

Internal
C0070045

Inspection Report



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
OGM	Steve Demczak Environmental Scientist III

Permit Number:	C9999999
Inspection Type:	COURTESY
Inspection Date:	Wednesday, June 15, 2005
Start Date/Time:	6/15/2005 3:30:00 PM
End Date/Time:	6/15/2005 4:30:00 PM
Last Inspection:	

Inspector: Priscilla Burton, Environmental Scientist III

Weather: overcast, windy 79 F

InspectionID Report Number: 639

Accepted by: whedberg
7/7/2005

Permittee:
Operator:
Site: **SPECIAL PROJECT**
Address: ,
County: **OTHER**
Permit Type:
Permit Status:

Current Acreages	
	Total Permitted
	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:

This site visit was conducted as a follow-up to the Division letter dated September 13, 2004 from Mary Ann Wright to Mr. Layne Ashton, Covol Engineered Fuels. The letter indicated that a Division inspection would be conducted prior to making a final determination concerning the appropriateness of SMCRA regulation of the site.

Inspector's Signature Priscilla Burton Date Friday, June 17, 2005
Priscilla Burton, Environmental Scientist III
Inspector ID Number: 37

Permit Number: C9999999
 Inspection Type: COURTESY
 Inspection Date: Wednesday, June 15, 2005

Inspection Continuation Sheet

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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 type="checkbox"/>	<input type="checkbox"/>	<input 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 type="checkbox"/>	<input type="checkbox"/>	<input 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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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"/>

1. Permits, Change, Transfer, Renewal, Sale

The office trailer on site identified the business as Terra Systems. Personnel on site were Jay Martin and Clayton Timothy, employees of Headwater Energy Services/Covol Engineered Fuels, LC. Steve Demczak and I represented the Division.

In April 2005, Terra Systems stockpiled coal on a previously undeveloped site, located at 1865 South Ridge Road, within Wellington City limits. This area is zoned for industrial development. The site is adjacent to Miller Creek, a tributary of the Price River. (Antelope were noticed on site.)

A license for the trailer/office was obtained from Wellington City two years ago, but a construction license has not yet been issued for the remainder of the site. Topsoil was removed from beneath the coal stockpile and is being utilized to form a berm around a catch basin. Site promoters intend to obtain an MSHA permit for the existing stockpile.

The decision to permit the site should take these facts into consideration:

1. The site will process mine waste from permitted sites and may return waste from the process to the permitted mine disposal site.
2. The site will process coal from permitted sites returning the coal to the permitted site for blending.
3. Stockpiling and processing coal from several permitted coal mine sites occurred at Savage Coal Co., a site on Ridge Road that is regulated under SMCRA, by the Division. Although the processing facilities at Savage have been dismantled and currently the site is used for stockpiling and blending custom coal mixtures for various mine sites, the site is still under a SMCRA permit. Customers have included: White Oak, West Ridge, PacificCorp, Dugout, Emery, Genwal, and SUFCO.
4. Stockpiling and crushing coal from various coal mine sites occurs at Wildcat Loadout, a site on Gordon Creek Road that is regulated under SMCRA, by the Division. Although the site originally was associated only with Centennial Mine, current customers include: Horizon, Skyline, White Oak, and Centennial.
5. An unpermitted site along Ridge Road is the RailCo site is owned by Co-Op Mining Co. At this site coal is unloaded from trucks and loaded onto railroad cars. No processing occurs.

The percentage ownership of Covol, Headwaters, and Terra Systems in the venture should be obtained by the Division.

The Pacificcorp tolling-fee contract information needs to be acquired and reviewed. Mr. Keith Thompson of Headwater Energy Services indicated that the tolling-fee information would be forthcoming (phone conversation on June 10, 2005).

7. Coal Mine Waste, Refuse Piles, Impoundments

Currently 27,080 Tons of coal are stockpiled on site. The coal is from Pacificorp. This stockpile is 30' high and is being stored until permits are acquired from DEQ, Air Quality, to allow processing of the coal. Although the current coal stockpile is from a single source, during a phone call on Friday, June 10, 2005, Mr. Keith Thompson of Headwaters indicated that a second contract is currently being negotiated. He further indicated that information on the Pacificorp's "tolling fee" would be forthcoming.

The stockpiled coal will be processed to improve the Btu value. Processing will include grinding, sizing, and differential settling based on density. The end product will be returned to PacificCorp. The Air Quality Order (DAQE-IN2952003-05) allows expansion of the site to 20 acres with a 1.5 MT annual throughput.

