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GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Inspection Report

| | |
|------------------|------------------------------|
| Permit Number: | C0070045 |
| Inspection Type: | COMPLETE |
| Inspection Date: | Tuesday, January 04, 2011 |
| Start Date/Time: | 1/4/2011 9:15:00 AM |
| End Date/Time: | 1/10/2011 10:00:00 AM |
| Last Inspection: | Wednesday, December 15, 2010 |

Representatives Present During the Inspection:

OGM Pete Hess

Inspector: Pete Hess

Weather: Clear and cold; 4 degrees F.

InspectionID Report Number: 2606

Accepted by: jhelfric

1/26/2011

Permittee: **HEADWATERS ENERGY SERVICES**

Operator: **HEADWATERS ENERGY SERVICES**

Site: **COVOL SITE**

Address: **10653 SOUTH RIVER FRONT PARKWAY, SUITE 300, SOUTH JORDAN UT 840**

County: **CARBON**

Permit Type: **PERMANENT COAL PROGRAM**

Permit Status: **ACTIVE**

Current Acreages

| | |
|-------|------------------------|
| 30.00 | Total Permitted |
| 30.00 | 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:

A review of the Permittee's records was made this day, 1/4/2011.

Mr. Kyle Edwards, Plant Manager, was not available to make the field inspection of the site on 1/4. The site inspection was conducted on January 10, 2011.

The Permittee continues to operate on a 24 hour, 7 day a week schedule.

The C/007/045 permit contains one Special Condition, which is listed as Attachment "A" of the permit. The condition requires electronic submittal of water monitoring data to the DOGM data base. The gathering of water monitoring data is not required at this point in time of the permit.

Inspector's Signature:

Pete Hess,

Inspector ID Number: 46

Date

Tuesday, January 4, 2011



Permit Number: C0070045
 Inspection Type: COMPLETE
 Inspection Date: Tuesday, January 04, 2011

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 type="checkbox"/> | <input type="checkbox"/> |
| 3. Topsoil | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.a Hydrologic Balance: Diversions | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input 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 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 checked="" type="checkbox"/> | <input type="checkbox"/> |
| 5. Explosives | <input type="checkbox"/> | <input checked="" 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 type="checkbox"/> | <input checked="" type="checkbox"/> | <input 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 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 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 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 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 and Insurance | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 22. Other | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

1. Permits, Change, Transfer, Renewal, Sale

The current mining permit issued by the Division remains in effect through September 1, 2014. The Division initiated a mid-term review of the current permit on December 29, 2010 (Task ID # 3719). Task ID # 3657, Updated Plates & Chapters, remains pending. The updated plates were required to address the new location of a topsoil pile and several lengthened culverts. The current UPDES permit for this industrial site (UTR000685) remains in effect through December 31, 2011. The Air Quality Approval Order was issued on January 5, 2009. DAQE-AN0129520006-09 permits a throughput of 1,500,000 tons of coal processed per rolling 12 month period.

4.b Hydrologic Balance: Sediment Ponds and Impoundments

The fourth quarter 2010 and annual impoundment inspections/ certifications for the East and West sediment ponds were conducted / completed by Mr. Richard B. White, Utah registered professional engineer on December 14, 2010. Minor erosive rills were observed on the inslopes of both ponds and these were noted as insignificant. No signs of instability were observed; both ponds are incised. Both ponds were observed as having ice in their bottoms. Both ponds have adequate sediment storage capacity remaining. The requirements for certification are correct.

4.d Hydrologic Balance: Water Monitoring

This inspector recommends that the Special Condition included as Attachment "A" of the current permit, which requires electronic submittal of water monitoring data be deleted, or modified to fit the current water monitoring regime for this permit area.

4.e Hydrologic Balance: Effluent Limitations

The Permittee submits UPDES discharge information to the Utah DEQ / DWQ on a quarterly basis. Reports for the 4th quarter of 2009 and the first three quarters of 2010 were reviewed this day. Both pond outfalls were reported as having "no flows" during all four of the quarterly reports reviewed.

5. Explosives

There are no explosive or detonator storage magazines at this site.

9. Protection of Fish, Wildlife and Related Environmental Issues

No wildlife was observed during the January 10, 2011 inspection.

16.b Roads: Drainage Controls

The site diversions remain under snow; very little thawing has occurred.

21. Bonding and Insurance

The current general liability insurance remains in effect through October 1, 2011. The reclamation cost estimate will be updated during the 2011 mid-term permit review, which was initiated by the Division on December 29, 2010.