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State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

Representatives Present During the Inspection:	
OGM	Priscilla Burton Environmental Scientist III
Company	David Shaver Manager

Inspection Report

Permit Number:	C0150032
Inspection Type:	TECHNICAL
Inspection Date:	Thursday, October 11, 2007
Start Date/Time:	10/11/2007 9:30:00 AM
End Date/Time:	10/15/2007 6:30:00 PM
Last Inspection:	Thursday, October 04, 2007

Inspector: Priscilla Burton, Environmental Scientist III

Weather: cloudy, 28 F to sunny 60 F

InspectionID Report Number: 1441

Accepted by: dhaddock
11/2/2007

Permitee: **GENWAL RESOURCES INC**
 Operator: **GENWAL RESOURCES INC**
 Site: **CRANDALL CANYON MINE**
 Address: **PO BOX 1077, PRICE UT 84501**
 County: **EMERY**
 Permit Type: **PERMANENT COAL PROGRAM**
 Permit Status: **ACTIVE**

Current Acreages

6,235.80	Total Permitted
10.70	Total Disturbed
	Phase I
	Phase II
	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:

Observed Lang Drillers closure of the emergency drill holes. Drill holes are located in T 16 S R 6 E Sec 2 and north into T15 S R 6 E Sec 35. The location is found on the Rilda Canyon Utah U.S.G.S. Quad Map. SCAMP Excavation crew was on site each day. Kerry Ziewlinski (SITLA) was on site October 11 & 12. Scott Chamberlain was on site October 12. Adam Robison (SITLA) was present on October 13, 14 and 15. Shane Campbell and Dave Shaver were on site in the afternoons of October 12 & 15. Paul Brider, Boart Longyear was on site October 15.

Inspector's Signature

Priscilla Burton, Environmental Scientist III

Inspector ID Number: 37

Date

Monday, October 22, 2007

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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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, Division Orders, and amendments.

	Evaluated	Not Applicable	Comment	Enforcement
1. Permits, Change, Transfer, Renewal, Sale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Signs and Markers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Topsoil	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.a Hydrologic Balance: Diversions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.b Hydrologic Balance: Sediment Ponds and Impoundments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.c Hydrologic Balance: Other Sediment Control Measures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.d Hydrologic Balance: Water Monitoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.e Hydrologic Balance: Effluent Limitations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Explosives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Disposal of Excess Spoil, Fills, Benches	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Coal Mine Waste, Refuse Piles, Impoundments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Noncoal Waste	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Protection of Fish, Wildlife and Related Environmental Issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Slides and Other Damage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Contemporaneous Reclamation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Backfilling And Grading	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
13. Revegetation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Subsidence Control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Cessation of Operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.a Roads: Construction, Maintenance, Surfacing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.b Roads: Drainage Controls	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17. Other Transportation Facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. Support Facilities, Utility Installations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19. AVS Check	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. Air Quality Permit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21. Bonding and Insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22. Other	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

12. Backfilling And Grading

Pad 3 had been graded and roughened, but not seeded. Monday, October 15, Pad #4 was being worked by Adam on the D-9 dozer and SCAMP crew on Daewoo 420 LCV and CAT 350 L trackhoes. The road down to pad three is open for seeding purposes. Progression of the reclamation was discussed with SITLA representatives, Dave Shaver, and Shane Campbell on October 11, 12, and 15. SITLA has been taking an active role in directing the SCAMP crew and this arrangement will continue as it is agreeable with Shane Campbell and Dave Shaver.

16.b Roads: Drainage Controls

Sediment control is not in place along roads. Excelsior logs and wood straw bales were brought to the site on Monday 10/15.

22. Other

The Drillhole Plugging Plan (dated 9/26/2007) was submitted to both SITLA and BLM for approval. Copies of the BLM approval (dated 9/28/2007) and the SITLA approval (by email dated 9/27/2007) are in the Division files. DOGM internal review of the plugging plan is dated 10/1/2007 and an email approval to the company is dated 10/2/2007. Gamma logs of Holes #2 and #3 were delivered to the BLM and DOGM on 10/1/2007.

The objective of the hole plugging was to protect ground and surface water (email from Tom Lloyd 9/19/2007 and from Mary Ann Wright (9/27/2007)). The gamma logs provide lithology, but do not indicate water layers. The Crandall Canyon MRP indicates that the major aquifer lies just above the coal seam in the west side of the permitted lease area, in the Starpoint Sandstone and the North Horn formation contains perched aquifers (email from Dana Dean 10/2/2007). Plate 7-13 of the MRP shows the potentiometric surface of the Spring Canyon Member of the Star Point Sandstone in the vicinity of the drill pads at 8,100 ft. elevation. Plate 7-14 indicates that there are no groundwater rights filed in T 16 S R 6 E Section 2. Plate 7-15 indicates surface water rights, none of which are located in the vicinity of the drill holes. Seep and Spring locations are shown on Plate 7-12 of the MRP. One spring, SP1-53 is south of the drill holes. Surface water drains to Indian Creek outside of the permit area, location shown on MRP Plate 7-16.