The following information is a summary of our discussion with Jay Martin during the site visit.

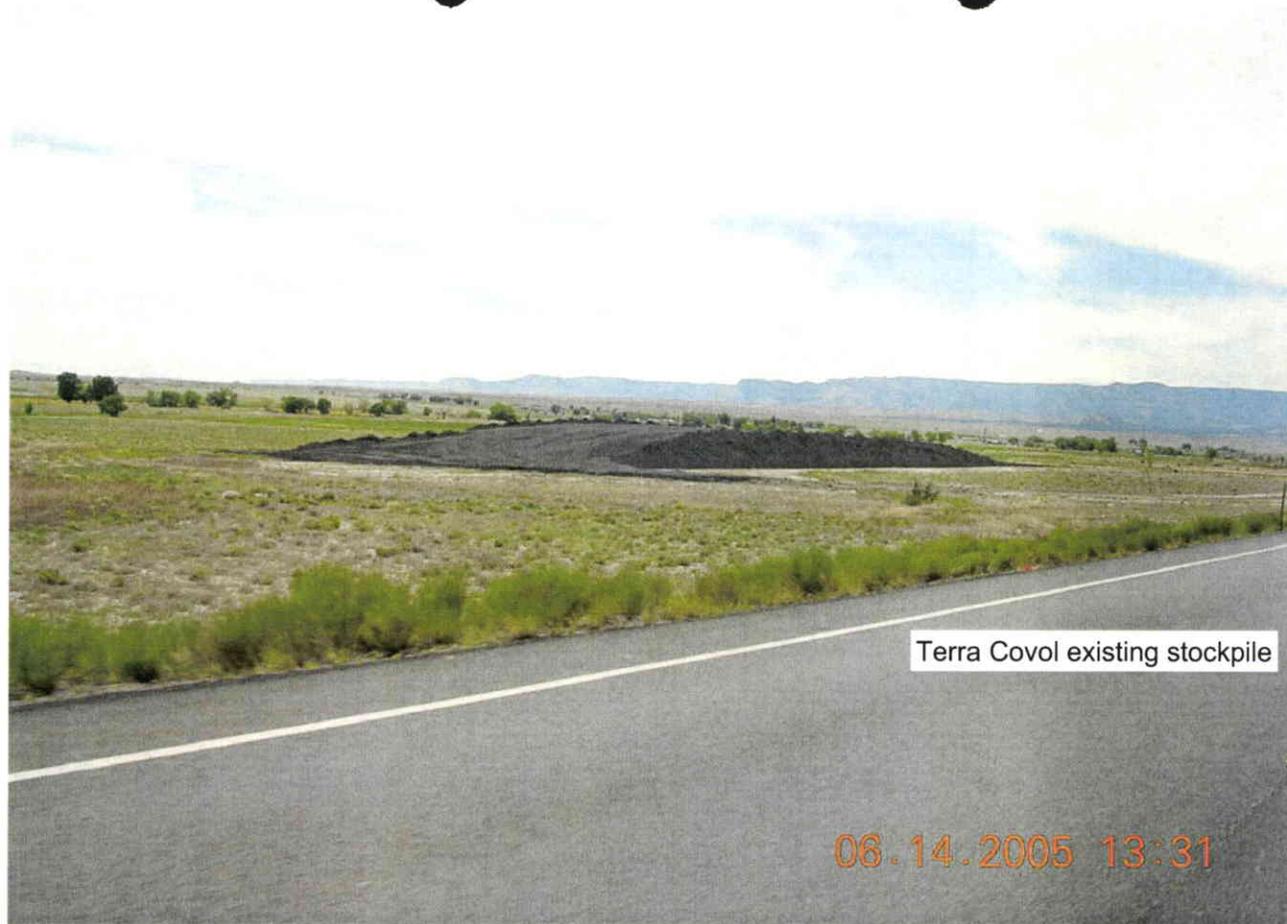
- Terra Systems has purchased the conveyors and hoppers etc from the Banning site.
- The stockpile will reach 50 ' high during operations and cover 2 acres.
- The processing will entail grinding, sorting, sizing, and differential settling based on density.
- The process increases the Btu value of the coal by removing moisture and eliminating sources of ash and in so doing removes sulfates and mercury from the end product. For instance, the process can reduce ash from 30% to 8%.
- Waste from the process will be high in ash, mercury, and sulfate.
- The waste remaining from the existing stockpile will be either sold as road base or fill or returned to the PacifiCorp waste stockpile.
- The processed coal will be returned to PacifiCorp for blending.
- An agreement with Arch Coal is anticipated that would allow for the waste coal currently stored at the Dugout Waste Rock site to be processed by Terra Systems. Mr. Martin indicated that the agreement was not yet firm. The final disposition of waste from Terra Systems processing of Dugout mine waste was not discussed. The product (the processed waste) would be returned to Dugout for blending purposes.
- Terra Systems will handle each mine's coal separately, calibrating the process to the coal from each site.

