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# State of Utah

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor  
Kathleen Clarke  
Executive Director  
Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145801  
Salt Lake City, Utah 84114-5801  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

## INSPECTION REPORT

Partial \_\_\_ Complete XXX Exploration \_\_\_  
Inspection Date: 06/05/2002 / Time: 09:00 AM-02:30PM  
Date of Last Inspection: 04/24/2002

Mine Name: Savage Coal Terminal County: Carbon Permit Number: C/007/022  
Permittee and/or Operator's Name: Savage Industries, Inc.  
Business Address: 5250 South 300 West, Suite 200, SLC, UT 84107/PO Box 587, Wellington, UT 84542  
Company Official(s): Dan Guy, Boyd Rhodes  
State Official(s): Joe Helfrich Federal Official(s): None  
Weather Conditions: Sunny, 70  
Type of Mining Activity: Underground Surface XXX Prep Plant \_\_\_ Other \_\_\_  
Existing Acreage: Permitted 160 Disturbed 122 Regraded \_\_\_ Seeded \_\_\_  
Status: Active XXX

### REVIEW OF PERMIT, PERFORMANCE STANDARDS & PERMIT CONDITION REQUIREMENTS

- Substantiate the elements on this inspection by checking the appropriate performance standard.
  - 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.
  - For partial inspections check only the elements evaluated.
- Document any noncompliance situation by referencing the NOV issued at the appropriate performance standard listed below.
- Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
- 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	<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 checked="" type="checkbox"/>	<input type="checkbox"/>
4. HYDROLOGIC BALANCE:	<input checked="" type="checkbox"/>			
a. DIVERSIONS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. SEDIMENT PONDS AND IMPOUNDMENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c. OTHER SEDIMENT CONTROL MEASURES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. WATER MONITORING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e. EFFLUENT LIMITATIONS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. EXPLOSIVES	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES	<input type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>
10. SLIDES AND OTHER DAMAGE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. CONTEMPORANEOUS RECLAMATION	<input type="checkbox"/>	<input checked="" 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. ROADS:				
a. CONSTRUCTION/MAINTENANCE/SURFACING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. 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 (4 <sup>th</sup> Quarter- April, May, June)	<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 type="checkbox"/>	<input type="checkbox"/>
21. BONDING & INSURANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**INSPECTION REPORT**  
(Continuation Sheet)

PERMIT NUMBER: C/007/022

DATE OF INSPECTION: 06/05/2002

(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

**1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE**

The permit was renewed August 7, 1999. The current information on file indicates that the TA and CHIA were last updated August 7, 1989. The midterm review for the coal loadout facility was completed May 23, 2002. A response to the two midterm deficiencies is due on June 25, 2002.

**2. SIGNS AND MARKERS**

Permit entry signs were visible at all points of entry to the permit area.

**3. TOPSOIL**

The drainage control berms at the base of each topsoil pile were in good repair and functioning as designed.

**4A. HYDROLOGIC BALANCE: DIVERSIONS**

The ditches and diversions in and adjacent to the disturbed area were in good repair and were functioning properly.

**4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS**

First quarter pond inspections were conducted on March 25, 2002 for ponds 1, 2, 3, 4, 5, and 6. The ponds were in good repair. Ponds 5 and 6 did contain some water at the time of this inspection.

**4D. HYDROLOGIC BALANCE: WATER MONITORING**

DMR's for the pond discharge (site CV-15W) were reported as no discharge for the months of January, February, March, and April 2002. Bi-annual Data for sites 1 and 14 are usually provided in July as they are sampled sometime in June.

**7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS**

The refuse pile was inspected on March 25, 2002. As of the date of this inspection, material was being transported to the Co-Generation facility. The remaining portion of the pile is properly bermed and graded.

**INSPECTION REPORT**  
(Continuation Sheet)

PERMIT NUMBER: C/007/022

DATE OF INSPECTION: 06/05/2002

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

There are a number of power line poles in the yard and outlying areas that are raptor proof. Additional work needs to be completed on several of the poles or determine if they are no longer carrying power. Several new poles have recently been installed in the central area of the main yard.

