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**R645-301-100** PERMIT APPLICATION REQUIREMENTS: GENERAL CONTENTS

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**INcorporated**

**February 27, 2013**

**Division Oil, Gas & Mining**
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<td>Lease Extension #1, August 24, 2010</td>
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<td>David P. Hinkins 50%</td>
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<td>APPENDIX 1-13</td>
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<td>APPENDIX 1-14</td>
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<td>APPENDIX 1-15</td>
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<td>Permit Map</td>
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<td>MAP 1-1</td>
<td>Location Map</td>
<td>1&quot; = 2000'</td>
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PERMIT APPLICATION REQUIREMENTS: GENERAL CONTENTS

SCOPE

The objective of this chapter is to set forth all relevant information concerning ownership and control of WEST RIDGE Resources, Inc., the ownership and control of the property to be affected by mining activities and all other information and documentation required under Part UMC.

IDENTIFICATION OF INTERESTS

112.100 WEST RIDGE Resources, Inc. is a corporation organized and existing under the laws of Utah and qualified to do business in Utah.

112.200 The applicant, WEST RIDGE Resources, Inc. will also be the operator.

WEST RIDGE Resources, Inc.
P.O. Box 910
East Carbon, Utah 84520
(435) 888-4000
Carson Pollastro- President

Employer Identification Number: 87-0585129

112.220 The resident agent of the applicant, WEST RIDGE Resources, Inc., is:

Karin Madsen
WEST RIDGE Resources, Inc.
P.O. Box 910
East Carbon, Utah 84520
(435) 888-4000

112.230 WEST RIDGE Resources, Inc. will pay the abandoned mine land reclamation fee.
112.300 **Ownership and Control** - See Appendix 1-7

WEST RIDGE Resources, Inc. is the permittee and operator of the WEST RIDGE Mine. WEST RIDGE Resources, Inc. is a wholly owned subsidiary of ANDALEX Resources, Inc. WEST RIDGE Resources, Inc. is a Utah corporation licensed to do business in the State of Utah. All leases associated with the WEST RIDGE Mine are owned by ANDALEX Resources, Inc. ANDALEX Resources, Inc. is a wholly owned subsidiary of UtahAmerican Energy Inc., which in turn is a wholly owned subsidiary of Murray Energy Corporation.

112.340 See Appendix 1-5

112.350 See Appendix 1-5

112.410 See Appendix 1-5

112.420 See Appendix 1-7

112.500 **Surface Owners:**

Bureau of Land Management
Utah State Office
136 East South Temple
Salt Lake City, Utah 84111

Glen Wells
700 West U.S. Hwy 6
Price, Utah 84501

Penta Creek, LLC
140 S. Newton
Albert Lea, MN 56007

David Hinkins
155 West 100 South
Orangeville, Utah 84537

School and Institutional Trust
Lands Administration
355 West North Temple, Suite 400
Salt Lake City, Utah 84180-1204

Matt Rauhala
1236 East Main
Price, Utah 84501
Subsurface Owners:

Bureau of Land Management
Utah State Office
136 East South Temple
Salt Lake City, Utah 84111

Penta Creek, LLC
140 S. Newton
Albert Lea, MN 56007

School and Institutional Trust
Lands Administration
355 West North Temple, Suite 400
Salt Lake City, Utah 84180-1204

WEST RIDGE Resources, Inc. is the holder of record for federal lease SL-068754 and UTU 78562 (see Table 1-1), state lease ML 47711 and ML 49287 (see Table 1-2A) and the Penta Creek Fee lease (see Table 1-2B).

Proof of lease assignment for all leases (Federal leases SL-068754 and UTU 78562, and State leases ML 47711 and ML 49287), and the Penta Creek fee lease can be found in Appendix 1-4.

112.600 Contiguous surface owners:

Bureau of Land Management
Utah State Office
136 East South Temple
Salt Lake City, Utah 84111

Dave Hinkins
155 West 100 South
Orangeville, Utah 84537

Glen Wells
700 West U.S. Hwy 6
Price, Utah 84501

Penta Creek, LLC
140 S. Newton
Albert Lea, MN 56007

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FEBRUARY 27, 2013
DIVISION OIL, GAS & MINING
School and Institutional Trust
Lands Administration
355 West North Temple, Suite 400
Salt Lake City, Utah 84180-1204

Contiguous subsurface owners:

School and Institutional Trust
Lands Administration
355 West North Temple, Suite 400
Salt Lake City, Utah 84180-1204

Penta Creek, LLC
140 S. Newton
Albert Lea, MN 56007

David Hinkins
155 West 100 South
Orangeville, Utah 84537

Emily P Marston
843 Genodle Drive
Midvale, Utah 84047

Leonard J. Pagano
55 West main Street
Price, Utah 84501

Bureau of Land Management
Utah State Office
136 East South Temple
Salt Lake City, Utah 84111

112.700 See Appendix 1-5

112.800 There are no pending interests or bids existing on lands contiguous to the present leased area.

112.900 After WEST RIDGE Resources, Inc. is notified that the application is approved, but before the permit is issued, WEST RIDGE Resources, Inc. will update, correct or indicate that no change has occurred in the information previously submitted under R645-301-112.100 through R645-301-112.800.
VIOLATION INFORMATION

113.100 The applicant or any subsidiary, affiliate or persons controlled by or under common control with the applicant has not had a federal or state permit to conduct coal mining and reclamation operations suspended or revoked in the five years preceding the date of submission of the application.

113.120 The applicant etc. has not forfeited any performance bond or similar security

113.200 Not applicable

113.300 A listing of violations received by the applicant in connection with any coal mining and reclamation operation during the three year period preceding the application date is provided in Appendix 1-2. MSHA numbers for the operations can be found in Appendix 1-5. There have been no unabated violations or cessation orders issued to any affiliated companies during the previous three years.

113.400 After WEST RIDGE Resources, Inc. is notified that the application is approved, but before the permit is issued, WEST RIDGE Resources, Inc. will update, correct or indicate that no change has occurred in the information previously submitted under R645-301-113.
WEST RIDGE Resources, Inc., currently holds 5,736.36 acres of federal coal (3,130.87 acres leased under SL-068754 and 2,605.49 acres leased under UTU 78562) in the Book Cliffs coal field (refer to Maps 1-0 and 5-3). A complete legal description of all Federal leases held by WEST RIDGE is found in Table 1-1. WEST RIDGE currently holds 2162.34 acres of state coal (801.24 acres under ML 47711, 881.10 under ML 49287, and 480 acres under ML 51744. A complete legal description of all State leases held by WEST RIDGE is found in Table 1-2. WEST RIDGE also holds 1189.84 acres leased on contiguous private (fee) coal lands located along the eastern side of the mineable reserve. A complete legal description of this fee lease is found in Table 1-3. None of these leases are the subject of any pending litigation. Proof of lease assignment for all leases can be found in Appendix 1-4.

WEST RIDGE Resources, Inc. bases its legal right to enter and conduct mining activities in the permit area pursuant to the language contained in the Federal Coal Lease, Part I Lease Rights Granted which reads as follows:

"That the lessor, in consideration of the rents and royalties to be paid and the covenants to be observed as hereinafter set forth, does hereby grant and lease to the lessee the exclusive right and privilege to mine and dispose of all the coal in, upon, or under the following described tracts of land, situated in the State of Utah... together with the right to construct all such works, buildings, plants, structures and appliances as may be necessary and convenient for the mining and preparation of the coal for market, the manufacture of coke or other products of coal, the housing and welfare of employees, and subject to the conditions herein provided, to use so much of the surface as may reasonably be required in the exercise of the rights and privileges herein granted."

In addition to the coal leases, WEST RIDGE also holds several surface use permits as part of the operation, including:

1) SITLA Special Use Lease Agreement No. 1163. The substitute topsoil borrow area, which is also included within the permit area, is located on lands administered by the Utah School and Institutional Trust Lands Administration (SITLA). This area is located within the SE1/4 of section 16, T 14 S, R 13 E. SITLA has issued a long term special use permit to WEST RIDGE Resources, Inc. which provides full assurance that the topsoil resource in this area will be available for (and, indeed dedicated to) final reclamation of the West Ridge minesite if needed. This area is not contiguous with the main coal leasehold. (See Appendix 1-10 for details)

2) BLM Right-of-Way UTU-77120. This right-of-way authorizes the installation and operation of a pumping station used to facilitate the delivery of culinary water to the West Ridge Mine. This area is not contiguous with the main coal leasehold. (See
Appendix 1-12 for details)

3) BLM Right-of-Way 87110 This right-of-way authorizes the installation of three (3 ea.) catchment structures in the C Canyon drainage below the mine. These catchments are designed to provide containment of unanticipated coal-fines accumulations from the mine discharge water. These catchment structures comprises a total of 0.69 acres (Refer to Appendix 5-15 for details).

The total permit area is 8,080.22 acres. Refer to Map 1-1 for the permit area location. Refer to Table 1-4 for the legal description of the permit area by composite leasehold, and Table1-5 for the legal description of the permit area in total area. Table 1-6 describes the surface ownership of the permit area.

The permit area consists of the following areas:

1) all of federal coal leases SL-068754-U-01215 (3,130.87 acres)
2) most of federal coal lease UTU 78562 (2,403.07 acres),
3) all of state coal leases ML-47711 (801.24 acres)
4) all of state coal lease ML-49287 (881.10 acres)
5) much of state coal lease ML-51744 (212.5 acres)
6) much of the Penta Creek fee coal lease (650.49 acres)
7) SITLA surface lease 1163, for topsoil borrow area (9.6 acres).
8) BLM right-of-way UTU-77120, for pumping station (0.23 acres)
9) BLM right-of-way UTU-87110, for catchment structures A, C and E (0.69 acres)
10) Carbon County authorization, road security gate (0.79 acres). See Appendix 1-13

Disturbed area within the permit area consists of the following:

1) Minesite surface facilities 29.82 acres
2) Pumping station 0.23 acres
3) Catchment structures A 0.12 acres
4) Catchment structures C 0.23 acres
5) Catchment structures E 0.23 acres
6) B Canyon Portal re-opening 0.25 acres
   TOTAL 30.88 acres

See Table 1-7 for complete legal description of disturbed areas.

114.200 Not applicable, the fee lease mineral estate is not severed from the surface estate.
### TABLE 1-1
#### FEDERAL LEASE and R.O.W. PROPERTIES

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<th>PARCEL</th>
<th>ACREAGE</th>
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| **1) FEDERAL COAL LEASE SL-068754**<br>(SL-068754-U-01215) | 3,130.87 | T 14 S, R 13 E  
Section 10: NE, E2NW, N2SE, SESE  
Section 11: All  
Section 12: S2SW, NWSW  
Section 13: S2, NW, S2NE, NWNE  
Section 14: E2, N2NW, SENW, SWNW, N2NWSW, E2SW  
Section 15: NENE, W2NE, E2SENE  
Section 23: Lot 1, N2NE, SWNE, NENW  
Section 24: N2, N2SE, NESW, NWSW |
| **2) FEDERAL COAL LEASE UTU-78562** | 2,605.49 | T 13 S, R13 E  
Section 34: NESE, S2SE  
Section 35: All  
T 13 S, R14 E  
Section 31: Lot 4, S2SESW, NESESW, SENWSESSE, W2SWSE, S2SESWSE, S2SSESE  
T 14 S, R13 E  
Section 1: All  
Section 12: Lots 1 thru 4, S2N2, NESW, SE  
Section 13: NENE  
T 14 S, R 14 E  
Section 5: Lot 4, W2W2SWNW, SWNWSW, W2NWNWSW, W2SWSW  
Section 6: Lot 6, NESW, NESE  
Section 7: Lots 3 and 4 |
3) PUMPING STATION
(BLM R.O.W. UTU-7712)

4) CATCHMENT STRUCTURE A
(BLM R.O.W. UTU-87110)

5) CATCHMENT STRUCTURE C
(BLM R.O.W. UTU-87110)

6) CATCHMENT STRUCTURE E
(BLM R.O.W. UTU-87110)

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<td>W2NWNW, W2SENWNW, SWNENWNW, W2SWNW, W2E2SWNW, W2NWSW, SWSW</td>
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<td>17</td>
<td>N2NWNWNE</td>
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<td>18</td>
<td>Lot 1, E2NW</td>
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<td>21</td>
<td>NENE (0.23 acres thereof)</td>
<td>0.23</td>
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<td>15</td>
<td>SESW (0.23 acres therein)</td>
<td>0.23</td>
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<tr>
<td>28</td>
<td>NWNW (0.23 acres therein)</td>
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<tr>
<td>25</td>
<td>SESE (0.23 acres therein)</td>
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TOTAL FEDERAL 5,736.36 acres

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<th>PARCEL</th>
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<td>1. STATE LEASE ML 47711</td>
<td>801.24</td>
<td>T 14 S, R 13 E</td>
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<td>Section 2: Lots 1 thru 4, S2N2, S2 (i.e. All)</td>
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<td>T 13 S, R 13 E</td>
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<td></td>
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<td>Section 36: SW</td>
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<td>2. STATE COAL LEASE ML 49287</td>
<td>880.74</td>
<td>T 14 S, R 13 E</td>
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<td>Section 3: Lots 1, 2, 3, S2N2, S2</td>
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<td>Section 10: W2NW, SW, SWSE</td>
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<td>3. STATE COAL LEASE ML 51744</td>
<td>480</td>
<td>T 13 S, R 13 E</td>
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<td>Section 36: N2, SE</td>
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<td>4. STATE SURFACE LEASE</td>
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<td>SPECIAL USE PERMIT</td>
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<td>Section. 16: E2NESE (9.6 acres thereof, containing substitute topsil area)</td>
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<td>(Agreement #1163)</td>
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<td>TOTAL STATE</td>
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INCORPORATED

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DIVISION OIL, GAS & MINING

1-10
# TABLE 1-3
FEE LEASE PROPERTIES
(PENTA CREEK)

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<td>382.08</td>
<td>T 14 S, R 14 E</td>
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<td>Section 6: Lot 7, SESW</td>
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<td></td>
<td>Section 7*: Lots 1* and 2*, NENW*, E2SW*, SWSE</td>
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<td></td>
<td></td>
<td>Section 18: Lots 2 and 3, NWNE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>*Less and excepting from the portion of the above legal subdivisions in Section 7, those lands under and around Grassy Trail Dam and Reservoir owned by East Carbon City and Sunnyside City, such lands being more accurately described in Appendix 1-15.</td>
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<td>2) PENTA CREEK LEASE EXTENSION</td>
<td>352.36</td>
<td>T 14 S, R 14 E</td>
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<td>(Extension 1, August, 2010)</td>
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<td>Section 6: Lots 2, 3, 4 and 5, SENW, SWNE, NWSE, S2SE</td>
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<td>3) PENTA CREEK LEASE EXTENSION</td>
<td>295.40</td>
<td>T 14 S, R 14 E</td>
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<td>(Extension 2, March, 2011)</td>
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<td>Section 6: Lot 1, SENE</td>
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<td>Section 7: SWNE, NWSE, SESE, SENW</td>
</tr>
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<td></td>
<td></td>
<td>Section 18: NENE</td>
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<td>4) HINKINS FEE LEASE**</td>
<td>160.00</td>
<td>T 14 S, R 14 E</td>
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<td>Section 7: N2NE, SENE, NESE</td>
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<td>TOTAL FEE LEASES:</td>
<td><strong>1,189.84</strong></td>
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<td>FEBRUARY 27, 2013</td>
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<td>DIVISION OIL, GAS &amp; MINING</td>
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<td>** This lease area is held as follows:</td>
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<td>David P. Hinkins, Todd S. Hinkins and Ross D. Hinkins...50%</td>
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<tr>
<td>(individually)</td>
<td></td>
<td>Emily P. Marston...................................................................25%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Leonard Pagano.................................................................25%</td>
</tr>
</tbody>
</table>

1-11
**TABLE 1-4**
**LEGAL DESCRIPTION OF PERMIT AREA**
**(BY LEASEHOLD)**

<table>
<thead>
<tr>
<th>PARCEL</th>
<th>ACREAGE</th>
<th>LEGAL DESCRIPTION</th>
</tr>
</thead>
</table>
| 1) FEDERAL LEASE SL-068754 (SL-068754-U-01215) | 3,130.87 | T 14 S, R 13 E  
Section 10: NE, E2NW, N2SE, SESE  
Section 11: All  
Section 12: S2SW, NWSW  
Section 13: S2, NW, S2NE, NWNE  
Section 14: E2, N2NW, SENW, SWNW, N2NWSW, E2SW  
Section 15: NENE, W2NE, E2SENE  
Section 23: Lot 1, N2NE, SWNE, NENW  
Section 24: N2, N2SE, NESW, NWSW |
| 2) FEDERAL LEASE UTU-78562 | 2403.07 | T 13 S, R 13 E  
Section 34: NESE, S2SE  
Section 35: All  
T 13 S, R 14 E  
Section 31: Lot 4, S2SESSESW, NESESSEW, SENWSESSEW, W2SWSE, S2SESSEW, S2SESESE  
T 14 S, R 13 E  
Section 1: All  
Section 12: Lots 1 thru 4, S2N2, NESW, SE  
Section 13: NENE  
T 14 S, R 14 E  
Section 5: W2W2SWNW, W2NWNWSW  
Section 6: Lot 6, NESW, N2NESE, SWNESE  
Section 7: Lots 3 and 4  
Section 18: Lot 1, E2NW |