20. Air Quality Permit

Plans currently being reviewed by DEQ are for a 20-acre disturbance with 1.5 MT throughput. The DEQ, Intent to Approve document (DAQE-IN2952003-05) is nearing the end of the 30-day public comment period.

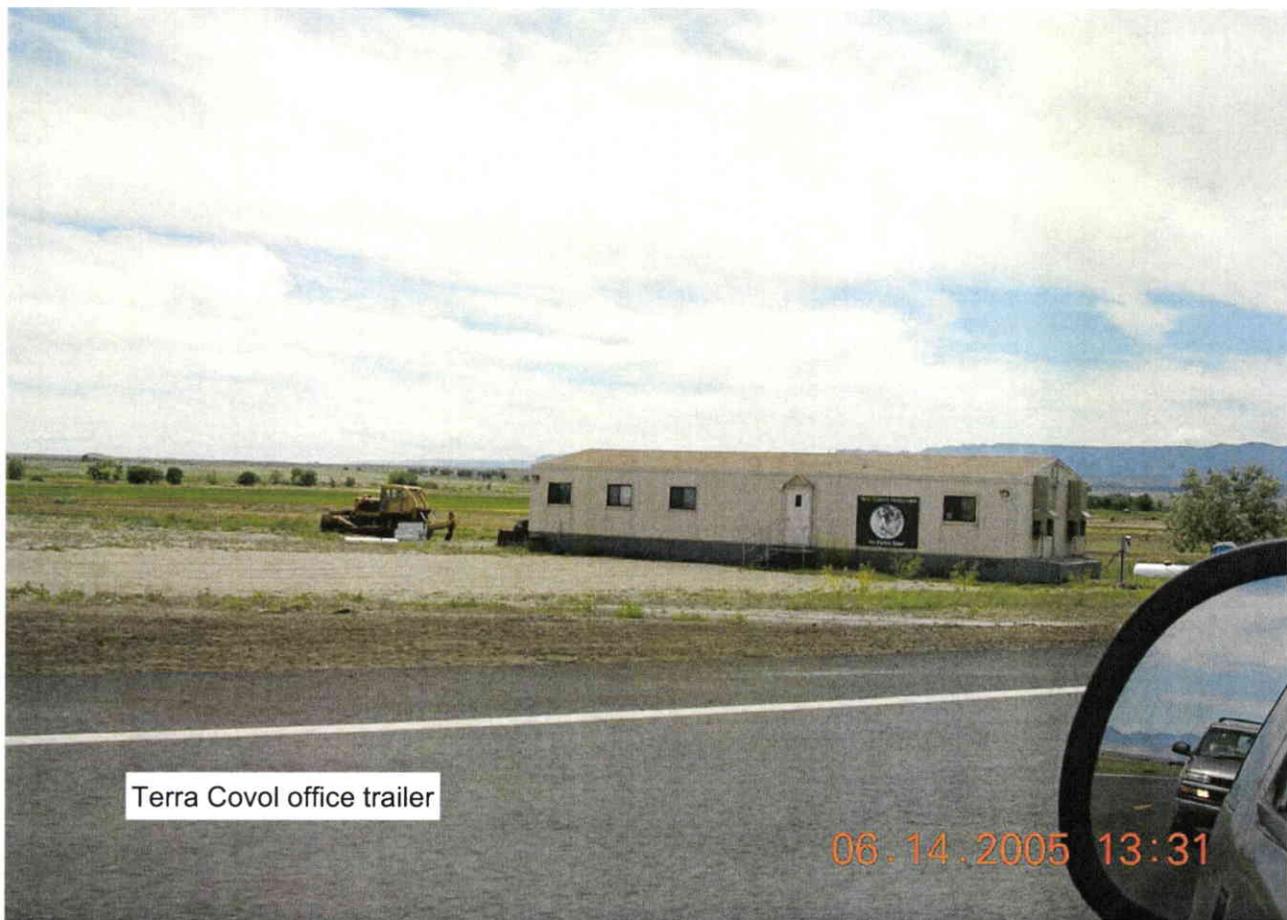
22. Other

The Terra Systems site is separate and distinct from the former Covol syn-fuels site adjacent to RailCo. At this unpermitted site, the coal was treated with a lacquer to create a higher Btu product. Covol has since sold this site to Detroit Edison (DTE). Under current ownership it is generally thought that the coal is being crushed but not treated with the lacquer.