**16A. ROADS: CONSTRUCTION/MAINTENANCE/SURFACING**

The roads and associated ditches were in good repair and were functioning properly.

**21. BONDING AND INSURANCE**

Liability insurance is carried by Marsh USA and is in effect through April 1, 2003. In a letter to the Division dated April 2, 2002, the company stated that they would not amend the language in the cancellation portion of the certificate in order to satisfy the requirements of the regulations. A copy of that letter is provided with this report. By way of correspondence to Jim Jensen from Pam Grubaugh-Littig dated June 6, 2002, the Division has requested Savage Industries Inc. to provide a rider that meets the requirements of R645-301-890.300 by July 8, 2002. A copy of that letter is also provided.

National Fire Insurance Co. of Hartford carries the reclamation bond in the amount of \$2,525,000.

Inspector's Signature:   
Joseph C. Helfrich #1

Date: June 7, 2002

**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  
James Jensen, Savage  
Boyd Rhodes, Savage  
Dan Guy, Blackhawk Engineering  
Price Field office  
O:\007022.SAV\Compliance\2002\C\_0605.doc

Chris Brimhall

Marsh USA Risk & Insurance Services  
60 East South Temple, Suite 1600  
Salt Lake City, Utah 84111  
801-539-7413 Fax: 801-539-7427  
chris.brimhall@marsh.com

*Pam*

April 2, 2002

*Send letter*

RECEIVED

APR 04 2002

DIVISION OF  
OIL, GAS AND MINING

**MARSH**  
An **MMC** Company

Ms. Pam Littig  
State of Utah  
Division of Oil, Gas & Mining  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

**RE: The Savage Companies Certificate of Insurance**

Dear Pam,

In regards to the issuance of Certificates of Insurance on The Savage Companies and your request to have the cancellation clause wording amended, it is no longer the standard practice in the insurance industry to make such amendments.

I did ask the underwriter at United States Fidelity & Guaranty for his response to your request, at which time he indicated that in following underwriting guidelines the crossed out wording is no longer allowed.

We have found that very few certificate holders require the cancellation amendment any longer and hope that you will accept our response at this time.

Sincerely,

*Chris*

Chris Brimhall  
Client Representative

cc: Scott Conrad, USF&G

*Copy Certificate to Green  
Copy letter to  
Copy incoming  
4/007/022*

*Copy Certificate to Green  
Binders*

*8205  
PFO*

*Copy all to  
PAM*

RECEIVED

APR 13 2002

DIVISION OF  
OIL, GAS AND MINING

# CERTIFICATE OF INSURANCE

CERTIFICATE NUMBER  
0010001-00544

<b>PRODUCER</b> Marsh USA Risk & Ins Svcs Inc. 60 East South Temple Suite 1600 Salt Lake City, UT 84111  Chris Brimhall                      801-539-7413	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER OTHER THAN THOSE PROVIDED IN THE POLICY. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES DESCRIBED HEREIN.
<b>COMPANIES AFFORDING COVERAGE</b>	
COMPANY <b>A UNITED STATES FID &amp; GUARANTY</b>	
COMPANY <b>B FIDELITY &amp; GUARANTY INS. CO.</b>	
COMPANY <b>C</b>	
COMPANY <b>D</b>	

<b>INSURED</b> THE SAVAGE COMPANIES ATTN: DEAN REES 5250 SO. COMMERCE DR. #200 SALT LAKE CITY, UT 84107	
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**COVERAGES**