INCORPORATED  
FEBRUARY 27, 2013  
DIVISION OIL, GAS & MINING
| 3) STATE LEASE ML 47711     | 801.24 | T 14 S, R 13 E |
|                           |       |               |
|                           |       | Section 2:     |
|                           |       | Lots 1 thru 4, |
|                           |       | S2N2, S2      |
|                           |       |               |
|                           |       | T 13 S, R 13 E|
|                           |       |               |
|                           |       | Section 36:    |
|                           |       | SW             |
| 4) STATE LEASE ML 49287   | 880.74 | T 14 S, R 13 E|
|                           |       |               |
|                           |       | Section 3:     |
|                           |       | Lots 1, 2 and 3, |
|                           |       | S2N2, S2      |
|                           |       |               |
|                           |       | Section 10:    |
|                           |       | W2NW, SW, SWSE|
| 5) STATE LEASE ML 51744   | 212.5  | T 13 S, R 13 E|
|                           |       |               |
|                           |       | Section 36:    |
|                           |       | SW, SWNWSWNW,  |
|                           |       | S2S2NW,       |
|                           |       | S2SWNE, W2SE,  |
|                           |       | SESE, S2NESE, |
|                           |       | NWSESE        |
| 6) PENTA CREEK FEE LEASE  | 238.17 | T 14 S, R 14 E|
|                           |       |               |
|                           |       | Section 6:     |
|                           |       | Lot 7, SESW    |
|                           |       |               |
|                           |       | Section 7*:    |
|                           |       | Lot 1*, SESW,  |
|                           |       | SWNESW         |
|                           |       |               |
|                           |       | Section 18:    |
|                           |       | Lots 2 and 3   |
| 7) PENTA CREEK LEASE EXTENSION (Extension #1, August, 2010) | 402.32 | T 14 S, R 14 E|
|                           |       |               |
|                           |       | Section 6      |
|                           |       | Lots 1, 2, 3, 4 and 5, SENW, SWNE, NWSE, SWSE, SENE, NWSESE |

8) PUMPING STATION        | 0.23  | T 14 S, R 13 E|
<p>| (BLM R.O.W. UTU-7712)    |       |               |
|                           |       | Section 21     |
|                           |       | NESENE (0.23 acres thereof, containing pumping station) |</p>
<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Area</th>
<th>T &amp; R</th>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>9)</td>
<td>TOPSOIL SALVAGE AREA (SITLA special use agreement #1163)</td>
<td>9.6</td>
<td>T 14 S, R 13 E</td>
<td>Section 16: E2NESE (9.6 acres thereof, containing substitute topsoil area)</td>
<td></td>
</tr>
<tr>
<td>10)</td>
<td>CATCHMENT STRUCTURE A (BLM R.O.W. UTU-87110)</td>
<td>0.23</td>
<td>T 14 S, R 13 E</td>
<td>Section 15: SESW (0.23 acres thereof, containing catchment structure)</td>
<td></td>
</tr>
<tr>
<td>11)</td>
<td>CATCHMENT STRUCTURE C (BLM R.O.W. UTU-87110)</td>
<td>0.23</td>
<td>T 14 S, R 13 E</td>
<td>Section 28: NWNW (0.23 acres thereof, containing catchment structure)</td>
<td></td>
</tr>
<tr>
<td>12)</td>
<td>CATCHMENT STRUCTURE E (BLM R.O.W. UTU-87110)</td>
<td>0.23</td>
<td>T 14 S, R 12 E</td>
<td>Section 25: SESE (0.23 acres thereof, containing catchment structure)</td>
<td></td>
</tr>
<tr>
<td>13)</td>
<td>SECURITY GATE (Carbon County authorization)</td>
<td>0.79</td>
<td>T 14 S, R 13 E</td>
<td>Section 15: NWSENE (0.79 acres thereof, containing security gate)</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL PERMIT AREA** 8080.22 acres

*Less and excepting from the portion of the above legal subdivisions in Section 7, those lands under and around Grassy Trail Dam and Reservoir owned by East Carbon City and Sunnyside City, such lands being more accurately described in Appendix 1-15.*

**INCORPORATED**

**FEBRUARY 27, 2013**

**DIVISION OIL, GAS & MINING**

**JAN 15 2019**
### Table 1-5

**Legal Description of Permit Area**

**Total Area**

<table>
<thead>
<tr>
<th>Section</th>
<th>Description</th>
</tr>
</thead>
</table>
| T13S, R13E | Section 34: NESE, S2SE  
Section 35: All  
Section 36: SW, SWNWSWNW, S2S2NW, S2SWNE, W2SE, SESE, S2SESE, NWNSE, |
| T13S, R14E | Section 31: Lot 4, S2SESW, NESESW, SENWSESW, W2SWSE, S2SESWE, S2S2SESE |
| T14S, R12E | Section 25: SESE (part thereof containing catchment structure E) |
| T14S, R13E | Section 1: All  
Section 2: All  
Section 3: Lots 1, 2 and 3, S2N2, S2  
Section 10: All  
Section 11: All  
Section 12: All  
Section 13: All  
Section 14: E2, N2NW, SENW, SWNW, N2NWSW, E2SW  
Section 15: NENE, NWSENE (part thereof, containing security gate)  
SES (part thereof, containing catchment structure A), W2NE, E2SENE  
Section 16: E2NESE (part thereof, containing substitute topsoil area)  
Section 21: NESENE (part thereof, containing pumping station)  
Section 23: Lot 1, N2NE, SWNE, NENW  
Section 24: N2, N2SE, NESW, NWSW  
Section 28: NWNW (part thereof, containing catchment structure C) |
| T14S, R14E | Section 5: W2W2SWNW, W2NWNWSW  
Section 6: Lots 1, 2, 3, 4, 5, 6 and 7, SENW, E2SW, W2SE, S2NE, N2NESE, SWNESE, NWSESE  
Section 7*: Lots 1*, 3 and 4, SESW, SWNESW  
Section 18: Lots 1, 2 and 3, E2NW |

**Total Permit Area = 8,080.22 acres.**

*Less and excepting from the portion of the above legal subdivisions in Section 7, those lands under and around Grassy Trail Dam and Reservoir owned by East Carbon City and Sunnyside City, such lands being more accurately described in Appendix 1-15.*

---

**Incorporated**

**February 27, 2013**

**Division Oil, Gas & Mining**
### TABLE 1-6
SURFACE OWNERSHIP OF PERMIT AREA

<table>
<thead>
<tr>
<th>T(S)/R(E)</th>
<th>Section</th>
<th>BLM</th>
<th>Penta Creek</th>
<th>Hinkins</th>
<th>Wells</th>
<th>Rauhala</th>
<th>SITLA</th>
<th>Total</th>
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<tbody>
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<td>13/13</td>
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<td></td>
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<td>120.00</td>
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<tr>
<td>13/13</td>
<td>35</td>
<td>40.00</td>
<td></td>
<td>448.91</td>
<td>151.09</td>
<td></td>
<td></td>
<td>640.00</td>
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<tr>
<td>13/13</td>
<td>36</td>
<td></td>
<td>372.50</td>
<td></td>
<td></td>
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<td>372.50</td>
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<tr>
<td>13/14</td>
<td>31</td>
<td>108.82</td>
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<td>108.82</td>
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<td></td>
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<td>0.23</td>
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<td>283.75</td>
<td>328.68</td>
<td>39.92</td>
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<td>14/13</td>
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<td>39.92</td>
<td>809.88</td>
<td>8080.22</td>
</tr>
</tbody>
</table>

**INTEGRATED RESEARCH INCORPORATED**

**FEBRUARY 27, 2013**

**DIVISION OIL, GAS & MINING**
## TABLE 1-7
**DISTURBED AREA WITHIN PERMIT AREA**

1) **Minesite surface facilities:** portions of the following, totaling 29.82 acres (all BLM)

<table>
<thead>
<tr>
<th>Section 10:</th>
<th>T14S, R13E</th>
<th>SESESE</th>
<th>NESESE</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Section 11:</th>
<th>T14S, R13E</th>
<th>SWNESW</th>
<th>NWSESW</th>
<th>NESWSW</th>
<th>NWSWSW</th>
<th>SWSWSW</th>
<th>SESWSW</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Section 15:</th>
<th>T14S, R13E</th>
<th>NENENE</th>
<th>NWNENE</th>
<th>SWNENE</th>
<th>SENENE</th>
<th>NWSENE</th>
</tr>
</thead>
</table>

2) **Pumphouse:** portion thereof of the following, containing 0.23 acres (all BLM)

<table>
<thead>
<tr>
<th>Section 21:</th>
<th>T14S, R13E</th>
<th>NESENE</th>
</tr>
</thead>
</table>

**INTEGRATED**

NOV 22 2017

Div. of Oil, Gas & Mining

1-17
3 **Catchment Structure A**: portion thereof of the following, containing 0.12 acres (all BLM)
   
   T 14 S, R 13 E   Section 15: SESW

4 **Catchment Structure C**: portion thereof of the following, containing 0.23 acres (all BLM)
   
   T 14 S, R 13 E   Section 28: NWNW

5 **Catchment Structure E**: portion thereof of the following, containing 0.23 acres (all BLM)
   
   T 14 S, R 12 E   Section 25: SESE

6 **B Canyon Portal Re-Opening**: portion thereof of the following, containing 0.25 acres (all BLM)*
   
   T 14 S, R 13 E   Section 14 SWNE

**TOTAL DISTURBED AREA = 31.24 acres**

* Note: All disturbance associated with the B Canyon Portal Re-Opening will be within the area of previous (pre-SMCRA) disturbance.
R645-301-115 STATUS OF UNSUITABILITY CLAIMS

115.100 The proposed permit area is not within an area designated as unsuitable for mining. WEST RIDGE Resources, Inc. is not aware of any petitions currently in progress to designate the area as unsuitable for coal mining and reclamation activities.

The area in which the proposed facility will be located has been evaluated within area management plans. It has not been found unsuitable for mining activities under any categories of examination.

115.200 Not applicable.

115.300 WEST RIDGE Resources, Inc. will not be conducting mining operations within 100 feet of an occupied dwelling. WEST RIDGE Resources, Inc. has received permission from Carbon County to construct facilities and operate coal mining activities within 100 feet of a public road. Refer to the letter from Carbon County in Appendix 1-8.

R645-301-116 PERMIT TERM

116.100 The anticipated starting and termination dates of the coal mining and reclamation operation are as follows:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Begin</th>
<th>Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Begin Mining</td>
<td>Jan. 2000</td>
<td>Nov. 2015</td>
</tr>
<tr>
<td>Terminate Longwall Mining</td>
<td>July 2018*</td>
<td>July 2019*</td>
</tr>
<tr>
<td>Terminate Pillar Mining</td>
<td>Jan. 2020*</td>
<td>June 2020*</td>
</tr>
<tr>
<td>Remove Facilities</td>
<td>July 2020*</td>
<td>Sept. 2020*</td>
</tr>
<tr>
<td>Re-grade Area</td>
<td>Oct. 2020*</td>
<td>Nov. 2020*</td>
</tr>
<tr>
<td>Revegetate Site</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*This assumes mine life extended through acquisition of adjacent state and federal coal reserves.

116.200 The initial permit application will be for a five year term with successive five year permit renewals.
The Certificate of Liability Insurance is included as Attachment 1-1 in Appendix 1-1.

A copy of the newspaper advertisement of the application for a permit and proof of publication are included as Attachment 1-2 and 1-3 respectively, in Appendix 1-1. A copy of the newspaper advertisement for the Whitmore lease revision is included as Attachment 1-3 in Appendix 1-1.

Not applicable.

Verification of filing fee payment is included as Attachment 1-4 in Appendix 1-1.

A notarized statement attesting to the accuracy of the information submitted can be referenced as Attachment 1-5 in Appendix 1-1.

Technical reports prepared by consultants specifically for WEST RIDGE Resources, Inc. are typically presented in an appendix format and, in general, provide the name and address of the person or company (consultant) preparing the report, the name of the report, the date of collection and analysis of the data, and descriptions of the methodology used to collect and analyze the data. The body of the report usually will provide the date the actual field work was conducted and a description of the methodology used to collect and analyze the data. The format of each report may vary depending on the contents of the report and organization preparing it.

For laboratory analyses, such as Appendix 7-2 and 7-3, the company performing the analyses as well as the date of the analyses, is presented on the laboratory report rather than the cover page.

A list of consultants and their appended reports is contained in Appendix 1-6, Consultation and Coordination. Sources used in the preparation of the permit application are referenced in Appendix 1-3. References in all chapters are keyed to this main reference list.
Mining and exploration activities had been conducted in the currently proposed disturbed area prior to August 3, 1977. A road existed into C Canyon in 1952 when drill hole B-6 was drilled in the right fork. A road was also constructed up the left fork of C Canyon to a drill hole site during the same year. In addition to the drill holes, the coal outcrop in the left fork of C Canyon was exposed for sampling purposes. A small pad was built at the outcrop location and it was left in place as were the roads.

In 1986, another drill hole, 86-2, was drilled west of the first drill hole in the right fork. A minor amount of road work was done in conjunction with this second drill hole. Kaiser Coal Company obtained permission from the BLM to grade the existing road and make it passable for the drill rig. The drill hole site was reclaimed but the road, a public road, was left in place.

Through use of aerial photography and site evaluations, it is possible to document previous mining related disturbances in C Canyon. Refer to Map 5-1 for delineation of the disturbance prior to August 3, 1977.

The total of all the previously disturbed areas within the minesite disturbed area is estimated to be as follows:

- roads in right and left forks = 1.27 acres
- road culvert = .05 acres
- water monitoring well = .05 acres
- material storage pad = .05 acres

\[ \text{total} = 1.62 \text{ acres} \]

WEST RIDGE Resources, Inc. is proposing to utilize the entire previously disturbed area in their current proposal and to reclaim it upon cessation of mining operations.
ATTACHMENT 1-5
VERIFICATION STATEMENT

I hereby certify that I am a responsible official (Resident Agent) of the applicant (ANDALEX and IPA for WEST RIDGE Resources, Inc.) and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein

[Signature]
Jay Marshall, Resident Agent

Signed - Name - Position - Date

[Signature]
Notary Public

My commission Expires: [March 27, 2013]

Attest: STATE OF [Utah] ss:
COUNTY OF [Carbon]

INcorporated
FEBRUARY 27, 2013
DIVISION OIL, GAS & MINING
APPENDIX 1-1

CERTIFICATIONS, VERIFICATIONS, PUBLICATIONS

INCORPORATED
EFFECTIVE:
APR 01 1999

UTAH DIVISION OIL, GAS AND MINING
INDEX

ATTACHMENT 1-1  CERTIFICATE OF LIABILITY INSURANCE
ATTACHMENT 1-2  NEWSPAPER ADVERTISEMENT
ATTACHMENT 1-3  PROOF OF PUBLICATION
ATTACHMENT 1-4  FILING FEE VERIFICATION
ATTACHMENT 1-5  VERIFICATION STATEMENT
The following page is an exhibit of the original Certificate of Liability that was current at the time the original permit was written.

The most current Certificate of Liability is maintained onsite, and can be found in the Inspection Binder located at the Main Office.
CERTIFICATE OF LIABILITY INSURANCE

PRODUCER
J. Craig Riddle Company
245 South Main Street
P.O. Box 549
Madisonville KY 42431-0549

INSURED
ANDALEX RESOURCES INC - TOWER DIVISION
45 WEST 10000 SOUTH STE 401
SANDY UT 84070

COVERAGE

This certificate is issued as a matter of information only and confers no rights upon the certificate holder. This certificate does not amend, extend or alter the coverage afforded by the policies below.

COMPANIES AFFORDING COVERAGE

<table>
<thead>
<tr>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
</tr>
<tr>
<td>B</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>D</td>
</tr>
</tbody>
</table>

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

This certificate is issued as a matter of information only and confers no rights upon the certificate holder. This certificate does not amend, extend or alter the coverage afforded by the policies described herein is subject to all the terms, exclusions and conditions of such policies. Limits shown may have been reduced by paid claims.

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<th>LTR</th>
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<th>POLICY NUMBER</th>
<th>POLICY EFFECTIVE DATE (MM/DD/YYYY)</th>
<th>POLICY EXPIRATION DATE (MM/DD/YYYY)</th>
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<td>CLAIMS MADE</td>
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<td>OCCUR</td>
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<td>INCLUDES XCU</td>
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</tbody>
</table>

|    |     | AUTOMOBILE LIABILITY | |                                    |                                     |       |
|    |     | ANY AUTO | |                                    |                                     |       |
|    |     | ALL OWNED AUTOS | |                                    |                                     |       |
|    |     | SCHEDULED AUTOS | |                                    |                                     |       |
|    |     | HIRED AUTOS | |                                    |                                     |       |
|    |     | NON-OWNED AUTOS | |                                    |                                     |       |

|    |     | GARAGE LIABILITY | |                                    |                                     |       |
|    |     | ANY AUTO | |                                    |                                     |       |

|    |     | EXCESS LIABILITY | |                                    |                                     |       |
|    |     | UMBRELLA FORM | |                                    |                                     |       |
|    |     | OTHER THAN UMBRELLA FORM | |                                    |                                     |       |

|    |     | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY | |                                    |                                     |       |
|    |     | THE PROPRIETOR/PARTNER/EXECUTIVE OFFICERS ARE: | |                                     |                                      |       |
|    |     | INCL | |                                    |                                     |       |
|    |     | EXCL | |                                    |                                     |       |

|    |     | OTHER | |                                    |                                     |       |

|    |     | TYPE | |                                    |                                      |       |
|    |     | LIMITS | |                                    |                                      |       |
|    |     | GENERAL AGGREGATE | |                                    |                                     | $2,000,000 |
|    |     | PRODUCTS - COMP. AGG | |                                    |                                     | $2,000,000 |
|    |     | PERSONAL & ADV INJURY | |                                    |                                     | $1,000,000 |
|    |     | EACH OCCURRENCE | |                                    |                                     | $1,000,000 |
|    |     | FIRE DAMAGE (Any one fire) | |                                    |                                     | $100,000 |
|    |     | M.D. EXP. (Any one person) | |                                    |                                     | $10,000 |
|    |     | COMBINED SINGLE LIMIT | |                                    |                                     |       |
|    |     | BODILY INJURY (Per person) | |                                    |                                     |       |
|    |     | BODILY INJURY (Per accident) | |                                    |                                     |       |
|    |     | PROPERTY DAMAGE | |                                    |                                     |       |
|    |     | AUTO ONLY - EA ACCIDENT | |                                    |                                     |       |
|    |     | OTHER THAN AUTO. ONLY | |                                    |                                     |       |
|    |     | EACH OCCURRENCE | |                                    |                                     |       |
|    |     | AGGREGATE | |                                    |                                     |       |
|    |     | WC STATUTORY LIMITS | |                                    |                                     |       |
|    |     | EL EACH ACCIDENT | |                                    |                                     |       |
|    |     | EL DISEASE - POLICY LIMIT | |                                    |                                     |       |
|    |     | EL DISEASE - EA EMPLOYEE | |                                    |                                     |       |

DESCRIPTION OF OPERATIONS/Locations/vehicles/special items

CANCELLATION CLAUSE REVISED AS FOLLOWS: Should any of the above described policies be changed and/or cancelled before the expiration date thereof, the issuing company will mail (certified) 45 days written notice to the certificate holder named below.