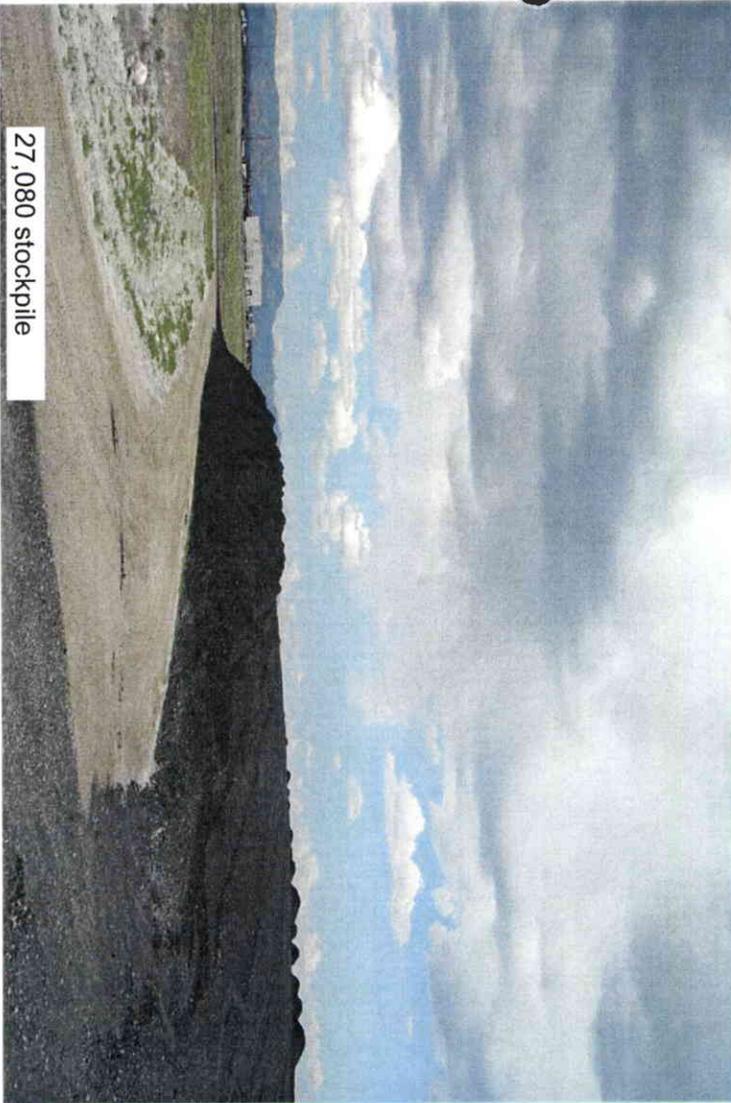
Terra Covol existing stockpile

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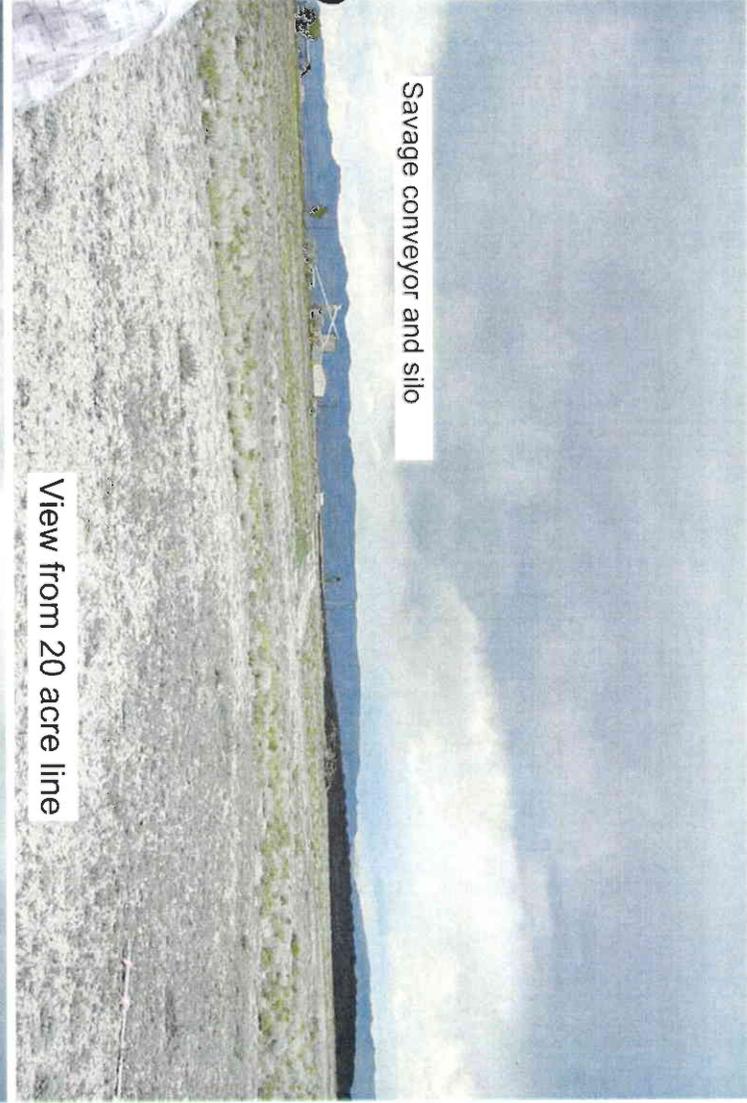


Terra Covol office trailer

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27,080 stockpile

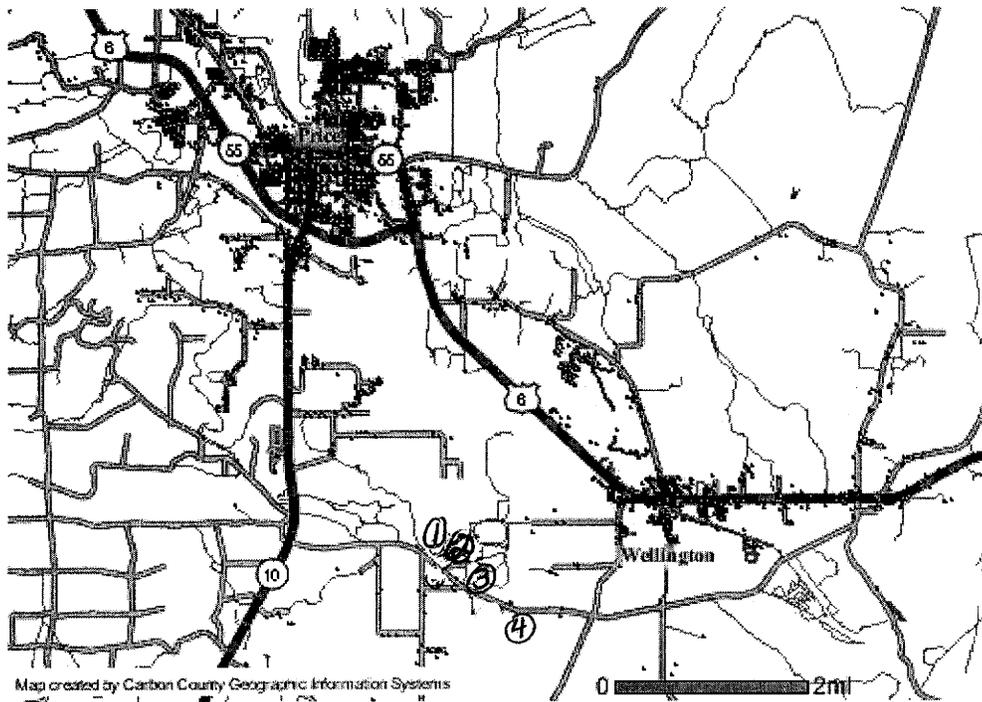


Savage conveyor and silo

View from 20 acre line



office trailer



- ① = Detroit Edison (formerly Covol Synfuels)
- ② = CO-OP RailCo.
- ③ = Sewage (formerly CV.Spur)
- ④ = Terra Systems (Covol/Headwaters) -- 5 miles southeast of Price. 4 miles south on Hwy 10. east on Ridge Rd. 2.75 miles. Terra Systems (Covol/Headwaters) North 4374758
13 south of ridge road at UTM coordinates East 520098