2002, due to missing plumbing, which resulted in the issuance of N03-40-1-1 on February 11, 2003. Mark Reynolds indicated during today's inspection that the permittee has received the necessary fittings to repair the wells. He also indicated that weather conditions to access the area might be such that an extension request beyond the May 12, 2003 abatement deadline may be necessary.

4E. HYDROLOGIC BALANCE: EFFLUENT LIMITATIONS

The noncompliance reporting requirements of the permittee's UPDES permit were discussed this day with Mr. Mark Reynolds and Ms. Sarah Stroud. The permittee had recently received analytical results for a sample taken from the UPDES outfall 004A (Bear Canyon mine water discharge) showing a total iron level in excess of 2 mg/l. The 24-hour noncompliance verbal reporting requirement and the five day written notice requirement to the Utah Division of Water Quality was discussed with both individuals. It was suggested that the permittee document the verbal notifications and set up a letter file to retain the written notification information for future inspection purposes.

5. EXPLOSIVES

The permittee conducted several surface shots at the site relative to the Wild Horse Ridge construction. Shots were made during September, October, and November of 2002, with 11/22/2002 being the date of the last surface shot. All shots made were relative to boulder size reduction. Mr. Kevin Petersen, Utah certificate #196, is the Utah certified coal mine surface blaster. That certification remains in affect until January 31, 2005. Blasting records were reviewed and appeared to be in good order.

8. NONCOAL WASTE

As noted under paragraph 4B, a derelict vehicle tire was observed in sediment pond "B" during the field inspection of that facility. Several other items were observed relative to noncoal waste. These include the following:

1) Numerous truck parts including severed roofs, doors, hoods, differentials, etc., from 1973 to 1987 Chevrolet and GMC trucks were observed in the vicinity of the shop area. The permittee formerly used this type of diesel-powered vehicle for underground transportation. New diesel regulations published by the Mine Safety and Health Administration has outlawed the use of diesel engines of that type in underground mines. Thus, the permittee should not have any use for the body/mechanical parts previously mentioned and should remove them from the property. The storage yard adjacent to the maintenance shop is quite congested and the space generated by removing the unusable parts could be put to better use.

2) The area behind the scale house adjacent to the Bear Creek flow was observed to contain several items of noncoal waste that should not be in a "stream buffer zone". Mr. Mark Reynolds removed the items upon observance.

9. PROTECTION OF FISH, WILDLIFE, AND RELATED ENVIRONMENTAL VALUES

The permittee's spill prevention control and counter measure plan was last certified by Mr. Charles Reynolds, Utah registered professional engineer in August of 2000. That plan will be due for re-certification this year.

As observed this day, Bear Creek was flowing, with that volume appearing to be extremely high in suspended solids from undisturbed collection outside of the permit area.

11. CONTEMPORANEOUS RECLAMATION

The permittee has recently reclaimed the portal area associated with the Bear Canyon #2 Mine (Tank seam). Backfilling and grading as well as topsoiling have occurred. Three portals and a coal transfer raise were filled in the process. Erosion control matting has been anchored over the reseeded area. Pictures of the area can be viewed in the "O"drive\015/025\Images\3112003tankseam.

14. SUBSIDENCE CONTROL

The permittee had the annual subsidence-monitoring flyover conducted by Olympus Aerial surveys during the month of October. Photographs of that survey were received by the permittee on October 30, 2002. The permittee is still evaluating the calculations, which will be submitted as part of the 2002 annual report.

15. CESSATION OF OPERATIONS

All coal extraction activities have ceased in the #1 Mine, Hiawatha seam. A small crew continues to work underground to remove conveyor structure and miscellaneous items.

16A. ROADS: CONSTRUCTION/MAINTENANCE/SURFACING

The roads associated with the shop, tipple area, and the #1/#2 mines needed watering. The primary road leading to the #3 mine was still receiving snowmelt runoff and was in poor condition. The permittee had attempted to improve the road conditions with a grader, to no avail. It is the permittee's intent to grade the road, and gravel it when moisture conditions improve. The right fork of Bear Canyon receives only brief period of sunshine during this time of year. Most of the snow in the area has melted off, but snow in the right fork area has not had the opportunity to thaw until the recent temperatures of the past week prevailed. Also, the road conditions have not been helped by the problems associated with the fresh water line/mine water discharge line. As noted in the February report, several areas of that buried installation became blocked, requiring new exposures in order for repairs to be made. Water draining from the broken line was absorbed by the road surface along much of its length.

16B. ROADS: DRAINAGE CONTROLS

The drainage control ditches along the access roads to the #1 and #2 Mines had recently been redefined by the permittee. All snow had melted from this area prior to today's inspection.

18. SUPPORT FACILITIES/UTILITY INSTALLATIONS

The construction of a pump house to provide volume/pressure to the #3 mine is occurring. The area of the installation is depicted as a storage area on Plate 7-1C and is located directly north of the lump coal storage bin.

21. BONDING AND INSURANCE

The current general liability insurance provides effective coverage for the permittee through January 1, 2004. An aggregate amount of $2,000,000 is provided for bodily injury and property damage; $1,000,000 is the amount of provided coverage for each occurrence. The requirements of R645-301-890.100 are being met. Coverage for damage incurred from the use of explosives is also provided.

Inspector's Signature: /S/ Date: March 18, 2003
Peter Hess #46

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

cc: James Fulton, OSM
Wendell Owen, Co-Op Mining
Price Field office
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