CERTIFICATE HOLDER

STATE OF UTAH-DEPT OF NATURAL RESOURCES
DIV OF OIL, GAS & MINING
1594 W. N. TEMPLE SUITE 1210
SALT LAKE CITY UT 84114-5801

ACORD 25-S (1/95)

CANCELLATION

Should any of the above described policies be cancelled before the expiration date thereof, the issuing company will mail 45 days written notice to the certificate holder named above. This certificate holder shall notify the insured named above of such cancellation and/or the policies being cancelled and/or changed.

AUTHORIZED REPRESENTATIVE

Jimmy Riddle

ACORD CORPORATION 1998
ATTACHMENT 1-2
NEWSPAPER ADVERTISEMENT

(To be provided at a later date)
AFFIDAVIT OF PUBLICATION

STATE OF UTAH) ss.

County of Carbon,

I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 12th day of May, 1998 and that the last publication of such notice was in the issue of such newspaper dated the 2nd day of June, 1998.

Kevin Ashby - Publisher

Subscribed and sworn to before me this 2nd day of June, 1998.

Notary Public My commission expires January 10, 1999 Residing at Price, Utah

Publication fee, $336.00

PUBLIC NOTICE

WEST RIDGE Resources, Inc., P.O. Box 902, Price, Utah 84501 has filed a complete application with the Division of Oil, Gas and Mining for a permit to conduct underground coal mining and reclamation operations in eastern Carbon County, Utah. The proposed West Ridge Mine would be located in C. Canyon, approximately 6 miles north of East Carbon City, Utah. The proposed permit area is approximately 2,661 acres and delineated on U.S.G.S. 7 1/2 minute topographic maps as follows:

T 14 S, R 13 E
Section 10: NE1/4, SE1/4, SE1/4, SE1/4
Section 11: NE1/4, SE1/4, SE1/4, NE1/4
Section 12: NE1/4, SE1/4, SE1/4, NE1/4
Section 13: NE1/4, SE1/4, SE1/4, SE1/4
Section 14: NE1/4, SE1/4, SE1/4, NE1/4
Section 15: NE1/4, SE1/4, NE1/4
Section 16: NE1/4, NE1/4, NE1/4
Section 24: N1/2, N1/2, N1/2

A portion of the mine facility area would be located within 100 feet of a Carbon County public road. There are no plans to relocate or close the public road. The mine facility would not hinder public travel on the public roadway.

An experimental practice with regard to topsoil removal and storage is being proposed on approximately 4.75 acres of the total 29 acre mine facility area. The regulatory provision for which the variance is being requested is R645-301-232. Details of the proposal are included in the Permit Application Package currently on file with DOI.

Following mining activities, all surface facilities would be removed and the area regraded to approximate original contour. The disturbed surface area would be seeded and mulched to promote successful revegetation. Postmining land use would be the same as currently, exists today, that being wildlife habitat, grazing and limited recreational activities.

A copy of the application is available for public inspection at the following locations:

Division of Oil, Gas and Mining
1594 W. North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Carbon County Courthouse
120 East Main
Price, Utah 84501

Written comments, objections or requests for informal conferences on the application may be submitted within 30 days to:

Division of Oil, Gas and Mining
1594 W. North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Published in the Sun Advocate May 12, 19, 26 and June 2, 1998.
AFFIDAVIT OF PUBLICATION

STATE OF UTAH

ss.

County of Carbon,

I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 5 (Five) consecutive issues, and that the first publication was on the 13th day of December, 2001, and that the last publication of such notice was in the issue of such newspaper dated the 1st day of January, 2002.

Ken G Larson - Publisher

Subscribed and sworn to before me this 1st day of January, 2002.

Linda Hayn
Notary Public My commission expires January 10, 2003 Residing at Price, Utah

Publication fee, $494.65
STATE OF UTAH)

ss.

County of Carbon,)

I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) publication was on the 5th day of May, 2005, and that the last publication of such notice was in the issue of such newspaper dated the 26th day of May, 2005.

Ken G. Larson - Publisher

Subscribed and sworn to before me this 26th day of May, 2005.

Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, $366.08
January 26, 1998

Mr. Daron Haddock, Permit Supervisor
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah  84114-5801

Re: Permit Application Package and filing fee submittal

Dear Mr. Haddock:

Andalex Resources, Inc. hereby submits a Permit Application Package for the West Ridge Mine (PRO/007/041). Attached please find a check for the $5.00 permit application filing fee.

Sincerely,

Jean Semborski
Environmental Coordinator
STATE OF Utah
COUNTY OF Carbon

I, Samuel C. Quigley, hereby certify that I am a responsible official of the applicant (WEST RIDGE Resources, Inc.) and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein.

Signed: Samuel C. Quigley

Taken, subscribed and sworn to me before the undersigned authority in my said county, this 5th day of May, 1998.

Notary Public: Rosina Giaperas

My Commission Expires: 5/28/2001
ATTACHMENT 1-5
VERIFICATION STATEMENT

I hereby certify that I am a responsible official (Resident Agent) of the applicant (ANDALEX and IPA for WEST RIDGE Resources, Inc.) and that the information contained in this application, including the addition of State Lease ML-47711 and ML-49287, and the Penta Creek Incidental Boundary Change, is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein

Signed - Name - Position - Date

Subscribed and sworn to before me this 21 day of March 2005

Rada J. Rogers
Notary Public

My commission Expires: 10/2/2006

Attest: STATE OF Utah ss:
COUNTY OF Carbon ss:

INcorporated
APR 15 2005
DIV OF OIL GAS & MINING

Appendix 1-1 5
ATTACHMENT 1-5
VERIFICATION STATEMENT

I hereby certify that I am a responsible official (Resident Agent) of the applicant (ANDALEX and IPA for WEST RIDGE Resources, Inc.) and that the information contained in this application, including the addition of State Lease ML-47711 and ML-49287, and the Penta Creek Incidental Boundary Change, is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein.

Signed - Name - Position - Date

Gary Elway 7/21/05

Subscribed and sworn to before me this 21st day of July, 2005.

Rada J. Rogers
Notary Public

My commission Expires: 10/2/06

Attends: STATE OF (Utah) ss:
COUNTY OF (Salt Lake) ss:

RADA J. ROGERS
NOTARY PUBLIC - STATE OF UTAH
2150 N LUNDY LANE
CLEVELAND, UT 84518
COMM. EXPIRES 10-2-2006

Appendix 1-5

INCORPORATED
DIV OF OIL, GAS & MINING
I hereby certify that I am a responsible official (Resident Agent) of the applicant (ANDALEX and IPA for WEST RIDGE Resources, Inc.) and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein

Signed - Name - Position - Date

David Shaver, Resident Agent

Subscribed and sworn to before me this 31st day of October 2008

Notary Public

My commission Expires: April 6, 2009

Attest: STATE OF Utah ss:

COUNTY OF Carbon
VIOLATION INFORMATION

Information updated to August 3, 2010
<table>
<thead>
<tr>
<th>Date Issued</th>
<th>Violation Number</th>
<th>Name of Issuing Agency</th>
<th>Person Issued To</th>
<th>Permit Number</th>
<th>Brief Description of Violation</th>
<th>Status (Abated, Term. etc.)</th>
<th>Abatement Action</th>
<th>Appeal Y or N</th>
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<tbody>
<tr>
<td>9/27/2006</td>
<td>10000</td>
<td>DOGM</td>
<td></td>
<td></td>
<td>Failure to renew</td>
<td>9/29/2006</td>
<td>terminated</td>
<td>N</td>
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<tr>
<td>10/6/2006</td>
<td>10002</td>
<td>DOGM</td>
<td></td>
<td></td>
<td>Failure to submit fan plan</td>
<td>12/4/2006</td>
<td>terminated</td>
<td>N</td>
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<td>2/7/2007</td>
<td>10003</td>
<td>DOGM</td>
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<td>Non coal Waste</td>
<td>2/12/2007</td>
<td>terminated</td>
<td>N</td>
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<tr>
<td>7/6/2007</td>
<td>10007</td>
<td>DOGM</td>
<td></td>
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<td>Vehicle in ditch</td>
<td>7/06/07</td>
<td>terminated</td>
<td>N</td>
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<td>8/27/2007</td>
<td>10009</td>
<td>DOGM</td>
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<td>no sed pond inspection</td>
<td>8/27/07</td>
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<td>6/18/2007</td>
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<td>non coal waste</td>
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<td>10/28/2008</td>
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<td>DOGM</td>
<td></td>
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<td>guard shack</td>
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<td>1/21/09</td>
<td>10032</td>
<td>DOGM</td>
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<td>Rocks in ditch</td>
<td>Term</td>
<td>N</td>
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<td>7/2/09</td>
<td>10040</td>
<td>DOGM</td>
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<td></td>
<td>Failure to maintain sediment control, GVH</td>
<td></td>
<td>N</td>
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<tr>
<td>Date Issued</td>
<td>Violation Number</td>
<td>Name of Issuing Agency</td>
<td>Person Issued To</td>
<td>Permit Number</td>
<td>Brief Description of Violation</td>
<td>Status (Abated, Term, etc.)</td>
<td>Abatement Action</td>
<td>Appeal Y or N</td>
</tr>
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<td>8/19/2004</td>
<td>Nov4-49-4-1</td>
<td>DOGM</td>
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<td>Parking in Forest</td>
<td>Term</td>
<td>moved vehicle</td>
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<td>Term</td>
<td>moved waste</td>
<td>N</td>
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<td>9/8/2005</td>
<td>Nov5-49-2-1</td>
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<td></td>
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<td>Term</td>
<td></td>
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<tr>
<td>10/4/2006</td>
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<td>Culvert Plugged</td>
<td>Term</td>
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<td>N</td>
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<td>10014</td>
<td>DOGM</td>
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<td>no sed pond</td>
<td>Term</td>
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<td>N</td>
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<td>9/10/2007</td>
<td>10015</td>
<td>DOGM</td>
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<td>term</td>
<td>Unplugged</td>
<td>N</td>
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<tr>
<td>1/14/2008</td>
<td>10016</td>
<td>DOGM</td>
<td></td>
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<td>mine water stored in pond</td>
<td>Term</td>
<td>rerouted water</td>
<td>N</td>
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<td>1/14/2008</td>
<td>10017</td>
<td>DOGM</td>
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<td>gravity flow from m portal</td>
<td>Term</td>
<td>stopped flow</td>
<td>N</td>
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<td>2/6/2008</td>
<td>10019</td>
<td>DOGM</td>
<td></td>
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<td>failure to request permit</td>
<td>Term</td>
<td>submitted renewal</td>
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<td>5/28/2008</td>
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<td>Plugged culverts</td>
<td>Term</td>
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<td>5/28/2008</td>
<td>10022</td>
<td>DOGM</td>
<td></td>
<td></td>
<td>Failure to maintain silt fence</td>
<td>Term</td>
<td>Cleaned fence</td>
<td>N</td>
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<td>8/10/2009</td>
<td>10043</td>
<td>DOGM</td>
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<td>High iron discharge in Crandall Creek</td>
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<td>8/10/2009</td>
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<td>No macroinvertebrate studies</td>
<td>Term</td>
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<td>10/29/2009</td>
<td>10046</td>
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<td>Failure to clean out sediment pond</td>
<td>Term</td>
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Name of Operation: West Ridge
Identifying Number: Fed/State Permit Number 007/041
MSHA ID Number: 42.02233

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<th>Status</th>
<th>Abatement Action</th>
<th>Appeal Y or N</th>
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<td>Term</td>
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<td>Term</td>
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<td>7/21/2010</td>
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<td>DOGM</td>
<td>Coal Fines in Stream (2nd)</td>
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<tr>
<td>9/10/2015</td>
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<td>Seismic Monitoring</td>
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<td>5/13/2004</td>
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<td>90.124</td>
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<tr>
<td>The Ohio Valley Coal Co.</td>
<td>Powhatan No. 6 Mine</td>
<td>State – D-0360</td>
<td>33-01159</td>
<td></td>
<td></td>
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<tr>
<th>Date Issued</th>
<th>Violation Number</th>
<th>Name of Issuing Agency</th>
<th>Person Issued To</th>
<th>Permit Number</th>
<th>Brief Description of Violation</th>
<th>Status (Abated, Term. etc.)</th>
<th>Abatement Action</th>
<th>Appeal</th>
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<tbody>
<tr>
<td>8/2/2004</td>
<td>19662</td>
<td>DMRM</td>
<td>Mine D-0360</td>
<td>Failure to maintain sediment control</td>
<td>Terminated Cleaned Ditch</td>
<td>Y</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>5/23/2006</td>
<td>19656</td>
<td>DMRM</td>
<td>Mine D-0360</td>
<td>Failure to maintain the perimeter of diversion ditch</td>
<td>Terminated Cleaned Ditch</td>
<td>Y</td>
<td>N</td>
<td></td>
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<tr>
<td>11/30/2006</td>
<td>28473</td>
<td>DMRM</td>
<td>Mine D-0360</td>
<td>Undirected Drainage</td>
<td>Terminated Cleaned Ditch</td>
<td>Y</td>
<td>N</td>
<td></td>
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<tr>
<td>11/30/2006</td>
<td>28484</td>
<td>DMRM</td>
<td>Mine D-0360</td>
<td>Coal Blocking Diversion Ditch</td>
<td>Terminated Cleaned Ditch</td>
<td>Y</td>
<td>N</td>
<td></td>
</tr>
<tr>
<td>Date Issued</td>
<td>Violation Number</td>
<td>Name of Issuing Agency</td>
<td>Person Issued To</td>
<td>Permit Number</td>
<td>Brief Description of Violation</td>
<td>Status (Abated, Term. etc.)</td>
<td>Abatement Action</td>
<td>Appeal Y or N</td>
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<tr>
<td>1/25/2005</td>
<td>21807</td>
<td>ODNR</td>
<td></td>
<td>D-0425</td>
<td>subsided resident ran out of water</td>
<td>Terminated</td>
<td>filled tank with water</td>
<td>N</td>
</tr>
<tr>
<td>4/27/2005</td>
<td>19696</td>
<td>ODNR</td>
<td></td>
<td>D-0425</td>
<td>Coal located outside stockpile area</td>
<td>Terminated</td>
<td>cleaned coal</td>
<td>N</td>
</tr>
<tr>
<td>4/29/2005</td>
<td>19695</td>
<td>ODNR</td>
<td></td>
<td>D-0426</td>
<td>Maintenance on pond 018</td>
<td>Terminated</td>
<td>cleaned out pond</td>
<td>N</td>
</tr>
<tr>
<td>4/27/2005</td>
<td>19697</td>
<td>ODNR</td>
<td></td>
<td>D-0425</td>
<td>drainage from property not entering sumps</td>
<td>Terminated</td>
<td>construct sumps</td>
<td>N</td>
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<tr>
<td>10/3/2005</td>
<td>21871</td>
<td>ODNR</td>
<td></td>
<td>D-0425</td>
<td>Failure to sub specific repairs (landowner)</td>
<td>Active</td>
<td>N</td>
<td></td>
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<tr>
<td>6/15/2006</td>
<td>21860</td>
<td>ODNR</td>
<td></td>
<td>D-1159</td>
<td>Segregate Prim Farmland soils</td>
<td>Active</td>
<td>Waiting on ODNR, All information submitted</td>
<td>N</td>
</tr>
<tr>
<td>Aug-05</td>
<td>CO-1726</td>
<td>ODNR</td>
<td></td>
<td>D-0425</td>
<td>Uncontrolled discharge (Slurry)</td>
<td>Active</td>
<td>Will submit revised Plan Mid Month</td>
<td>N</td>
</tr>
<tr>
<td>Name of Operation</td>
<td>Identifying number for operation</td>
<td>Federal or State Permit Number</td>
<td>MSHA ID Number</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The American Coal Co.</td>
<td>Galatia Mine &amp; Millennium Portal</td>
<td>IDNR Mining Permit #2 and #352</td>
<td>11-02752</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tbody>
<tr>
<td>9/27/2004</td>
<td>37-11-04</td>
<td>IDNR</td>
<td>DeNeal</td>
<td>Permit #2</td>
<td>Failure to submit groundwater report on schedule</td>
<td>Terminated</td>
<td></td>
<td>N</td>
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<tr>
<td>4/19/2005</td>
<td>37-01-05</td>
<td>IDNR</td>
<td>DeNeal</td>
<td>Permit #2</td>
<td>Failure to submit UG mining maps</td>
<td>Terminated</td>
<td></td>
<td>N</td>
</tr>
<tr>
<td>5/12/2005</td>
<td>37-02-05</td>
<td>IDNR</td>
<td>DeNeal</td>
<td>Shadow Area 9</td>
<td>Failure to complete subsidence mitigation in</td>
<td>Modified</td>
<td></td>
<td>N</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>contemplate manner</td>
<td></td>
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<tr>
<td>6/1/2005</td>
<td>37-03-05</td>
<td>IDNR</td>
<td>DeNeal</td>
<td>352</td>
<td>Broken waterline failure to prevent minepumpage from passing through sediment pond before going offsite</td>
<td>Terminated</td>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>
The following companies either did not have any violations in the last three years or do not have permits.