THIS IS TO CERTIFY THAT POLICIES OF INSURANCE DESCRIBED HEREIN HAVE BEEN ISSUED TO THE INSURED NAMED HEREIN FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, CONDITIONS AND EXCLUSIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	<b>GENERAL LIABILITY</b>	DRE2257500	4/01/00	4/01/03	GENERAL AGGREGATE \$ 5,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				PRODUCTS - COMP/OP AGG \$ 5,000,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				PERSONAL & ADV INJURY \$ 5,000,000
	<input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT				EACH OCCURRENCE \$ 5,000,000
					FIRE DAMAGE (Any one fire) \$ 5,000,000
					MED EXP (Any one person) \$
A	<b>AUTOMOBILE LIABILITY</b>	DRE2257200	4/01/00	4/01/03	COMBINED SINGLE LIMIT \$ 5,000,000
	<input checked="" type="checkbox"/> ANY AUTO				BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident) \$
	<input type="checkbox"/> SCHEDULED AUTOS				PROPERTY DAMAGE \$
	<input checked="" type="checkbox"/> HIRED AUTOS				
	<input checked="" type="checkbox"/> NON-OWNED AUTOS				
	<b>GARAGE LIABILITY</b>				AUTO ONLY - EA ACCIDENT \$
	<input type="checkbox"/> ANY AUTO				OTHER THAN AUTO ONLY: \$
					EACH ACCIDENT \$
					AGGREGATE \$
	<b>EXCESS LIABILITY</b>				EACH OCCURRENCE \$
	<input type="checkbox"/> UMBRELLA FORM				AGGREGATE \$
	<input type="checkbox"/> OTHER THAN UMBRELLA FORM				\$
B	<b>WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY</b>	D003W00068	4/01/02	4/01/03	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER
	THE PROPRIETOR/PARTNERS/EXECUTIVE OFFICERS ARE: <input type="checkbox"/> INCL <input type="checkbox"/> EXCL				EL EACH ACCIDENT \$ 1,000,000
					EL DISEASE - POLICY LIMIT \$ 1,000,000
					EL DISEASE - EA EMPLOYEE \$ 1,000,000
	<b>OTHER</b>				

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / SPECIAL ITEMS**  
 XCU COVERAGES ARE INCLUDED IN THE POLICY FORM. RE: SAVAGE COAL TERMINAL PROCESS AND LOADOUT FACILITY ACT/007/022.

<b>CERTIFICATE HOLDER</b>  STATE OF UT. DIVISION OF OIL, GAS & MINING ATTN: PAM LITTIG PO BOX 145801 SALT LAKE CITY, UT 84114-5801	<b>CANCELLATION</b> SHOULD ANY OF THE POLICIES DESCRIBED HEREIN BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE INSURER AFFORDING COVERAGE WILL ENDEAVOR TO MAIL <u>30</u> * DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED HEREIN, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER AFFORDING COVERAGE, ITS AGENTS OR REPRESENTATIVES.  Marsh USA Risk & Ins Svcs Inc. BY: <i>Chris Brimhall</i>
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JHMM1 (2/98)                      VALID AS OF: 4/01/02

(\* 10 DAYS FOR NON-PAYMENT)



State of Utah  
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801-538-7223 (TDD)

June 6, 2002

James T. Jensen, Vice President  
Savage Industries, Inc.  
5250 South 300 West, Suite 200  
Salt Lake City, Utah 84107

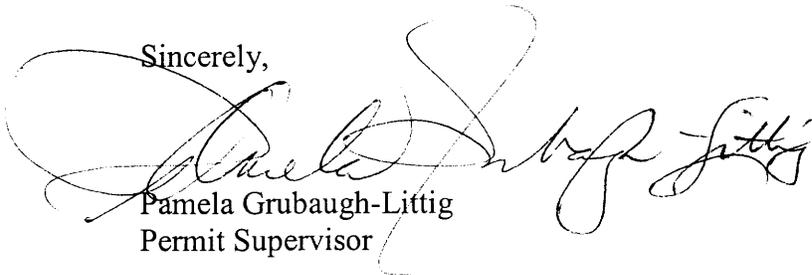
Re: Certificate of Insurance – Rider Needed, Savage Coal Company, Savage Terminal, C/007/022, Outgoing File

Dear Mr. Jensen:

The Division received a letter from Marsh USA on April 2, 2002 about the Savage Terminal public liability insurance. This letter stated that crossing out wording in the "cancellation clause" is no longer a standard practice in the insurance industry. Requirements of R645-301-890.300 remain, "The policy will include a rider requiring that the insurer notify the Division whenever substantive changes are made in the policy including any termination or failure to renew."

Please submit a rider to the public liability insurance policy that meets the requirements of R645-301-890.300 by July 8, 2002. If you have any questions, please call me at 801-538-5268.

Sincerely,



Pamela Grubaugh-Littig  
Permit Supervisor

an  
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bcc: Joe Helfrich ✓