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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Outgoing
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November 29, 2012

CERTIFIED MAIL

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Mr. Kyle Edwards, Plant Superintendent
COVOL Engineered Fuels, LLC
1865 W Ridge Road
Wellington, Utah 84542

Subject: Permitting of Treatment Area West of Disturbed Ditch W-1, COVOL Plant site

Dear Mr. Edwards:

As you are aware, representatives of the Utah Division of Oil, Gas and Mining conducted a complete inspection of the COVOL Wellington dry coal cleaning facility on November 7, 2012. During that inspection, questions were raised regarding the method of treatment for any intercepted precipitation and its volume of runoff.

The area in question exists on the west side of the permit area and is approximately 2.18 acres in area with a gradient of 1.36 %.

Although there were no indications that runoff had left the permit area untreated, the Division feels that the potential for this to occur during a 10 year 24 hour event does exist. Under the R645 Coal Mining Rules, all intercepted precipitation must be treated prior to leaving a permit area, whether it be by retention, or by some means of filtration.

In accordance with the requirements of R645-301-741 and R645-301-742, the Division requires that COVOL Engineered Fuels, LLC address the area in question with treatment methods designed and capable of treating the runoff from a 10 year 24 hour event. You may want to consider permitting this area as an Alternate Sediment Control Area (ASCA).



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Should you have questions, the Division assigned hydrologist for the COVOL permit area is Mr. Steve Christensen (801) 538-5350, or you may contact Pete Hess, or myself at (801) 538-5325.

Please address this required permitting action as soon as possible. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Daron R. Haddock". The signature is written in a cursive style with a large initial "D" and "H".

Daron R. Haddock
Coal Program Manager

DRH/PHH/ss
cc: Pete Hess, PFO
Steve Christensen
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Wellington, Utah 84542

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PS Form 3800, August 2006

See Reverse for Instructions

**STATE OF UTAH
DIVISION OF OIL, GAS AND MINING**

<p>PERMITTEE: Headwaters Energy Services Corporation</p> <p>Site Name COVOL Engineered Fuels, LLC Company Headwaters Energy Services Corp Address 10653 South River Front Parkway Suite 300 South Jordan, Utah 84095</p> <p>PERMIT NUMBER: <u>C/007/0045</u> DIVISION NUMBER: <u>DO-12B</u></p>	<p>ORDER & FINDINGS OF PERMIT DEFICIENCY</p>
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PURSUANT to R645-303-212, the DIVISION ORDERS the PERMITTEE, (Headwaters Energy Services Corporation), to make the requisite permit changes enumerated in the findings of Permit Deficiency in order to be in compliance with the State Coal Program. These findings are to be remedied in accordance with R645-303-220.

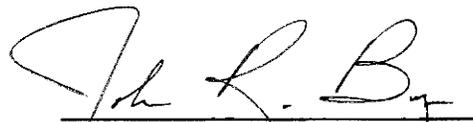
FINDINGS OF PERMIT DEFICIENCY

A review of the current Mining and Reclamation Plan (MRP) and the field inspection conducted on November 7, 2012 by Division personnel have determined that 2.18 acres east of the western permit boundary require additional permitting work as the plan does not adequately address drainage control in this area. Sediment control measures have not been adequately designed, constructed and maintained in this area to prevent to the extent possible additional contributions of sediment to stream flow or runoff outside of the permit area.

ORDER

COVOL Engineered Fuels, LLC, is hereby ordered to make the requisite permit changes in accordance with R645-303-220 and to submit a complete, adequate application for permit change to address the findings of the permit deficiency identified under R645-301-741 and R645-301-742. The measures utilized to control and treat the intercepted precipitation from a 10 year 24 hour event must be identified in the mining and reclamation plan. These requirements must be addressed within 60 days of the date of receipt of this order.

Ordered this 27th day of November, 2012, by the Division of Oil, Gas and Mining.



John R. Baza, Director
Division of Oil, Gas and Mining