Oklahoma Coal Company

KenAmerican Resources, Inc.

Onieda Coal, Inc.

MonValley Transportation Center, Inc.

Mill Creek Mining Co.

Pinski Corp

American Compliance Coal Inc.

Coal Resources Inc.

PA Transloading, Inc.

West Virginia Resources Inc.

WildCat Loadout

American Coal Sales Co.

Hocking Valley Resources Co.
APPENDIX 1-3

REFERENCE LIST
REFERENCES


Kaiser Coal Corporation, Application for an Underground Coal Mine Permit, March 1, 1985, Sunnyside Mine, Sunnyside, Utah.


APPENDIX 1-4

PROOF OF FEDERAL LEASE ASSIGNMENT
SL 68754
UTU 78562

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING
In Reply Refer To:
3453
SL-068754-U-01215
(UT-932)

CERTIFIED MAIL--Return Receipt Requested

DECISION

AMCA Coal Leasing, Inc. : Coal Lease
Box 902 : SL-068754-U-01215
Price, UT 84501

Bond Accepted
Assignment Approved

On April 24, 1997, an assignment of coal lease SL-068754-U-01215, entered into on March 27, 1997, between AMCA Coal Leasing, Inc. (AMCA), as assignee, and The Standard Oil Company, as assignor, was filed in this office.

Satisfactory evidence of the qualifications and holdings of AMCA has been filed. This office has received no evidence that the lease is not in good standing. The assignee, AMCA, has submitted a statement, executed on March 27, 1997, that they agree to be subject to all existing lease burdens, obligations and lessor's royalties. Therefore, the assignment appears to meet the requirements of the regulations and is approved effective July 1, 1997. Approval of this assignment does not constitute approval of any of the terms therein which may be in violation of the lease terms.

Surety Bond CSB0165669 for $8,000 was submitted to this office on June 18, 1997, for coverage on coal lease SL-068754-U-01215. The bond has been examined and accepted as adequate bond coverage for the lease at this time. The bond is accepted as of the date of filing.

Enclosure
Assignment (3 pp)
In Reply Refer To:
3425
UTU-78562
(UT-924)

CERTIFIED MAIL—Return Receipt Requested

DECISION

ANDALEX Resources, Inc. (50%)
45 West 10000 South, Suite 401
Sandy, Utah 84070

Intermountain Power Agency (50%)
480 East 6400 South, Suite 200
Murray, Utah 84107

Coal Lease
UTU-78562

Lease Issued
Bond Accepted

Pursuant to the Lease By Application sale held December 12, 2001, the bid of ANDALEX Resources, Inc. (50%) and Intermountain Power Agency (50%) for the Whitmore Canyon Tract, assigned serial no. UTU-78562, was determined to be the acceptable high bid. Satisfactory evidence of the qualifications and holdings of the bidders has been submitted.

Intermountain Power Agency has furnished to this office a satisfactory personal bond and Power of Attorney in the amount of $9,173,000 which provides bond coverage for coal lease UTU-78562. Evidence has been received that a U.S. Treasury Note in the amount of $9,173,000 has been pledged with the Federal Reserve System to the account of the Secretary of the Interior for use in event of default. The bond is accepted as of February 26, 2002, the date of the filing of the bond in this office.

The U.S. Treasury Note has an interest rate of 3.50%, maturing November 16, 2006. It will be retained in the account of the Secretary of the Interior until (1) this office is satisfied there is no further requirement for the bond; (2) satisfactory replacement bond coverage is furnished; or (3) the maturity date. If the Treasury Note is still in the Secretary’s account on the maturity date, it will be converted to a cash deposit in this office’s suspense account, without any further interest accruing, until a final determination is made as to whether the bond is still needed.
First year's rental of $4,941 has been submitted by the bidders, and a check for $821.09 has been submitted to cover the cost of advertising the sale. Four copies of the lease have been executed by the bidders; therefore, coal lease UTU-78562 is hereby issued effective February 1, 2002.

Annual rental of $4,941 and a bonus bid payment of $2,291,980 is due by February 1, 2003. The bond amount will be re-evaluated after the bonus bid is paid.

Robert Lopez
Chief, Branch of Minerals Adjudication

Enclosure
1. Coal Lease UTU-78562 (7 pp)

cc: Price Coal Office (Attn: Steve Falk) (w/encl.)
    MMS, Solid Minerals Staff (w/encl.)
    Resource Development Coordinating Committee (w/encl.)
    Mr. Lowell Braxton, Director, UDOGM, Box 145801, SLC, UT 84114-5801 (w/encl.)
    Holmes, Roberts, and Owen, Attn: Mark Buchi, 111 E. Broadway, Suite 1100,
    Salt Lake City, UT 84111 (w/encl.)
    SITLA, Attn: John Blake, 675 E. 500 So., Ste. 500, SLC, UT 84102 (w/encl.)
    ANDALEX Resources, Inc., P.O. Box 902, Price, UT 84501
    Intermountain Power Agency, Coal Business Manager, Los Angeles Department of Water
    and Power, 111 North Hope Street, Room 1263, Los Angeles, CA 90012-2694 (w/encl.)
    Office of Surface Mining, Attn: Larry Cline, 1999 Broadway, Suite 3320, Denver, CO 80202
    (w/encl.)
PART I. LEASE RIGHTS GRANTED

This lease, entered into by and between the UNITED STATES OF AMERICA, hereinafter called lessor, through the Bureau of Land Management, and
(Name and Address)
ANDALEX Resources, Inc. (50%) Intermountain Power Agency (50%)
45 West 10000 South, Suite 401 480 East 6400 South, Suite 200
Sandy, Utah 84077 Murray, Utah 84107

hereinafter called lessee, is effective (date) FEB 1 2002, for a period of 20 years and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to adjustment of lease terms at the end of the 20th lease year and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the:


and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions hereon.

Sec. 2. Lessee, in consideration of any bonuses, rents, and royalties to be paid, and the conditions and covenants to be observed as hereinafter set forth, hereby grants and leases to lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon or under the following described lands:

T. 13 S., R. 13 E., SLM, UT
Sec. 35, §2SW, SE.

T. 14 S., R. 13 E., SLM, UT
Sec. 1, lots 2-7, SWNE, §2SW, SW, W2SE;
Sec. 12, lots 1-4, S2NH, N2SW, SE;
Sec. 13, NENE.

T. 14 S., R. 14 E., SLM, UT
Sec. 6, lot 6;
Sec. 7, lots 3 and 4;
Sec. 18, lot 1, E2SW.

containing 1,646.34 acres, more or less, together with the right to construct such works, buildings, plans, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

PART II. TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE - Lessee shall pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $ 3.00 for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2. (a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to lessee the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the lessee, the authorized officer may accept, for a term of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of $ 9,173,300. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease is subject to the conditions of diligent development and continued operation, except that these conditions are excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the lessee. The lessee, in the public interest, may suspend the condition of continued operation upon payment of advance royalty in accordance with the regulations in existence at the time of the suspension. Lessee's failure to produce coal in commercial quantities at the end of 10 years shall terminate the lease. Lessee shall submit an operation and reclamation plan pursuant to Section 7 of the Act not later than 3 years after lease issuance.

The lessee reserves the power to assign to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act. 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - Either upon approval by the lessee of the lessee's application or at the direction of the lessee, this lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.
Lease shall ensure that all reasonable times for the inspection of any duly authorized officer of the lease, the leased premises and all similar improvements, work, machinery, ore mechanisms, equipment, all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lease shall allow lessee access to and copying of documents reasonably necessary to verify lease compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation to any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land users or users. Lessee shall take measures deemed necessary by lessee to accomplish the intent of this lease term. Such measures may include, but are not limited to, modifications to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures. Lessee reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving amendments or rights-of-way. Lessee shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessees as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to no more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither lessee nor lessee’s subcontractors shall maintain segregated facilities.

Sec. 15. SPECIAL STIPULATIONS - This coal lease is subject to termination if the lessee is determined at the time of issuance to be in noncompliance with Section 2(a)(2) of the Mineral Leasing Act.
SEE ATTACHED STIPULATIONS

ANDALEX Resources, Inc.
Company or Lessee Name

(Signature of Lessee)

Douglas H. Smith, President
(Title)
Feb 14, 2002
(Date)

Intermountain Power Agency
Company or Lessee Name

(Rick J. Dean)
(Signature of Lessee)

General Manager
(Title)
2-14-02
(Date)

THE UNITED STATES OF AMERICA
Department of the Interior
Bureau of Land Management
Utah State Office

(Signing Officer)

_MINERAL SURVEY_ (Title)

MAR 5 2002
(Date)
BLM STIPULATIONS

The following stipulations made part of this lease may be waived or amended with the mutual consent of the Lessor and Lessee.

1. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable, a Utah program equivalent approved under cooperative agreement in accordance with Sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. The permitting of any mining operations on the lease will be subject to the possible designation of any portion of the lease as unsuitable for some or all kinds of surface mining under the regulations of the Department under the Surface Mining Control and Reclamation Act of 1977 (SMCRA) in effect at the time of action on the mine plan permit.

3. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a cultural resource inventory of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural resources.

If significant cultural resources are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the authorized officer (AO) who shall evaluate or have evaluated such discoveries and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by qualified paleontologists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the AO who shall evaluate or have evaluated such discoveries brought to his attention and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.
The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. If there is reason to believe that threatened or endangered (T&E) species of plants or animals, or migratory species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. A listing of migratory birds of high Federal interest in Federal coal producing regions is published by the Fish and Wildlife Service, Migratory Bird Management Office, Washington, D.C. The inventory shall be conducted by qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

6. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data is adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation, and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

7. Powerlines on the lease area used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

8. The Lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

9. The Lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data.

10. Except at specifically approved locations, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: 1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, 2) cause damage to existing surface structures, or 3) damage or alter the flow of perennial streams.
11. In order to avoid surface disturbance on steep canyon slopes and to satisfy the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

12. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to a premining land use.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, Lessor reserves the right to seek damages against the operator/lessee in the event (I) the operator/lessee fails to achieve maximum economic recovery (as defined at 43 CFR §3480.0-5(21)) of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or unrecovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 as approved will not attain MER as the result of changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left unmined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unminable or at such time that the Lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the Lessor that payment is due under this stipulation is appealable as allowed by law.
14. WASTE CERTIFICATION: The Lessee must provide upon abandonment, transfer of operation, assignment of rights, sealing-off a mined area and prior to lease relinquishment, certification to the Lessor that, based upon a complete search of all the records for the lease and its associated mine operation(s), and upon Lessee's and the operator's knowledge of past mining operations associated with the lease, there have been no reportable quantities of hazardous substances per 40 CFR 302.4 or used oil (as per Utah State Administrative Code R-315-15), discharged, deposited, or released within the lease, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to any such substances. Lessee must additionally provide to Lessor a complete list of all hazardous substances and hazardous materials and their Chemical Abstract Services Registry Numbers, and the oil and petroleum products used or stored on, or delivered to, the lease. Such disclosure will be in addition to any other disclosure required by law or agreement.

15. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The Lessee shall notify the AO in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the Lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground. The AO may participate in this inspection. The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and Utah State Management Code R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the Lessee's expense and shall be submitted to the AO as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the AO has granted a written approval. Any on-lease disposal of non-coal waste must comply with 30 CFR § 817.89.

16. The holder of this lease shall be required to conduct appropriate surveys for Mexican spotted owls on the lease tract areas with 40 percent or greater slope, cliff habitat areas, riparian habitats, and mixed conifer forest habitats, prior to surface disturbing activity and or development with a potential to interrupt springs. Inventory work will be conducted by parties approved and permitted for such survey work by the Authorized Officer of the BLM and conducted following current protocols established by the USFWS.
17. SEISMIC STIPULATION: Mining operations shall be conducted in a manner to prevent seismic events that would cause damage to surface or subsurface structures such as: power lines or mine pillars and other structures such as Grassy Trail Reservoir and/or create hazardous conditions such as landslides.

The Lessee shall: (1) Provide a seismic risk assessment of the Grassy Trail Reservoir to the AO prior to mining in the lease. (2) Prior to mining in the lease, the Lessee shall provide a plan to monitor the Reservoir and the steps necessary to mitigate any damage created by the Lessee. These plans shall be updated by the Lessee as deemed necessary by the AO.

The AO will either approve or may prescribe the mining methods used, the amount of coal recovered or determine the corrective measures necessary to assure protection of surface or subsurface structures and resources. The Lessee is and will remain liable for any and all damages or hazardous conditions resulting from the mining operations under the lease.
APPENDIX 1-4A

LEASE ASSIGNMENT

FEDERAL COAL LEASE

SL-068754
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
COAL LEASE READJUSTMENT

Part I. LEASE RIGHTS GRANTED

This lease, entered into by and between the United States of America, hereinafter called the lessor, through the Bureau of Land Management, and

ANDALEX Resources, Inc. (50%)  
45 West 10000 South, Suite 401  
Sandy, UT 84070  

Intermountain Power Agency (50%)  
480 East 6400 South, Suite 200  
Murray, UT 84107

hereinafter called lessee, is readjusted, effective June 1, 2001, for a period of 10 years and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of each 10 year lease period.

Sec. 1. This lease readjustment is subject to the terms and provisions of the:

// Mineral Lands Leasing Act of 1920, Act of February 25, 1920, as amended,  
41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;

913, 30 U.S.C. 351-359;

and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessor, in consideration of any rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants to lessee the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the following described lands:

- T. 14 S., R. 13 E., SLM, UT  
  Sec. 10, NE, E2NW, N2SE, SESE;  
  Sec. 11, all;  
  Sec. 12, S2SW, NWSW;  
  Sec. 13, S2, NW, S2NE, NWNE;  
  Sec. 14, E2, N2NW, SENW;  
  Sec. 15, NENE;  
  Sec. 24, N2, N2SE, NESW.

containing 2,650.67 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.
PART II. TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE. Lessee shall pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $3.00 for each lease year.

(b) RENTAL CREDITS. Rental shall not be credited against either production or advance royalties for any year.

Sec. 2.(a) PRODUCTION ROYALTIES. The royalty shall be 12½ percent of the value of coal produced by strip or auger mining methods and 8 percent of the value of coal produced by underground mining methods. Royalties are due to lessor the final day of the months succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES. Upon request by the lessee, the authorized officer may accept for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS. Lessee shall maintain in the proper office a lease bond in the amount of $212,000. The authorized officer may require an adjustment in the amount of the bond to reflect changed conditions.

Sec. 4. DILIGENCE. This lease is subject to the conditions of diligent development and continued operation, except that these conditions are excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the lessee. The lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessee's failure to produce coal in commercial quantities at the end of 10 years shall terminate the lease. If not submitted already, lessee shall submit an operation and reclamation plan pursuant to Section 7 of the Act not later than 3 years after the effective date of this lease readjustment.

The lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU). Either upon approval by the lessor of the lessee's application or at the direction of the lessor, this lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION. At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.
Lessee shall keep open at all times for the inspection of any duly authorized officer of lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow lessor access to and copying of documents reasonably necessary to verify lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS. Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation to any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits, not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY. Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor.
Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

Sec. 9(a) TRANSFERS

This lease may be transferred in whole or in part to any person, association, or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISHMENT. The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. At such time as all portions of this lease are returned to lessor, lessee shall deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the lessor, but lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor. If the surface is owned by third parties, lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities incidental thereto, and reclaim access roads or trails.

Sec. 11. PROCEEDINGS IN CASE OF DEFAULT. If lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS - INTEREST. Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.
Sec. 13.  **INDEMNIFICATION.** Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease.

Sec. 14.  **SPECIAL STATUTES.** This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

Sec. 15.  **SPECIAL STIPULATIONS.**

**SEE ATTACHED STIPULATIONS**
BBL STIPULATIONS

The following stipulations made part of this lease may be waived or amended with the mutual consent of the Lessor and Lessee.

1. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable, a Utah program equivalent approved under cooperative agreement in accordance with Sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. The permitting of any mining operations on the lease will be subject to the possible designation of any portion of the lease as unsuitable for some or all kinds of surface mining under the regulations of the Department under the Surface Mining Control and Reclamation Act of 1977 (SMCRA) in effect at the time of action on the mine plan permit.

3. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a cultural resource inventory of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural resources.

