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State of Utah

Department of  
Natural ResourcesMICHAEL R. STYLER  
Executive DirectorDivision of  
Oil, Gas & MiningJOHN R. BAZA  
Division DirectorJON M. HUNTSMAN, JR.  
GovernorGARY R. HERBERT  
Lieutenant Governor

## Representatives Present During the Inspection:

OSM Henry Austin

OGM Pete Hess Environmental Scientist III

**Inspection Report**

Permit Number:	C0070045
Inspection Type:	COMPLETE OVERSITE
Inspection Date:	Thursday, January 17, 2008
Start Date/Time:	1/17/2008 9:00:00 AM
End Date/Time:	1/17/2008 11:40:00 AM
Last Inspection:	

Inspector: Pete Hess, Environmental Scientist IIIWeather: Clear and cold; 1 degree F in Price @ 8 AMInspectionID Report Number: 1526Accepted by: dhaddock *OK*

2/1/2008

Permitee:

Operator:

Site: **COVOL SITE**Address: **1865 S RIDGE RD, WELLINGTON UT**County: **CARBON**Permit Type: **PERMANENT COAL PROGRAM**Permit Status: **PROPOSED**

## Current Acreages

30.00	<b>Total Permitted</b>
30.00	<b>Total Disturbed</b>
	<b>Phase I</b>
	<b>Phase II</b>
	<b>Phase III</b>

## 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:**

Headwaters Energy Services submitted a permit application package to the DOGM on January 15, 2008. The DOGM has assigned task review identification # 2899 to the application. A reclamation agreement and bond amount were submitted to DOGM on November 1, 2007, based upon negotiations between the Company and the Division. Mr. Henry Austin, Reclamation Specialist and Ms. Christine Belka of the Denver Field Office, OSMREWR accompanied the Division during today's inspection of the COVOL site. Mr. Mike Gipson, Plant Manager, conducted the inspection for Headwaters.

Inspector's Signature:

Pete Hess, Environmental Scientist III

Inspector ID Number: 46

Date Thursday, January 17, 2008

**Note:** This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas and Mining.1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801  
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • [www.ogm.utah.gov](http://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 checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>
4.d Hydrologic Balance: Water Monitoring	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4.e Hydrologic Balance: Effluent Limitations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input 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 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 type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Revegetation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Subsidence Control	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. Cessation of Operations	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.a Roads: Construction, Maintenance, Surfacing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" 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 checked="" 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 checked="" type="checkbox"/>	<input type="checkbox"/>

### **1. Permits, Change, Transfer, Renewal, Sale**

As is noted above, the Division received a permit application package (PAP) on January 15, 2008 for the COVOL site. The plant processes the feed material, which is coming from the West Ridge Mine, using screens, a crusher, and three air jig units (physical processing) to separate rock and carbonaceous material from the coal. The process can reduce the ash content of coals ranging from < 20 % up to 25 % to a product ranging from 9 % to 14 % ash.

### **2. Signs and Markers**

A Permittee (applicant) identification sign is mounted on the office building just inside the gate from the County road known as the Ridge Road. The operator, address and telephone number for the site are listed. The sign will be updated to include the Permittee identification number upon a determination and issuance of a R645 permit from the State of Utah, DOGM. A chain link fence delineates the proposed permit area / disturbed area for this facility. No markers other than the fence posts have been installed as delineators. The Division does not see a need to install separate markers, however, the fence posts should have some type of recognizable means made upon them as disturbed area markers. Whatever means is selected should be clearly established in the approved mining and reclamation plan for this site.

### **3. Topsoil**

A topsoil storage area has been constructed on the East side of the proposed disturbed area. Two items were pointed out to Mr. Gipson relative to this pile and R645 requirements. 1) A method of resource protection must be implemented about the toe of the pile; this can be either a silt fence or a ditch berm combination. This will be an alternate sediment control area, and all runoff must be contained and not allowed to run to the sediment ponds. 2) A topsoil storage sign needs to be placed on this pile. The surface of this site sits on what appears to be Mancos shale. It is likely that soil pits will need to be dug to determine if soil is available to reclaim the site when it becomes necessary.

#### **4.a Hydrologic Balance: Diversions**

A review of PLATE 5-1, as submitted in the PAP, indicates that there are three under road culverts and five ditches which carry the disturbed area runoff to the two sediment ponds which have been constructed on the SE and SW corners of the proposed permit/disturbed area. The DOGM stated that one of the reviews of the PAP would determine if the sites diversions were appropriately sized to meet the requirements of R645-301-700.

#### **4.b Hydrologic Balance: Sediment Ponds and Impoundments**

The site has two sediment impoundments. Each has an open channel spillway which is rip-rapped with 4-6 inch cobble. Both ponds contained frozen melt water, and the elevations of each volume were well below the discharge elevation. The spillways will report flow to the southern fence perimeter onto the undisturbed ground; there is no defined drainage south of the perimeter fence.

**4.c Hydrologic Balance: Other Sediment Control Measures**

The applicant utilizes silt fences and straw bales in low areas to treat runoff which reports to those areas. These treatments are not shown on PLATE 5-1 however.

**4.d Hydrologic Balance: Water Monitoring**

The Permittee Applicant has an approved UPDES permit in place through the Utah Division of Water Quality, UTR000685 (See page 1-4 of the PAP submitted January 15, 2008). It is assumed that the two open channel spillways located at the two ponds are the permitted outfalls. According to Mr. Gipson, neither of the ponds have ever discharged.

**5. Explosives**

There were no explosive or detonator storage magazines observed at the site. The Division mentioned that although there are no explosive related materials at the site, it is a requirement of the R645 Coal Mining Rules that coverage for damage incurred from the use of explosives must be provided for in the general liability insurance coverage. Mr. Gipson indicated that this is another item which will be addressed either during or shortly after the PAP is approved and a DOGM permit is issued for this facility.

**7. Coal Mine Waste, Refuse Piles, Impoundments**

According to Mr. Gipson, this coal beneficiation is producing a reject product which is temporarily stored at the site. Approximately four to eight trucks per day are being shipped to Sunnyside Cogeneration for storage / burned waste utilization. The Permittee Applicant is currently negotiating with several different entities to ship this reject to their waste rock disposal facilities for final handling.

**9. Protection of Fish, Wildlife and Related Environmental Issues**

The COVOL site has a large diesel fuel storage tank, which is contained in a steel tub. Used oil barrels were also observed in a steel containment.

**16.a Roads: Construction, Maintenance, Surfacing**

It appears that the majority of the roads at the site will be classified as primary. The site is basically flat; road drainage does not appear to be a problem. The Permittee Applicant mentioned that surfacing is being considered for the truck haul loop. This decision will be based on project life and future operations.

**19. AVS Check**

The PAP contains AVS information in the submitted Chapter 1

**20. Air Quality Permit**

The Permittee Applicant has an approved Air Quality order, DAQE #AN2952001-03, from the Utah Division of Air Quality.

**21. Bonding and Insurance**

The Division has requested that the Permittee Applicant provide information as to who the surety is providing the reclamation bond coverage (\$ 165,000) for this site. The current general liability insurance coverage remains in effect until October 1, 2008. Coverage amounts for general aggregate and each occurrence exceed the requirements established in the R645 Coal Mining Rules. The cancellation clause on the Marsh form needs to be modified to remove the words "endeavor to". Coverage for damage incurred from the use of explosives must also be provided prior to issuing of a permit by the OGM.

**22. Other**

The US Department of Labor / Mine Safety and Health Administration has established ID # 42-02398 for this site. It is shown on the business sign mounted on the office facility. Sewage from the office building is treated in a septic tank.