Plate 6-1 is the geologic map showing the surface lithology in the permit area. The Deer Creek MRP Dwg #MFU1829D is complimentary to Plate 6-1 and provides a cross section view through East Mountain with the North Horn formation forming the peak at 10,443 ft. The Upper Price River Formation is exposed at 9,900 ft. elevation. The Castlegate Sandstone is expressed at 9,400 ft. elevation. The Blackhawk formation exposed at 9,000 ft. elevation just above the alluvium that forms Indian Creek.

The Plugging Plan details the collar elevations of each hole. Four holes are collared in the North Horn formation: Holes #1 and #2 are at 10,148 ft., Hole #5 is located at 10,318 ft., Hole #7 is located at 10,143 ft. Two holes are collared in the Upper Price River Formation: Holes #3 and #4 are at 9,656 and 9,976 ft, respectively. A seep intercepted by construction of the access road just above pad #4, may correspond with the contact of the North Horn and the Upper Price River Formation. Water from this seep has been directed off the road and is vertically and horizontally distant from Hole #4.

Holes were plugged over the course of four days beginning 10/11/2007. I observed the closure of holes #5, 1, 2, and 6 on SITLA surface and hole #7 on federal surface. Holes # 3 & 4 into federal coal were closed on October 13 and were observed by Sue Wiler, BLM.

Lang Drillers/Boart Longyear out of SLC was on site with a crew of three, a crane, a 400 gallon water tank, a cement mixer, trim pipe, pallets of Western Bentonite

(abandonite) and Hole Plug (sodium bentonite), 10 large bags Quickcrete (2,500 pound each); and bags of sodium chloride.

The plugging was carried out according to plan, specifically items #2, #3 and #4 on pages 3 of the Plugging Plan. It is notable that existing casings were installed to 25 ft., not 50 ft. as described on the first two pages of the Plugging Plan.

October 12

Hole #5: Trim pipe was lowered into the hole until it hit an obstruction that could not be forced down by the weight of the trim pipe and the action of the crane. The plugging depth was 435 ft (from the collar elevation down to 9,983 ft elevation, into the Upper Price River Formation). The hole was first plugged with Hole Plug, then Western Bentonite (abandonite). In a slight deviation from the plan, the trim pipe was "tripped out" of the hole 120 ft. at a time (longer than the 60 - 80 ft. described by plan). (The reason for this action was discussed with the contractor.) Then Quickcrete was added. The weight of the cement lowered the column, so 12 more bags of Hole Plug were added. The hole was finished off 10 ft below the surface with Quickcrete (approximately 30 ft). The hole was finished below grade to allow for reclamation of the site.

October 13, Sue Wiler observed plugging of Holes #3 and #4.

October 14:

Hole #6:

Trim pipe was lowered to determine depth to an obstruction. The plugging depth was 236 ft. (from the collar elevation down to 9,815 ft elevation, into the Upper Price River Formation). Hole Plug and Western Bentonite were placed in the hole followed by 46 ft. of Quickcrete.

Hole #7:

Trim pipe was lowered down the hole by crane, but could not get past 45 ft. (from the collar elevation down to 10,098 ft elevation, still in the North Horn Formation). A rubber plug was placed in the hole followed by approximately four feet of Hole Plug and 40 feet of Quickcrete. The hole was completed to about 2 ft. below the surface, for grading purposes.

Hole #1

12 bags of Hole plug was poured into this 2 inch diameter hole. It was calculated that each 50 lb bag of Hole Plug would fill 36 ft. of the 2 inch diameter hole. Thus, a 400 ft. plug was installed (from the collar down to 9,748 ft. elevation in the Upper Price River Formation) .

Hole #2

A wire line and counter was used to find the bottom of this cased hole. The depth of the hole was 1,883 ft. Fiberglass stand pipe was lowered into the hole, followed by a rubber plug. The rubber plug got stuck in the casing about four feet below the surface. A considerable effort was made to remove the stuck plug before using the

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Inspection Continuation Sheet

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trim pipe to force the plug downwards to the bottom of the hole. The hole was plugged to a depth of 1,200 ft. with Hole Plug, Western Bentonite and Quickcrete on Sunday. The hole was finished to approximately 1 ft. below the surface on Monday 10/15. A 45 - 50 ft. plug of Quickcrete tops the hole. The Hole was plugged from the collar down to 8,265 ft. elevation into the Blackhawk Formation. The Boart Longyear crew's boss, Paul Brider was on site October 15. We discussed the depth of the plugging and the movement of the mountain over the two months since he had drilled the holes.

Well Abandonment Reports were received from Boart Longyear via email on 10/31/2007.