If significant cultural resources are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the authorized officer (AO) who shall evaluate or have evaluated such discoveries and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by qualified paleontologists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the AO who shall evaluate or have evaluated such discoveries brought to his attention and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.
The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. If there is reason to believe that threatened or endangered (T&E) species of plants or animals, or migratory species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. A listing of migratory birds of high Federal interest in Federal coal producing regions is published by the Fish and Wildlife Service, Migratory Bird Management Office, Washington, D.C. The inventory shall be conducted by qualified specialists and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

6. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data is adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation, and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

7. Powerlines on the lease area used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

8. The Lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

9. The Lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data.

10. Except at specifically approved locations, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: 1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, 2) cause damage to existing surface structures, or 3) damage or alter the flow of perennial streams.
11. In order to avoid surface disturbance on steep canyon slopes and to satisfy the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

12. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to a premining land use.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, Lessor reserves the right to seek damages against the operator/lessee in the event (i) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or unrecovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 as approved will not attain MER as the result of changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left unmined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unminable or at such time that the Lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the Lessor that payment is due under this stipulation is appealable as allowed by law.
14. WASTE CERTIFICATION: The Lessee must provide upon abandonment, transfer of operation, assignment of rights, sealing-off a mined area and prior to lease relinquishment, certification to the Lessor that, based upon a complete search of all the records for the lease and its associated mine operation(s), and upon Lessee’s and the operator’s knowledge of past mining operations associated with the lease, there have been no reportable quantities of hazardous substances per 40 CFR 302.4 or used oil [as per Utah State Administrative Code R-315-15], discharged, deposited, or released within the lease, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to any such substances. Lessee must additionally provide to Lessor a complete list of all hazardous substances and hazardous materials and their Chemical Abstract Services Registry Numbers, and the oil and petroleum products used or stored on, or delivered to, the lease. Such disclosure will be in addition to any other disclosure required by law or agreement.

15. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The Lessee shall notify the AO in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the Lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground. The AO may participate in this inspection. The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and Utah State Management Code R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the Lessee’s expense and shall be submitted to the AO as part of the certification. The abandonment of any equipment/machinery shall be on a case-by-case basis and shall not be accomplished unless the AO has granted a written approval. Any on-lease disposal of non-coal waste must comply with 30 CFR § 817.89.
EXHIBIT 1

ASSIGNMENT AND ASSUMPTION OF FEDERAL COAL LEASE

Serial No. SL-068754
(Utah-01215)

This Assignment and Assumption of Federal Coal Lease ("Assignment") is from THE STANDARD OIL COMPANY, an Ohio corporation ("Assignor") with an address at 200 Public Square, Cleveland, Ohio 44114, to AMCA Coal Leasing, Inc., a Delaware corporation ("Assignee") with an address at 9300 Shelbyville Road, Suite 1200, Louisville, Kentucky 40222.

For Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Assignor, Assignor hereby transfers and assigns to Assignee the entire interest in and to the leasehold estate created by that certain Mining Lease of Coal Lands dated June 1, 1951, recorded in Book 15E at page 196 of the real property records of Carbon County, Utah, serial No. SL-068754 (Utah-01215) (consolidated) ("Lease") from United States of America, as Lessor, to United States Steel Corporation, as Lessee, insofar as said lease covers 2,570.67 acres of land, more or less, described as follows:

Township 14 South, Range 13 East, Salt Lake Meridian

Section 10: NE¼, N¼SE¼, E¼NW¼
Section 11: All
Section 12: S¼SW¼, NW¼SW¼
Section 13: W¼, SE¼, S¼NE¼, NW¼NE¼
Section 14: E¼, N¼NW¼, SE¼NW¼
Section 24: N¼SE¼, N¼, NE¼SW¼;

which lease is herein referred to as the Subject Lease.
The Assignment is made subject to all existing lease burdens, obligations and Lessor's royalties and to those matters set forth in the Lease attached hereto and made a part hereof.

No overriding royalties or production payments are reserved in this Assignment.

Assignee hereby accepts such Assignment and assumes all rights, obligations, benefits and liabilities of Assignor and agrees to defend, indemnify and hold harmless Assignor from and against any and all claims, demands, losses, costs, causes of action, judgements and expenses (including, without limitation, attorney's fees of any kind whatsoever) which may arise in connection with this Assignment.

This Assignment is subject to the laws of general applicability respecting ownership of federal coal leases. Further, this Assignment is made subject to approval by the United States Department of the Interior, Bureau of Land Management ("BLM"). The parties hereto recognize that it shall be Assignee's responsibility to obtain the approval of the Assignment of the Lease by BLM. Assignor agrees to cooperate with Assignee in such endeavor.

This Assignment shall be binding on the parties hereto and their successors and assigns.

DATED this 27th day of March, 1997.
THE STANDARD OIL COMPANY

By: [Signature]

Attorney-in-Fact

ATTEST:

[Signature]

Assistant Secretary

AMCA COAL LEASING, INC.

By: [Signature]

Vice President

ATTEST:

[Signature]

Secretary

conr1286.exh
APPENDIX 1-4B

LEASE ASSIGNMENT

FEDERAL COAL LEASE

UTU-78562
IN REPLY REFER TO:
3432
UTU-78562
(UT-923)

CERTIFIED MAIL- Return Receipt Requested

DECISION

Intermountain Power Agency (50%)  :  Coal Lease
10653 South River Front Parkway, Suite 120  :  UTU-78562
South Jordan, UT 84095  :

ANDALEX Resources, Inc. (50%)  :
P.O. Box 902  :
Price, UT 84501  :

Coal Lease UTU-78562 Modified
Bond Accepted

Enclosed is a copy of modified coal lease UTU-78562 effective on March 25, 2009. The terms and conditions of the original lease are made consistent with the laws, regulations, and lease terms applicable at the time of this modification. The anniversary date of the coal lease remains February 1, 2002.

On March 12, 2009, a personal bond and power of attorney, bond form 3504-1, was completed, signed and filed by Intermountain Power Agency for a $900,000 treasury note in lieu of surety bond to cover coal lease UTU-78562 and the modified acreage. Intermountain Power Agency filed a $900,000 U.S. Treasury Note with the Bureau of Land Management’s National Business Center on March 23, 2009 for coal lease UTU-78562.

These documents have been reviewed and found to be satisfactory. Therefore, the subject $900,000 personal lease bond is accepted effective March 23, 2009 the date of completing the filing.

Please note that rental in the amount of $3.00 per acre, or fraction thereof, or a total of $6,750.00, is due on the next anniversary date, beginning February 1, 2010.

J. D. McKenzie
Chief, Branch of
Solid Minerals

Enclosures:
Modified Coal Lease (8 pp.)

cc: Price Coal Office
Ms. John Baza, Director, Utah Division of Oil, Gas and Mining, P.O. Box 145801, Salt Lake City, Utah 84114-5801
MMS, Solid Minerals Staff, MS 390B2, Box 25165, Denver, CO 80225
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

MODIFIED COAL LEASE

PART I.

THIS MODIFIED COAL LEASE is entered into on ________________, by and between the UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and ANDALEX Resources, Inc. (50%) Intermountain Power Agency (50%)
P. O. Box 902
Price, Utah 84501

hereinafter called Lessees.

This modified lease shall retain the effective date of February 1, 2002, of the original COAL LEASE UTU-78562, and is effective for a period of 20 years therefrom, and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year (February 1, 2022), and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the: (NOTE: Check the appropriate Act or Acts.)


and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessees as the holders of Coal Lease UTU-78562, issued effective February 1, 2002, was granted the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 1.

The Lessor in consideration of fair market value, rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to Lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 2.

Tract 1:

T. 13 S., R. 13 E., SLM, Utah
Sec. 35, S%SW¼, SE¼;

T. 14 S., R. 13 E., SLM, Utah
Sec. 1, lots 2-7, SW%NE¼, S%NW¼, W%SE¼, SW¼;

Sec. 12, lots 1-4, S%N¾, NE%SW¼, SE¼;

Sec. 13, NE%NE¼;

T. 14 S., R. 14 E., SLM, Utah
Sec. 6, lot 6;

Sec. 7, lots 3 and 4;

Sec. 18, lot 1, E%NW¼.

containing 2,249.25 acres, more or less.

Tract 2:

T. 13 S., R 13 E., SLM, Utah
Sec. 34, NE%SE¼, S%SE¼;

T. 14 S., R. 13 E., SLM, Utah
Sec. 1, lot 1;

T. 14 S., R. 14 E., SLM, Utah
Sec. 6, NE%SW¼.

containing 2,249.25 acres, more or less.

together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.
Part II. TERMS AND CONDITIONS

Sec. 1.(a) RENTAL RATE - Lessee shall pay to the Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $3.00 per acre for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2.(a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to the Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the Lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the Lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of $905,000.00. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease is subject to the conditions of diligent development and continued operation. Continued operation may be excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the Lessee. The Lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessees' failure to produce coal in commercial quantities at the end of ten years from the original date of this lease shall terminate the lease.

The Lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - The lands contained in the original lease have been included in the LMU application UTU-86007 filed February 1, 2008. Within 30 days after the effective date of this lease modification, the Lessee shall amend its application for the Westridge Logical Mining Unit to include the 602.91 acres added to Coal Lease UTU-78562 by this modification. The modified land shall be segregated into another Federal coal lease should the Lessee fail to file such an amendment.

The stipulations established in an LMU approval in effect at the time of LMU approval or modification will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as the Lessor may prescribe, Lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of the Lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow Lessor access to and copying of documents reasonably necessary to verify Lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.
Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by Lessor to accomplish the intent of this lease term. Such measures may include, but not limited to, modification to proposed siting or design of facilities, timing of operations, and specifications of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of Lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8 PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither Lessee nor Lessee's subcontractors shall maintain segregated facilities.

Sec. 9.(a) TRANSFERS (Check the appropriate space)

X This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISEMENTS - The Lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon Lessor's acceptance of the relinquishment, Lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such times as all portions of this lease are returned to Lessor, Lessee shall deliver up to Lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, Lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the Lessor, but Lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the Lessor. If the surface is owned by third parties, Lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by Lessee's activity or activities incidental thereto, and reclaim access roads or trails.
Sec. 11. PROCEEDINGS IN CASE OF DEFAULT - If Lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the Lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by Lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS - IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall insure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 13. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the Lessee's activities and operations under this lease.

Sec. 14. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

Sec. 15. SPECIAL STIPULATIONS -

SEE ATTACHED STIPULATIONS
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.
SPECIAL STIPULATIONS FOR UTU-78562
MODIFIED COAL LEASE

1. In accordance with Sec. 523(b) of the “Surface Mining Control and Reclamation Act of 1977,” surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable the Utah program approved under the cooperative agreement in accordance with sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a cultural resource inventory and a paleontological appraisal of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists or qualified paleontologists, as appropriate, and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural or paleontological resources.

If cultural resources or paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee prior to disturbance shall, immediately bring them to the attention of the Authorized Officer. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

3. If there is reason to believe that Threatened or Endangered (T&E) species of plants or animals, or migratory bird species of high Federal interest occur in the area, the lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. The inventory shall be conducted by a qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by a qualified paleontologist and a report prepared itemizing the findings.

A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the authorized officer who shall evaluate, or have evaluated such discoveries and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measure shall be borne by the lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. The lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data are adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the interrelationship of the geology, topography, surface and ground water hydrology, vegetation and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

6. Powerlines used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

7. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal-handling and storage
facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

The lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data. The monitoring system shall be adequate to locate and quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation and wildlife.

9. Except at locations specifically approved by the Authorized Officer with concurrence of the surface management agency, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: (1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, (2) cause damage to existing surface structures, and (3) damage or alter the flow of perennial streams. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.

10. In order to avoid surface disturbance on steep canyon slopes and to preclude the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

11. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas previously occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to an authorized post mining land use.

12. The Lessee at the conclusion of the mining operation, or at other times as surface disturbance related to mining may occur, will replace all damaged, disturbed, or displaced corner monuments (section corners, quarter corners, etc.) their accessories and appendages (witness trees, bearing trees, etc.), or restore them to their original condition and location, or at other locations that meet the requirements of the rectangular surveying system. This work shall be conducted at the expense of the Lessee, by BLM to the standards and guidelines found in the Manual of Surveying Instructions, U.S. Department of Interior.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, lessor reserves the right to seek damages against the operator/lessee in the event (i) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or un-recovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 modification will not attain MER resulting from changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a new R2P2 modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left un-mined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such un-mined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered un-minable or at such time that the lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the lessor that payment is due under this stipulation is appealable as allowed by law.
14. WASTE CERTIFICATION: The lessee shall provide upon abandonment and/or sealing off a mined area and prior to lease termination/relinquishment, certification to the lessor that, based upon a complete search of all the operator's records for the mine and upon their knowledge of past operations, there has been no hazardous substances per (40 CFR 302.4) or used oil as per Utah State Management Rule R-315-15, deposited within the lease, either on the surface or underground, or that all remedial action necessary has been taken to protect human health and the environment with respect to any such substances remaining on the property. The back-up documentation to be provided shall be described by the lessor prior to the first certification and shall include all documentation applicable to the Emergency Planning and Community Right-to-know Act (EPCRA, Public Law 99-499), Title III of the Superfund Amendments and Reauthorization Act of 1986 or equivalent.

15. ABANDONMENT OF EQUIPMENT: The lessee/operator is responsible for compliance with reporting regarding toxic and hazardous material and substances under Federal Law and all associated amendments and regulations for the handling such materials on the land surface and in underground mine workings.

The lessee/operator must remove mine equipment and materials not needed for continued operations, roof support and mine safety from underground workings prior to abandonment of mine sections. Exceptions can be approved by the Authorized Officer (BLM) in consultation with the surface management agency. Creation of a situation that would prevent removal of such material and by retreat or abandonment of mine sections without prior authorization would be considered noncompliance with lease terms and conditions and subject to appropriate penalties under the lease.

16. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The lessee shall notify the Authorized Officer in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground.

The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and State Management Rule R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the lessee's expense and shall be submitted to the Authorized Officer as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the Authorized Officer has granted a written approval.

17. GOB VENT BOREHOLES. The Lessee shall submit a gob vent borehole plan for approval by the AO as part of an R2P2 for all gob vent boreholes. The plugging portion of the plan must meet 43 CFR 3484.1(a)(3) as a minimum. If variations to the approved plugging procedures are necessary, they shall also be approved by the AO in writing prior to implementation of the procedures.

18. FAIR MARKET VALUE BONUS: Due to the uncertainty of the amount of recoverable coal reserves in this modification, the lessee will pay the fair market value (FMV) bonus payment for the coal resources mined in the area of Federal coal lease modification (U78562) at the rate of $0.35 per ton for the actual tonnage mined, adjusted annually using the U.S. Bureau of Labor Statistics CPI West Urban Energy Index; or if that index is not available an index that is mutually agreed to by the lessee and the authorized officer will be used. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Minerals Management Service (MMS). The lessee will clearly indicate which portion of the payment is for royalty and what is for the lease bonus payment.
PART I. LEASE RIGHTS GRANTED

This lease, entered into by and between the United States of America, hereinafter called lessee, and ANDALEX Resources, Inc. (50%), and Intermountain Power Agency (50%), hereinafter called lessor, through the Bureau of Land Management, and Sandv, Utah 84107; 45 West 10000 South, Suite 401, Salt Lake City, Utah 84107; and 480 East 6400 South, Suite 200, Murray, Utah 84107, hereinafter called lessors, is effective for a period of 20 years and for so long thereafter as coal is produced in commercial quantities from the leased land, subject to readjustment of lease terms at the end of the 20th lease year and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of:


3. Mineral Leasing Act for Acquired Lands, Act of August 1, 1947. 61 Stat. 513, 30 U.S.C. 291-369; and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions hereof.

Sec. 2. Lessee, in consideration of any bonuses, rents, and royalties to be paid, and the conditions and covenants to be observed as hereinafter set forth, hereby grants and leases to lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the following described lands:

T. 13 S., R. 13 E., SLH, UT
Secs. 35, 32N, SE.

T. 14 S., R. 13 E., SLH, UT
Secs. 1, lots 2-7, SWNE, S2NW, SW, W2SE;
Secs. 12, lots 1-4, S2SN, N2ES, SE;
Sec. 13, NENE.

T. 14 S., R. 14 E., SLH, UT
Sec. 6, lot 6;
Sec. 7, lots 3 and 4;
Sec. 18, lot 1, E2NW.

containing 1,646.34 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

PART II. TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE - Lessee shall pay lease rental annually and in advance for each acre of fraction thereof during the continuance of the lease at the rate of $1.00 for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2. (a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to the lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of $9,173,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease is subject to the conditions of diligent development and continued operation, except that those conditions are excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the lessee. The lessee, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessee's failure to produce coal in commercial quantities at the end of 10 years shall terminate the lease. Lessee shall submit an operation and reclamation plan pursuant to Section 7 of the Act not later than 3 years after lease issuance.

The lessee reserves the power to assess to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - Either upon approval by the lessee of the lease's application or at the direction of the lessee, this lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval will supersede the relevant inconsistent terms of this lease as long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.
Lease shall keep open at all reasonable times for the inspection of any duly authorized officer of lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, add all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow lessor access to and copying of documents reasonably necessary to verify lessor compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and for the preservation of the soil, water, air, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other lands or users. Lessee shall take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures. Lessee reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessee shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessor so as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States, maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies, and take measures necessary to protect the health and safety of the public. No person under the age of 18 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 12246 of September 24, 1985, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

Sec. 15. SPECIAL STIPULATIONS - This coal lease is subject to termination if the lessee is determined at the time of issuance to be in noncompliance with Section 2(a)2(A) of the Mineral Leasing Act.
SEE ATTACHED STIPULATIONS
BLM STIPULATIONS

The following stipulations made part of this lease may be waived or amended with the mutual consent of the Lessor and Lessee.

1. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable, a Utah program equivalent approved under cooperative agreement in accordance with Sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. The permitting of any mining operations on the lease will be subject to the possible designation of any portion of the lease as unsuitable for some or all kinds of surface mining under the regulations of the Department under the Surface Mining Control and Reclamation Act of 1977 (SMCRA) in effect at the time of action on the mine plan permit.

3. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a cultural resource inventory of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural resources.

If significant cultural resources are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the authorized officer (AO) who shall evaluate or have evaluated such discoveries and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by qualified paleontologists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the AO who shall evaluate or have evaluated such discoveries brought to his attention and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.
The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. If there is reason to believe that threatened or endangered (T&E) species of plants or animals, or migratory species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. A listing of migratory birds of high Federal interest in Federal coal producing regions is published by the Fish and Wildlife Service, Migratory Bird Management Office, Washington, D.C. The inventory shall be conducted by qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

6. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data is adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation, and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

7. Powerlines on the lease area used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

8. The Lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

9. The Lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data.

10. Except at specifically approved locations, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: 1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, 2) cause damage to existing surface structures, or 3) damage or alter the flow of perennial streams.

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11. In order to avoid surface disturbance on steep canyon slopes and to satisfy the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

12. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to a premining land use.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, Lessor reserves the right to seek damages against the operator/lessee in the event (i) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or unrecovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 as approved will not attain MER as the result of changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left unmined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unminable or at such time that the Lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the Lessor that payment is due under this stipulation is appealable as allowed by law.

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14. WASTE CERTIFICATION: The Lessee must provide upon abandonment, transfer of operation, assignment of rights, sealing-off a mined area and prior to lease relinquishment, certification to the Lessor that, based upon a complete search of all the records for the lease and its associated mine operation(s), and upon Lessee's and the operator's knowledge of past mining operations associated with the lease, there have been no reportable quantities of hazardous substances per 40 CFR 302.4 or used oil (as per Utah State Administrative Code R-315-15), discharged, deposited, or released within the lease, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to any such substances. Lessee must additionally provide to Lessor a complete list of all hazardous substances and hazardous materials and their Chemical Abstract Services Registry Numbers, and the oil and petroleum products used or stored on, or delivered to, the lease. Such disclosure will be in addition to any other disclosure required by law or agreement.

15. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The Lessee shall notify the AO in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the Lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground. The AO may participate in this inspection. The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and Utah State Management Code R-315-16, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the Lessee's expense and shall be submitted to the AO as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the AO has granted a written approval. Any on-lease disposal of non-coal waste must comply with 30 CFR § 817.89.

16. The holder of this lease shall be required to conduct appropriate surveys for Mexican spotted owls on the lease tract areas with 40 percent or greater slope, cliff habitat areas, riparian habitats, and mixed conifer forest habitats, prior to surface disturbing activity and or development with a potential to interrupt springs. Inventory work will be conducted by parties approved and permitted for such survey work by the Authorized Officer of the BLM and conducted following current protocols established by the USFWS.
17. SEISMIC STIPULATION: Mining operations shall be conducted in a manner to prevent seismic events that would cause damage to surface or subsurface structures such as: power lines or mine pillars and other structures such as Grassy Trail Reservoir and/or create hazardous conditions such as landslides.

The Lessee shall: (1) Provide a seismic risk assessment of the Grassy Trail Reservoir to the AO prior to mining in the lease. (2) Prior to mining in the lease, the Lessee shall provide a plan to monitor the Reservoir and the steps necessary to mitigate any damage created by the Lessee. These plans shall be updated by the Lessee as deemed necessary by the AO.

The AO will either approve or may prescribe the mining methods used, the amount of coal recovered or determine the corrective measures necessary to assure protection of surface or subsurface structures and resources. The Lessee is and will remain liable for any and all damages or hazardous conditions resulting from the mining operations under the lease.
APPENDIX 1-4B(a)

LEASE ASSIGNMENT

FEDERAL COAL LEASE

UTU-78562 MODIFICATION
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  

MODIFIED COAL LEASE  

PART I.  

THIS MODIFIED COAL LEASE is entered into on JUN 10, 2011, by and between the UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and ANDALEX Resources, Inc.  
P. O. Box 910  
East Carbon, Utah 84520  
hereinafter called Lessees.  

This modified lease shall retain the effective date of February 1, 2002, of the original COAL LEASE UTU-78562, and is effective for a period of 20 years therefrom, and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year (February 1, 2022), and each 10-year period thereafter.  

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the: (NOTE: Check the appropriate Act or Acts.)  


and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.  

Sec. 2. Lessees as the holders of Coal Lease UTU-78562, issued effective February 1, 2002, was granted the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 1 and Tract 2.  

The Lessor in consideration of fair market value, rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to Lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 3.  

Tract 1:  
T. 13 S., R. 13 E., SLM, Utah  
Sec. 35, S½SW¼, SE½;  
T. 14 S., R. 13 E., SLM, Utah  
Sec. 1, lots 2-7, SW¼NE¼, S½NW¼, W½SE¼, SW¼;  
Sec. 12, lots 1-4, S½NW¼, NE½SW¼, SE½;  
Sec. 13, NE½NE½;  
T. 14 S., R. 14 E., SLM, Utah  
Sec. 6, lot 6;  
Sec. 7, lots 3 and 4;  
Sec. 18, lot 1, E¼NW¼.  

Tract 2:  
T. 13 S., R. 13 E., SLM, Utah  
Sec. 34, NE¼SE¼, S½SE¼;  
Sec. 35, N½, N½SW¼;  
T. 14 S., R. 13 E., SLM, Utah  
Sec. 1, lot 1;  
T. 14 S., R. 14 E., SLM, Utah  
Sec. 6, NE¼SW¼.  

Tract 3:  
T. 13 S., R. 14 E., SLM, Utah  
Sec. 31, lot 4, S½SE¼SW¼, NE¼SE¼SW¼, SE¼NW¼SE¼SW¼, W½SW¼SE¼.  
T. 14 S., R. 14 E., SLM, Utah  
Sec. 5, lot 4, W½SW¼NW¼NW¼, SW¼NW¼SW¼, W½NW¼NW¼SW¼.
containing 2,605.49 acres, more or less,

together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.
Part II. TERMS AND CONDITIONS

Sec. 1.(a) RENTAL RATE - Lessee shall pay Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $3.00 per acre for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2.(a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the Lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the Lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of $905,000.00. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease is subject to the conditions of diligent development and continued operation. Continued operation may be excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the Lessee. The Lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessees' failure to produce coal in commercial quantities at the end of ten years from the original date of this lease shall terminate the lease.

The Lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the General Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - The lands contained in the original lease have been included in the LMU application UTU-86007 filed February 1, 2008. Within 30 days after the effective date of this lease modification, the Lessee shall amend its application for the Westridge Logical Mining Unit to include the 602.91 acres added to Coal Lease UTU-78562 by this modification. The modified land shall be segregated into another Federal coal lease should the Lessee fail to file such an amendment.

The stipulations established in an LMU approval in effect at the time of LMU approval or modification will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as Lessor may prescribe, Lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of Lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow Lessor access to and copying of documents reasonably necessary to verify Lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration, operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.
Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by Lessor to accomplish the intent of this lease term. Such measures may include, but not limited to, modification to proposed siting or design of facilities, timing of operations, and specifications of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessee shall condition such uses to prevent unnecessary or unreasonable interference with rights of Lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8 PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to prevent the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither Lessee nor Lessee's subcontractors shall maintain segregated facilities.

Sec. 9.(a) TRANSFERS (check the appropriate space)

X This lease may be transferred in whole or in part to another public body, or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another public body, or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISHMENTS - The Lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon Lessor's acceptance of the relinquishment, Lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such times as all portions of this lease are returned to Lessor, Lessee shall deliver up to Lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, Lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the Lessor, but Lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the Lessor. If the surface is owned by third parties, Lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by Lessee’s activity or activities incidental thereto, and reclaim access roads or trail.
Sec. 11. PROCEEDINGS IN CASE OF DEFAULT - If Lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the Lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by Lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS - IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall insure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 13. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the Lessee's activities and operations under this lease.

Sec. 14. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

Sec. 15. SPECIAL STIPULATIONS -

SEE ATTACHED STIPULATIONS
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.
SPECIAL STIPULATIONS FOR UTU-78562
MODIFIED COAL LEASE

1. In accordance with Sec. 523(b) of the “Surface Mining Control and Reclamation Act of 1977,” surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable the Utah program approved under the cooperative agreement in accordance with sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a cultural resource inventory and a paleontological appraisal of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists or qualified paleontologists, as appropriate, and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural or paleontological resources.

If cultural resources or paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the Authorized Officer. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

3. If there is reason to believe that Threatened or Endangered (T&E) species of plants or animals, or migratory bird species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. The inventory shall be conducted by a qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by a qualified paleontologist and a report prepared itemizing the findings.

A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the authorized officer who shall evaluate, or have evaluated such discoveries and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measure shall be borne by the lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data are adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the interrelationship of the geology, topography, surface and ground water hydrology, vegetation and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

Powerlines used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.
7. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal-handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

8. The lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data. The monitoring system shall be adequate to locate and quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation and wildlife.

9. Except at locations specifically approved by the Authorized Officer with concurrence of the surface management agency, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: (1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, (2) cause damage to existing surface structures, and (3) damage or alter the flow of perennial streams. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.

10. In order to avoid surface disturbance on steep canyon slopes and to preclude the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

11. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas previously occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to an authorized post mining land use.

12. The Lessee at the conclusion of the mining operation, or at other times as surface disturbance related to mining may occur, will replace all damaged, disturbed, or displaced corner monuments (section corners, quarter corners, etc.) their accessories and appendages (witness trees, bearing trees, etc.), or restore them to their original condition and location, or at other locations that meet the requirements of the rectangular surveying system. This work shall be conducted at the expense of the Lessee, by BLM to the standards and guidelines found in the Manual of Surveying Instructions, U.S. Department of Interior.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, lessor reserves the right to seek damages against the operator/lessee in the event (I) the operator/lessee fails to achieve maximum economic recovery (as defined at 43 CFR §3480.0-5(21)) of the recoverable coal reserves or (II) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or un-recovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 modification will not attain MER resulting from changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a new R2P2 modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left un-mined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such un-mined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered un-minable or at such time that the lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the lessor that payment is
due under this stipulation is appealable as allowed by law.

14. WASTE CERTIFICATION: The lessee shall provide upon abandonment and/or sealing off a mined area and prior to lease termination/relinquishment, certification to the lessor that, based upon a complete search of all the operator's records for the mine and upon their knowledge of past operations, there has been no hazardous substances per (40 CFR 302.4) or used oil as per Utah State Management Rule R-315-15, deposited within the lease, either on the surface or underground, or that all remedial action necessary has been taken to protect human health and the environment with respect to any such substances remaining on the property. The back-up documentation to be provided shall be described by the lessor prior to the first certification and shall include all documentation applicable to the Emergency Planning and Community Right-to-know Act (EPCRA, Public Law 99-499), Title III of the Superfund Amendments and Reauthorization Act of 1986 or equivalent.

15. ABANDONMENT OF EQUIPMENT: The lessee/operator is responsible for compliance with reporting regarding toxic and hazardous material and substances under Federal Law and all associated amendments and regulations for the handling such materials on the land surface and in underground mine workings.

The lessee/operator must remove mine equipment and materials not needed for continued operations, roof support and mine safety from underground workings prior to abandonment of mine sections. Exceptions can be approved by the Authorized Officer (BLM) in consultation with the surface management agency. Creation of a situation that would prevent removal of such material and by retreat or abandonment of mine sections without prior authorization would be considered noncompliance with lease terms and conditions and subject to appropriate penalties under the lease.

16. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The lessee shall notify the Authorized Officer in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground.

The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and State Management Rule R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the lessee's expense and shall be submitted to the Authorized Officer as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the Authorized Officer has granted a written approval.

17. GOB VENT BOREHOLES. The Lessee shall submit a gob vent borehole plan for approval by the AO as part of an R2P2 for all gob vent boreholes. The plugging portion of the plan must meet 43 CFR 3484.1(a)(3) as a minimum. If variations to the approved plugging procedures are necessary, they shall also be approved by the AO in writing prior to implementation of the procedures.

18. The holder of this lease shall be required to conduct appropriate surveys for Mexican Spotted owls on the lease tract areas with 40 percent or greater slope, cliff habitat areas, riparian habitats, and mixed conifer forest habitats, prior to surface disturbing activities and or development with a potential to interrupt springs. Inventory work will be conducted by parties approved and permitted for such survey work by the Authorized Officer of the BLM and conducted following current protocols established by the USFWS.

19. SEISMIC STIPULATION: Mining operations shall be conducted in a manner to prevent seismic events that would cause damage to surface or subsurface structures such as: power lines or mine pillars and other structures such as the Grassy Trail Reservoir and/or create hazardous conditions such as landslides.

The lessee shall: (1) Provide a seismic risk assessment of the Grassy Trail Reservoir to the AO prior to mining in the lease. (2) Prior to mining in the lease, the Lessee shall provide a plan to monitor the Reservoir and the steps necessary to mitigate any damage created by the Lessee. These plans shall be updated by the Lessee as deemed necessary by the AO.

The AO will either approve or may prescribe the mining methods used, the amount of coal recovered or determine the corrective measures necessary to assure protection of surface or subsurface structures and resources. The Lessee is and will remain liable for any and all damages or hazardous conditions resulting from the mining operations under
20. FAIR MARKET VALUE BONUS: Due to the uncertainty of the amount of recoverable coal reserves in this modification, the lessee will pay the fair market value (FMV) bonus payment for the coal resources mined in the area of Federal coal lease modification (U78562) Tract 2, at the rate of $0.35 per ton for the actual tonnage mined, adjusted annually using the U. S. Bureau of Labor Statistics CPI West Urban Energy Index; or if that index is not available an index that is mutually agreed to by the lessee and the authorized officer will be used. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Office of Natural Resources Revenue (ONRR). The lessee will clearly indicate which portion of the payment is for royalty and what is for the lease bonus payment.

21. FAIR MARKET VALUE BONUS: Due to the uncertainty of the amount of recoverable coal reserves in this modification, the lessee will pay the fair market value (FMV) bonus payment for the coal resources mined in the area of Federal coal lease modification (U78562) Tract 3, at the rate of $0.37 per ton for the actual tonnage mined, adjusted annually using the U. S. Bureau of Labor Statistics CPI West Urban Energy Index; or if that index is not available an index that is mutually agreed to by the lessee and the authorized officer will be used. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Office of Natural Resources Revenue (ONRR). The lessee will clearly indicate which portion of the payment is for royalty and what is for the lease bonus payment.
APPENDIX 1-4C

LEASE ASSIGNMENT

STATE (SITLA) COAL LEASE

ML 47711
UTAH STATE LEASE FOR COAL
ML 47711-OBA

THIS COAL MINING LEASE AND AGREEMENT (the "Lease") is entered into and executed in triplicate as of April 1, 2003 (the "Effective Date") by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 ("Lessor"), and ANDALEX RESOURCES, INC., a Delaware corporation, with an address at 45 West 10000 South, Suite 401, Sandy, Utah 84070 (hereinafter "ANDALEX") and INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah, with an address at 480 East 6400 South, Murray, Utah 84107 (hereinafter "IPA"), each having an undivided 50% ownership interest in the leasehold estate created by this Lease as tenants in common and collectively referred to herein as "Lessee," having a single address c/o ANDALEX Resources, Inc., 45 West 10000 South, Suite 401, Sandy, Utah 84070.

WITNESSETH:

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration paid or required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, mine, remove, transport, convey, cross-haul, commingle, and sell the coal located within the boundaries of the following-described tract of land (the "Leased Premises") located in Carbon County, State of Utah:

T. 14S., R. 13 E., SLB&M
Sec. 2: LOTS 1 THRU 4, S2N2, S2

T. 13., R. 13 E., SLB&M
Sec. 36: SW4.

Containing 801.24 acres, more or less.

Together with the right and privilege to make use of the surface (but only to the extent owned by Lessor) and subsurface of the Leased Premises for uses incident to the mining of coal by Lessee on the Leased Premises or on other lands under the control of Lessee or mined in connection with operations on the Leased Premises, including, but not limited to, conveying, storing, loading, hauling, commingling, cross-hauling, and otherwise transporting coal; excavating; removing, stockpiling, depositing and redepositing of surface materials; and the subsidence, mitigation, restoration and reclamation of the surface.

This Coal Mining Lease and Agreement is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:
1. **LEASED MINERALS.**

1.1 **Coal.** This mineral lease covers coal, which shall mean and include black or brownish-black solid fossil fuels that have been subjected to the natural processes of coalification, and which fall within the classification of coal by rank as anthracitic, bituminous, sub-bituminous, or lignitic, together with closely associated substances which include, but are not limited to other hydrocarbon substances physically contained within the same geologic strata as the coal. In the event that minerals other than coal are discovered on or in the Leased Premises during lease operations, Lessee shall promptly notify the Lessor.

1.2 **Coalbed Methane.** To the extent that Lessor owns gas, coalbed methane or coal seam gas (collectively “coalbed methane”) within the Leased Premises, Lessee may remove, vent, flare or capture such coalbed methane from the mine workings and the coal strata being mined and any overlying or underlying formations if such removal is necessary for safety reasons in the reasonable discretion of Lessee. If Lessee captures or uses such coalbed methane, it shall pay Lessor royalties on the value of such coalbed methane at the prevailing state royalty rate for natural gas, unless such royalties are expressly waived by Lessor. Except as expressly granted herein, the right to extract gas, coalbed methane and coal seam gas is not granted by this Lease.

1.3 **No Warranty of Title.** Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure, except as provided in Utah Administrative Code R850-20-2100 (2002).

2. **RESERVATIONS TO LESSOR.** Subject to the exclusive rights and privileges granted to Lessee under this Lease, and further provided that Lessor shall refrain from taking actions with respect to the Leased Premises that may unreasonably interfere with Lessee’s operations, Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges (to the extent that Lessor has the right to grant such rights and privileges):

2.1 **Rights-of-Way and Easements.** Lessor reserves the right, following consultation with the Lessee, to establish rights-of-way and easements upon, through or over the Leased Premises, under terms and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, mineral access, and any other purpose deemed reasonably necessary by Lessor.

2.2 **Other Mineral Leases.** Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than coal, under terms and conditions that will not
unreasonably interfere with operations under this Lease in accordance with Lessor’s regulations, if any, governing multiple mineral development.

2.3 **Use and Disposal of Surface.** To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease, Lessor reserves the right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor shall notify Lessee of any such sale, lease, or other disposition of the surface estate.

2.4 **Previously Authorized Improvements.** If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessee shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences. Nothing in this paragraph shall authorize Lessee to remove surface improvements where Lessor does not own the surface estate.

2.5 **Rights Not Expressly Granted.** Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.

3. **TERM OF LEASE; READJUSTMENT.**

3.1 **Primary Term.** This Lease is granted for a “primary term” of ten (10) years commencing on the Effective Date and for a “secondary term” of an additional ten (10) years, subject to Lessee’s compliance with the requirements of paragraph 3.3, Diligent Operations; Minimum Royalty.

3.2 **Extension Beyond Secondary Term.** Subject to Lessee’s compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the secondary term and for as long thereafter as coal is produced in commercial quantities from the Leased Premises, or from lands constituting either (i) a logical mining unit approved by the Bureau of Land Management containing the Leased Premises, or (ii) a mining unit, in which the recoverable coal reserves can be developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of recoverable coal reserves. The second type of mining unit requires a determination by the Lessor that the criteria set forth in item (ii) have been satisfied. The satisfaction of either (i) or (ii) above shall mean that the Lease is contained within an “approved mining unit.” For the purposes of this Lease, production of coal in commercial quantities shall mean production during each lease year of at least one per cent (1%) of the recoverable coal reserves within the Leased Premises or within lands constituting an approved mining unit which includes the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee.

3.3 **Diligent Operations; Minimum Royalty.** In the absence of actual production in commercial quantities as set forth in paragraph 3.2, Extension Beyond Secondary Term, this Lease shall remain in effect beyond the primary term only if the Lessee is engaged in diligent operations, exploration, research, or development activity (which development activity shall include, but not
be limited to, pursuit of required permits and approvals) which in Lessor's reasonable discretion is calculated to advance development or production of coal from the Leased Premises or lands constituting an approved mining unit which includes the Leased Premises, and Lessee pays an annual minimum royalty in advance on or before the anniversary date of the Effective Date. The minimum royalty shall be calculated by determining the production royalty that would be payable upon production of two and one-half per cent (2.5%) of the recoverable coal reserves within the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee. The unit value of the recoverable coal reserves for purposes of determining the minimum royalty shall be determined by Lessor using the methodology set forth in 43 Code of Federal Regulations §3483.4(c)(1)-(3) (1998). Minimum royalties paid by Lessee pursuant to this paragraph may be credited against production royalties accruing during the term of this Lease.

3.4 Expiration; Cessation of Production. This Lease may not be extended pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty, beyond the end of the twentieth year after the Effective Date except by the actual production of coal in commercial quantities from the Leased Premises or from lands constituting an approved mining unit which includes the Leased Premises. After expiration of the secondary term, this Lease will expire of its own terms, without the necessity of any notice or action by Lessor, if Lessee ceases production of coal in commercial quantities for an entire lease year, unless the Lease is suspended pursuant to paragraph 16.3, Suspension.

3.5 Readjustment. At the end of the primary term and at the end of each period of ten (10) years thereafter, Lessor may reasonably readjust the terms and conditions of this Lease to reflect prevailing market conditions (including without limitation rental rates, minimum royalties, royalty rates and valuation methods, and provisions concerning reclamation). If within thirty (30) days after submission of the readjusted lease terms to the Lessee, the Lessee determines that any or all of the proposed readjusted terms and conditions are unacceptable, then Lessee shall so notify Lessor in writing and the parties shall attempt to resolve the objectionable term or condition. If the parties are unable to resolve the matter and agree upon the readjusted terms and conditions submitted by Lessor at the end of such ten (10) year period, Lessee shall forfeit any right to the continued extension of this lease, and the lease shall automatically terminate, provided that nothing herein shall be deemed to preclude Lessee from appealing any readjustment by Lessor pursuant to applicable law.

3.6 Relinquishment. Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor. Lessor may disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to the Lessor, if the lease is otherwise not in good standing, or if relinquishment would in Lessor's reasonable determination cause waste of economically recoverable coal. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Upon approval, relinquishment shall relieve the Lessee of all future rental obligations as to the relinquished lands effective as of the
4. **BONUS BID.** Lessee agrees to pay Lessor an initial bonus bid in the sum of Two Million Four Hundred Twelve Thousand Nine Hundred Dollars ($2,412,900) as partial consideration for Lessor's issuance of this Lease, payable in twelve equal annual installments of $201,075 commencing on the Effective Date. The unpaid balance of the bonus bid shall not bear interest; provided, however, that if this Lease is relinquished or otherwise terminated prior to the payment in full of the bonus bid, or if Lessee fails to make any bonus bid payment when due, the entire unpaid balance of the bonus bid shall immediately become due without regard to such relinquishment or termination, and such balance shall thereafter bear interest as provided in paragraph 16.2, Interest. Lessor may require ANDALEX to submit and maintain a letter of credit or other sufficient surety to secure Lessee's obligation to pay the unpaid balance of the bonus bid. The initial bonus bid may not be credited against any other bonus payments, annual rentals or royalties accruing under this Lease.

5. **RENTALS.** Lessee agrees to pay Lessor an annual rental of three dollars ($3.00) for each acre and fractional part thereof within the Leased Premises. Lessee shall promptly pay annual rentals each year in advance on or before the anniversary date of the Effective Date. Lessee may not credit rentals against production royalties or against minimum royalties payable pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty.

6. **ROYALTIES.**

6.1 **Production Royalties.** Lessee shall pay Lessor a production royalty of eight per cent (8%) of the value of all coal severed, removed and sold, used or otherwise disposed of from the Leased Premises. For all coal sold pursuant to an arm's-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced. For any coal that is sold or disposed of other than by an arms-length contract, or for coal that is used within the mine permit area containing the Leased Premises for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, the value of such coal shall be determined by Lessor with reference to (in order of priority): (i) comparable arms-length contracts or other dispositions of like-quality coal produced in the same coal field; (ii) prices reported for that coal to a public utility commission; (iii) prices reported to other governmental agencies; or (iv) other relevant information.

6.2 **Allowable Deductions.** It is expressly understood and agreed that none of Lessee's mining or production costs, including but not limited to costs for materials, labor, overhead, distribution, transportation within the mine permit area prior to the point of sale, loading, crushing, sizing, screening, or general and administrative activities, may be deducted in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty.
set forth in this Lease. In the event that the point of sale for coal produced from this Lease is located outside the mine permit area boundary, Lessee may deduct the reasonable, actual costs of transportation of such coal from the mine permit area boundary to the point of sale from gross proceeds in computing Lessor's royalty; provided, however, that transportation deductions for coal transported by Lessee's affiliates, or by non-arm's-length contract are subject to review and modification by Lessor. Lessee shall be allowed to deduct its actual, reasonable washing and treatment costs from gross proceeds in computing Lessor's royalty; provided, however, that, upon Lessor's request Lessee shall provide to Lessor appropriate justification to demonstrate that Lessee's costs are reasonable.

6.3 Reference to Federal Regulations. It is the intent of Lessor and Lessee that the calculation of the value of coal for royalty purposes be consistent with federal coal regulations governing the valuation of coal, except where this Lease expressly provides otherwise. In no event shall the value of coal used for calculation of royalties under this Lease be less than the value which would be obtained were federal royalty valuation regulations applied.

6.4 Royalty Payment. For all coal severed and removed from the Leased Premises that is used, sold, or otherwise disposed of during a particular month, Lessee shall pay royalties to Lessor on or before the end of the next succeeding month. Royalty payments shall be accompanied by a verified statement, in a form approved by Lessor, stating the amount of coal sold or otherwise disposed of, the gross proceeds accruing to Lessee, the calculation of allowable deductions, and any other information reasonably required by Lessor to verify production and disposition of the coal or coal products. In the event that Lessee uses or disposes of coal pursuant to a non-arm's-length contract, or uses coal for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, Lessee shall notify Lessor of such use or disposal on or before the end of the next succeeding month following such use or disposal, and shall pay royalties upon Lessee's good faith estimate of the value of such coal, subject to Lessor's right to determine the value of such coal pursuant to paragraph 6.1, Production Royalties.

6.5 Suspension, Waiver or Reduction of Rents or Royalties. Lessor, to the extent not prohibited by applicable law, is authorized to waive, suspend, or reduce the rental or minimum royalty, or reduce the royalty applicable with respect to the entire Lease, whenever in Lessor's judgment it is necessary to do so in order to promote development, or whenever in the Lessor's judgment the Lease cannot be successfully operated under the terms provided herein.

7. RECORDKEEPING; INSPECTION; AUDITS.

7.1 Registered Agent; Records. Lessee shall maintain a registered agent within the State of Utah to whom any and all notices may be sent by Lessor and upon whom process may be served. Lessee shall also maintain an office within the State of Utah containing originals or copies of all maps, engineering data, permitting materials, books, records or contracts (whether such documents are
in paper or electronic form) generated by Lessee that pertain in any way to coal production, output and valuation; mine operations; coal sales and dispositions; transportation costs; and calculation of royalties from the Leased Premises. Lessee shall maintain such documents for at least seven years after the date of the coal production to which the documents pertain.

7.2 **Inspection.** Lessor's employees and authorized agents at Lessor's sole risk and expense shall have the right to enter the Leased Premises to check scales as to their accuracy, and to go on any part of the Leased Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor’s employees and authorized agents shall further have the right to audit, examine and copy (at Lessor’s expense) all documents described in paragraph 7.1, Registered Agent; Records, whether such documents are located at the mine site or elsewhere. Lessee shall furnish all conveniences necessary for said inspection, survey, or examination; provided, however, that such inspections shall be conducted in a manner that is in conformance with all applicable mine safety regulations and does not unreasonably interfere with Lessee’s operations.

7.3 **Geologic Information.** In the event Lessee conducts core-drilling operations or other geologic evaluation of the Leased Premises, Lessor may inspect core samples, evaluations thereof, and proprietary geologic information concerning the Leased Premises.

7.4 **Confidentiality.** Any and all documents and geologic data obtained by Lessor through the exercise of its rights as set forth in paragraphs 7.2, Inspection., and 7.4, Geologic Information., may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute, and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease or the cessation of mining operations in the approved mining unit whichever is the last to occur.

8. **USE OF SURFACE ESTATE.**

8.1 **Lessor-Owned Surface.** If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease the Lessee has been granted the right to make use of such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold. Lessee’s right to surface use of Lessor-owned surface estate shall include the right to subside the surface. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in paragraph 2, RESERVATIONS TO LESSOR, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.

8.2 **Split-Estate Lands.** If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee’s access to and use of the surface of such lands shall be determined by applicable law governing mineral development on split-estate lands, including without limitation...
applicable statutes governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney’s fees and costs) arising out of or related to damage caused by Lessee’s operations to surface lands or improvements owned by third parties.

9. APPLICABLE LAWS AND REGULATIONS; HAZARDOUS SUBSTANCES

9.1 Trust Lands Statute and Regulations. This Lease is issued pursuant to the provisions of Title 53C, Utah Code Annotated, 1953, as amended, and Lessee is subject to and shall comply with all current and future rules and regulations adopted by the School and Institutional Trust Lands Administration and its successor agencies.

9.2 Other Applicable Laws and Regulations. Lessee shall comply with all applicable federal, state and local statutes, regulations, and ordinances, including without limitation the Utah Coal Mining and Reclamation Act, applicable statutes and regulations relating to mine safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances and environmental protection.

9.3 Hazardous Substances. Lessee [or other occupant pursuant to any agreement authorizing mining] shall not keep on or about the premises any hazardous substances, as defined under 42 U.S.C. '9601(14) or any other Federal environmental law, any regulated substance contained in or released from any underground storage tank, as defined by the Resource Conservation and Recovery Act, 42 U.S.C. '6991, et seq, or any substances defined and regulated as “hazardous” by applicable State law, (hereinafter, for the purposes of this Lease, collectively referred to as “Hazardous Substances”) unless such substances are reasonably necessary in Lessee’s mining operations, and the use of such substances or tanks is noted and approved in the Lessee’s mining plan, and unless Lessee fully complies with all Federal, State and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended, governing Hazardous Substances. Lessee shall immediately notify Lessor, the Bureau of Land Management, the surface management agency, and any other Federal, State and local agency with jurisdiction over the Leased Premises, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, (ii) all failures to comply with any applicable Federal, state or local law, regulation or ordinance governing Hazardous Substances, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, order, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private Party concerning the Leased Premises.

9.5 Hazardous Substances Indemnity. Lessee [or other occupant pursuant to any agreement authorizing mining] shall indemnify, defend, and hold harmless Lessor and its agencies,
employees, officers, and agents with respect to any and all damages, costs, liabilities, fees (including attorneys’ fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to Lessee's use, disposal, transportation, generation, sale or location upon or affecting the Leased Premises of Hazardous Substances, as defined in paragraph 9.4 of this Lease. This indemnity shall extend to the actions of Lessee's employees, agents assigns, sublessees, contractors, subcontractors, licensees and invitees. Lessee shall further indemnify, defend and hold harmless Lessor from any and all damages, costs, liabilities, fees (including attorneys’ fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to any breach of the provisions of this Lease concerning Hazardous Substances. This indemnity is in addition to, and in no way limits, the general indemnity contained in paragraph 16.1 of this Lease.

9.6 Waste Certification. The Lessee, or their operating agent, shall provide upon abandonment, transfer of operation, assignment of rights, sealing-off of a mined area, and prior to lease relinquishment, certification to the Lessor, based upon a complete search of all the operator's records for the Lease, and upon its knowledge of past operations, there have been no reportable quantities of hazardous substances as defined in 40 Code of Federal Regulations '302.4, or used oil as defined in Utah Administrative Code R315-15, discharged (as defined at 33 U.S.C. '1321(a)(2)), deposited or released within the Leased Premises, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to such substances. Lessee shall additionally provide to Lessor a complete list of all hazardous substances, hazardous materials, and their respective Chemical Abstracts Service Registry Numbers, and oil and petroleum products used or stored on, or delivered to, the Leased Premises. Such disclosure will be in addition to any other disclosure required by law or agreement.

10. BONDING.

10.1 Lease Bond Required. Upon the request of Lessor, Lessee shall execute and file with the Lessor a good and sufficient bond or other financial guarantee acceptable to Lessor in order to: (a) guarantee Lessee’s performance of all covenants and obligations under this Lease, including Lessee’s obligation to pay production royalties; and (b) ensure compensation for damage, if any, to the surface estate and any surface improvements. The Lease Bond shall meet all federal mineral lease bond requirements as described in 43 Code of Federal Regulations Subpart 3474.

10.2 Reclamation Bonding. The bond filed with the Utah Division of Oil, Gas and Mining ("UDOGM") in connection with the issuance of a mine permit which includes the Leased Premises shall be deemed to satisfy Lessor’s bonding requirements with respect to Lessee’s reclamation obligations under this Lease; provided, however, upon notice to Lessee and a public hearing with respect to the basis for its decision, the Lessor may, in its reasonable discretion, determine that the bond filed with UDOGM is insufficient to protect Lessor’s interests. In such an event the Lessor shall enter written findings as to the basis for its calculation of the perceived
insufficiency and enter an order establishing the amount of additional bonding required. Lessee shall file any required additional bond with Lessor within thirty (30) days after demand by Lessor. Lessor may increase or decrease the amount of any additional bond from time to time in accordance with the same procedure.

10.3 Release of Additional Bond. Any additional bond required by Lessor pursuant to 10.2, Reclamation Bonding, may be released by Lessor at any time and shall be released no later than the time of final bond release by UDOGM with respect to the Leased Premises.

11. WATER RIGHTS.

11.1 Water Rights in Name of Lessor. If Lessee files to appropriate water for coal mining operations on the Leased Premises, the filing for such water right shall be made by Lessee in the name of Lessor at no cost to Lessor, and such water right shall become an appurtenance to the Leased Premises, subject to Lessee’s right to use such water right at no cost during the term of this Lease.

11.2 Option to Purchase. If Lessee purchases or acquires an existing water right for coal mining operations on the Leased Premises, Lessor shall have the option to acquire that portion of such water right as was used on the Leased Premises upon expiration or termination of this Lease. The option price for such water right shall be the fair market value of the water right as of the date of expiration or termination of this Lease. Upon expiration or termination of this Lease, Lessee shall notify Lessor in writing of all water rights purchased or acquired by Lessee for coal mining operations on the Leased Premises and its estimate of the fair market value of such water right. Lessor shall then have forty-five (45) days to exercise its option to acquire the water by payment to Lessee of the estimated fair market value. If Lessor disagrees with Lessee’s estimate of fair market value, Lessor shall notify Lessee of its disagreement within the 45 day option exercise period. The fair market value of the water right shall then be appraised by a single appraiser mutually acceptable to both parties, which appraisal shall be final and not subject to review or appeal. If the parties cannot agree upon the choice of an appraiser, the fair market value of the water right shall be determined by a court of competent jurisdiction. Conveyance of any water right pursuant to this paragraph shall be by quit claim deed.

12. ASSIGNMENT OR SUBLEASE; OVERRIDING ROYALTIES.

12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, creation of overriding royalties or production payments, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.
12.2 Binding Effect. All of the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties respective successors, assigns, and sublessees.

12.3 Limitation on Overriding Royalties. Lessor reserves the right to disapprove the creation of an overriding royalty or production payment that would, in Lessor’s reasonable discretion, constitute an unreasonable economic burden upon operation of the Lease. In exercising its discretion to disapprove the creation of an overriding royalty, Lessor shall consult with Lessee and any third parties involved and shall prepare findings to evidence the basis of its decision. Cumulative overriding royalties of 2% or less shall be deemed presumptively reasonable unless special circumstances are shown by Lessor to exist.

13. OPERATIONS.

13.1 Permitting. Before Lessee commences exploration, drilling, or mining operations on the Leased Premises, it shall have obtained such permits and posted such bonds as may be required under applicable provisions of the Utah Coal Mining and Reclamation Act, the Surface Mining Control and Reclamation Act, and associated regulations, together with applicable regulations of the surface management agency. Lessee shall maintain any required permits in place for the duration of mining operations and reclamation. Upon request, Lessee shall provide Lessor with a copy of all regulatory filings relating to permitting matters.

13.2 Plan of Operations. Prior to the commencement of any underground mining operations on the Leased Premises, Lessee shall obtain Lessor’s approval of a plan of operations for the Leased Premises. The plan of operations shall contain all information required to be contained in a federal Resource Recovery and Protection Plan, as described in 43 Code of Federal Regulations § 3482.1(b) and (c) (1998). Lessor may modify the proposed plan of operations as is needed to insure that there is no waste of economically recoverable coal reserves contained on the Leased Premises. In this context “waste” shall mean the inefficient utilization of, or the excessive or improper loss of an otherwise economically recoverable coal resource. Lessor shall notify Lessee in writing of its approval or modifications of the plan of operations. The plan of operations submitted by Lessee shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within sixty (60) days of filing.

13.3 Plan of Operations - Modification. In the event that material changes are required to the plan of operations during the course of mining, Lessee shall submit a modification of the plan of operations to the Lessor. Routine adjustments to the plan of operations based upon geologic circumstances encountered during day-to-day mining operations do not require the submission of a modification. If the proposed changes require emergency action by Lessor, then the Lessee shall so notify the Lessor at the time of submission of the modification and the parties shall use their best efforts to meet the Lessee’s time schedule regarding implementation of the changes. Non-emergency modifications will be reviewed promptly by Lessor to insure that there is no waste of economically recoverable coal reserves pursuant to the plan of operations, as modified,
and Lessor shall notify lessee in writing of its approval or modification of the proposed modification. Modifications shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within thirty (30) days of filing.

13.4 **Mine Maps.** Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations prepared and maintained in the manner prescribed by 43 Code of Federal Regulations §3482.3 (1998). Lessee shall provide copies of such maps to Lessor upon request.

13.5 **Good Mining Practices.** Lessee shall conduct exploration and mining operations on the Leased Premises in accordance with standard industry operating practices, and shall avoid waste of economically recoverable coal. Lessee shall comply with all regulations and directives of the Mine Safety and Health Administration or successor agencies for the health and safety of employees and workers. Lessee shall further comply with the performance standards for underground resource recovery set forth at 43 Code of Federal Regulations § 484.1(c) (1998); provided, however, that Lessor may waive such standards from time to time in its reasonable discretion, upon request by Lessee. Coal shall be mined from this Lease by underground methods only.

13.6 **Mining Units.** Lessor may approve the inclusion of the Leased Premises in a mining unit with federal, private or other non-state lands upon terms and conditions that it deems necessary to protect the interests of the Lessor, including without limitation segregation of production, accounting for commingled coal production, and minimum production requirements or minimum royalties for the Leased Premises.

14. **EQUIPMENT; RESTORATION.**

14.1 **Equipment.** Upon termination of this Lease, Lessee shall remove, and shall have the right to remove, all improvements, equipment, stockpiles, and dumps from the Leased Premises within six (6) months; provided, however, that Lessor may, at Lessor’s sole risk and expense, and subject to Lessee’s compliance with requirements imposed by UDOGM and MSHA, require Lessee to retain in place underground timbering supports, shaft linings, rails, and other installations reasonably necessary for future mining of the Leased Premises. All improvements and equipment remaining on the Leased Premises after six (6) months may be deemed forfeited to Lessor upon written notice of such forfeiture to Lessee. Lessee may abandon underground improvements, equipment of any type, stockpiles and dumps in place if such abandonment is in compliance with applicable law, and further provided that Lessee provides Lessor with financial or other assurances sufficient in Lessor’s reasonable discretion to protect Lessor from future environmental liability with respect to such abandonment or any associated hazardous waste spills or releases. Lessee shall identify and locate on the mine map the location of all equipment abandoned on the Lease Premises.
14.2 **Restoration and Reclamation.** Upon termination of this Lease, Lessee shall reclaim the Leased Premises in accordance with the requirements of applicable law, including mine permits and reclamation plans on file with UDOGM. Lessee shall further abate any hazardous condition on or associated with the Leased Premises. Lessee and representatives of all governmental agencies having jurisdiction shall have the right to re-enter the Leased Premises for reclamation purposes for a reasonable period after termination of the Lease.

15. **DEFAULT**

15.1 **Notice of Default; Termination.** Upon Lessee’s violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor’s files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor’s administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee.

15.2 **Effect of Termination.** The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the Lessor to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination; however, the obligations of Lessee with respect to reclamation, indemnification and other continuing covenants imposed by this Lease shall survive the termination.

16. **MISCELLANEOUS PROVISIONS.**

16.1 **Indemnity.** Except as limited by paragraph 7.2, Inspection, Lessee shall indemnify and hold Lessor harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys’ fees and court costs, arising in any way out of Lessee’s occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee’s obligations under this Lease, including without limitation attorneys’ fees and court costs.

16.2 **Interest.** Except as set forth in paragraph 4, BONUS BID, interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule
enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

16.3 **Suspension.** In the event that Lessor in its reasonable discretion determines that suspension is necessary in the interests of conservation of the coal resource, or if Lessee has been prevented from performing any of its obligations or responsibilities under this Lease or from conducting mining operations by labor strikes, fires, floods, explosions, riots, adverse coal quality rendering the coal unmarketable, any unusual mining casualties or conditions, Acts of God, government restrictions or orders, severe weather conditions, or other extraordinary events beyond its control, then the time for performance of this Lease by Lessee shall be suspended during the continuance of such acts which prevent performance, excepting any payments due and owing to Lessor.

16.4 **Consent to Suit; Jurisdiction.** This Lease shall be governed by the laws of the State of Utah; Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the Third Judicial District Court for Salt Lake County, Utah; Lessee consents to the jurisdiction of such court; and Lessee shall not bring any action against Lessor without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act.

16.5 **No Waiver.** No waiver of the breach of any provision of this Lease shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in default be deemed to be a waiver of such default.

16.6 **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16.7 **Entire Lease.** This Lease, together with any attached stipulations, sets forth the entire agreement between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing and signed by each of them.
IN WITNESS WHEREOF, the parties have executed this Lease as of the date hereinabove first written.

THE STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR

LESSEE:

ANDALEX Resources, Inc.
a Delaware corporation

By: Douglas H. Smith
    President

INTERMOUNTAIN POWER AGENCY,
a political subdivision of the State of Utah

By: Reed T. Searle
    General Manager
STATE OF UTAH )
COUNTY OF SALT LAKE )

On the 24th day of March, 2003, personally appeared before me Kevin S. Carter, who being by me duly sworn did say that he is Director of the School and Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 24th day of March, 2003.

Lynda Belnap
Notary Public
Residing at: AL-UT

My commission expires: 4-1-06

STATE OF UTAH )
COUNTY OF SALT LAKE )

On the 25th day of March, 2003, personally appeared before me Douglas H. Smith, who being duly sworn did say that he is the President of ANDALEX Resources, Inc., and the signer of the above instrument, who duly acknowledged to me that said corporation executed the same.

Given under my hand and seal this 25th day of March, 2003.

Wayne L. Crouch
Notary Public
Residing at: Salt Lake County, Utah

My commission expires: 10 July 2006
COUNTY OF SALT LAKE 

On the 28th day of March, 2003, personally appeared before me Reed T. Searle, who being duly sworn did say that he is the General Manager of Intermountain Power Agency, who duly acknowledged to me that said political subdivision executed the same.

Given under my hand and seal this 28th day of March, 2003.

Brenda Pendleton
Notary Public
Residing at: South Jordan, Utah

My commission expires: 2/16/04

BRENDA PENDLETON
NOTARY PUBLIC - STATE OF UTAH
2251 WEST BRIDLE OAK DR.
SOUTH JORDAN, UT 84008
COMM. EXP. 02-16-2004
APPENDIX 1-4D

LEASE ASSIGNMENT

STATE (SITLA) COAL LEASE

ML 49287
UTAH STATE LEASE FOR COAL
ML 49287-OBA

THIS COAL MINING LEASE AND AGREEMENT (the "Lease") is entered into and executed in duplicate as of APRIL 1, 2004 (the "Effective Date") by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 ("Lessor"), and

ANDALEX Resources, Inc.
45 West 10000 South, Suite 401 &
Sandy, UT 84070

INTERMOUNTAIN POWER AGENCY
C/o Department of Water & Power of the City of Los Angeles
Attention: Coal Business Manager
Room 1263
111 North Hope Street
Los Angeles, California 90012

having business addresses as shown above (collectively "Lessee"), each with a 50% undivided interest.

WITNESSETH:

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration paid or required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, mine, remove, transport, convey, cross-haul, commingle, and sell the coal located within the boundaries of the following-described tract of land (the "Leased Premises") located in Carbon County, State of Utah:

T14S, R13E, SLB&M
Sec. 3: Lots 1, 2, 3, S2N2, S2
Sec. 10: W2NW4, SW4, SW4SE4

Containing 881.10 acres, more or less.

Together with the right and privilege to make use of the surface (but only to the extent owned by Lessor) and subsurface of the Leased Premises for uses incident to the mining of coal by Lessee on the Leased Premises or on other lands under the control of Lessee or mined in connection with operations on the Leased Premises, including, but not limited to, conveying, storing, loading, hauling, commingling, cross-hauling, and otherwise transporting coal; excavating; removing, stockpiling, depositing and redepositing of surface materials; and the subsidence, mitigation, restoration and reclamation of the surface.

This Coal Mining Lease and Agreement is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:

1. LEASED MINERALS.

1.1 Coal. This mineral lease covers coal, which shall mean and include black or brownish-black solid fossil fuels that have been subjected to the natural processes of coalification, and which fall
within the classification of coal by rank as anthracitic, bituminous, sub-bituminous, or lignitic, together with closely associated substances which include, but are not limited to other hydrocarbon substances physically contained within the same geologic strata as the coal. In the event that minerals other than coal are discovered during lease operations, Lessee shall promptly notify the Lessor.

1.2 Coalbed Methane. To the extent that Lessor owns gas, coalbed methane or coal seam gas (collectively “coalbed methane”) within the Leased Premises, Lessee may remove, vent, flare or capture such coalbed methane from the coal strata being mined and any overlying formations if such removal is necessary for safety reasons in the reasonable discretion of Lessee. If Lessee captures or uses such coalbed methane, it shall pay Lessor royalties on the value of such coalbed methane at the prevailing state royalty rate for natural gas, unless such royalties are expressly waived by Lessor. In the event that Lessor does not own coalbed methane within the Leased Premises, Lessee must obtain the consent of the owner of such coalbed methane prior to removal or capture of such gas. Except as expressly granted herein, the right to extract gas, coalbed methane and coal seam gas is not granted by this Lease.

1.3 No Warranty of Title. Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure.

2. RESERVATIONS TO LESSOR. Subject to the exclusive rights and privileges granted to Lessee under this Lease, and further provided that Lessor shall refrain from taking actions with respect to the Leased Premises that may unreasonably interfere with Lessee’s operations, Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges (to the extent that Lessor has the right to grant such rights and privileges):

2.1 Rights-of-Way and Easements. Lessor reserves the right, following consultation with the Lessee, to establish rights-of-way and easements upon, through or over the Leased Premises, under terms and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, mineral access, and any other purpose deemed reasonably necessary by Lessor.

2.2 Other Mineral Leases. Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than coal, under terms and conditions that will not unreasonably interfere with operations under this Lease in accordance with Lessor’s regulations, if any, governing multiple mineral development.

2.3 Use and Disposal of Surface. To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease, Lessor reserves the
right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor shall notify Lessee of any such sale, lease, or other disposition of the surface estate.

2.4 Previously Authorized Improvements. If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessee shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences. Nothing in this paragraph shall authorize Lessee to remove surface improvements where Lessor does not own the surface estate.

2.5 Rights Not Expressly Granted. Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.

3. TERM OF LEASE; READJUSTMENT.

3.1 Primary Term. This Lease is granted for a "primary term" of ten (10) years commencing on the Effective Date and for a "secondary term" of an additional ten (10) years, subject to Lessee's compliance with the requirements of paragraph 3.3, Diligent Operations; Minimum Royalty.

3.2 Extension Beyond Secondary Term. Subject to Lessee's compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the secondary term and for as long thereafter as coal is produced in commercial quantities from the Leased Premises, or from lands constituting either (i) a logical mining unit approved by the Bureau of Land Management containing the Leased Premises, or (ii) a mining unit, in which the recoverable coal reserves can be developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of recoverable coal reserves. The second type of mining unit requires a determination by the Lessor that the criteria set forth in item (ii) have been satisfied. The satisfaction of either (i) or (ii) above shall mean that the Lease is contained within an "approved mining unit." For the purposes of this Lease, production of coal in commercial quantities shall mean production during each lease year of at least one per cent (1%) of the recoverable coal reserves within the Leased Premises or within lands constituting an approved mining unit which includes the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee.

3.3 Diligent Operations; Minimum Royalty. In the absence of actual production in commercial quantities as set forth in paragraph 3.2, Extension Beyond Secondary Term, this Lease shall remain in effect beyond the primary term only if the Lessee is engaged in diligent operations, exploration, research, or development activity (which development activity shall include, but not be limited to, pursuit of required permits and approvals) which in Lessor’s reasonable discretion is calculated to advance development or production of coal from the Leased Premises or lands constituting an approved mining unit which includes the Leased Premises, and Lessee pays an annual minimum royalty in advance on or before the anniversary date of the Effective Date. The minimum royalty shall be calculated by determining the production royalty that would be payable
upon production of one per cent (1%) of the recoverable coal reserves within the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee. The unit value of the recoverable coal reserves for purposes of determining the minimum royalty shall be determined by Lessor using the methodology set forth in 43 Code of Federal Regulations §3483.4(c)(1)-(3) (1998). Minimum royalties paid by Lessee pursuant to this paragraph may be credited against production royalties accruing during the term of this Lease.

3.4 Expiration: Cessation of Production. This Lease may not be extended pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty, beyond the end of the twentieth year after the Effective Date except by the actual production of coal in commercial quantities from the Leased Premises or from lands constituting an approved mining unit which includes the Leased Premises. After expiration of the secondary term, this Lease will expire of its own terms, without the necessity of any notice or action by Lessor, if Lessee ceases production of coal in commercial quantities for an entire lease year, unless the Lease is suspended pursuant to paragraph 16.3, Suspension.

3.5 Readjustment. At the end of the primary term and at the end of each period of ten (10) years thereafter, Lessor may readjust the terms and conditions of this Lease (including without limitation rental rates, minimum royalties, royalty rates and valuation methods, and provisions concerning reclamation). If within thirty (30) days after submission of the readjusted lease terms to the Lessee, the Lessee determines that any or all of the proposed readjusted terms and conditions are unacceptable, then Lessee shall so notify Lessor in writing and the parties shall attempt to resolve the objectionable term or condition. If the parties are unable to resolve the matter and agree upon the readjusted terms and conditions submitted by Lessor at the end of such ten (10) year period, Lessee shall forfeit any right to the continued extension of this lease, and the lease shall automatically terminate, provided that nothing herein shall be deemed to preclude Lessee from appealing any readjustment by Lessor pursuant to applicable law.

3.6 Relinquishment. Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor. Lessor may disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to the Lessor, if the lease is otherwise not in good standing, or if relinquishment would in Lessor’s reasonable determination cause waste of economically recoverable coal. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Upon approval, relinquishment shall relieve the Lessee of all future rental obligations as to the relinquished lands effective as of the date of filing of the relinquishment, but shall not relieve Lessee from other obligations to the extent provided in paragraph 15.2, Effect of Termination.

4. Bonus Bid. Lessee agrees to pay Lessor, an initial bonus bid in the sum of $1,400,000.00 as partial consideration for Lessor’s issuance of this Lease, payable in not more than five equal annual installments of $280,000.00. The first annual installment is due and payable upon submission of the bonus bid. Each subsequent annual installment shall be paid on or before each anniversary date of the effective date of the
lease until the total bonus bid has been paid in full. The unpaid balance of the bonus bid shall not bear interest; provided, however, that if this Lease is relinquished or otherwise terminated prior to the payment in full of the bonus bid, or if Lessee fails to make any bonus bid payment when due, the entire unpaid balance of the bonus bid shall immediately become due without regard to such relinquishment or termination, and such balance shall thereafter bear interest as provided in paragraph 16.2, Interest. Lessor may require Lessee to submit a bond or other sufficient surety to secure Lessee's obligation to pay the unpaid balance of the bonus bid. The initial bonus bid may not be credited against any other bonus payments, annual rentals or royalties accruing under the lease.

5. RENTALS. Lessee agrees to pay Lessor an annual rental of three dollars ($3.00) for each acre and fractional part thereof within the Leased Premises. Lessee shall promptly pay annual rentals each year in advance on or before the anniversary date of the Effective Date. Lessee may not credit rentals against production royalties or against minimum royalties payable pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty.

6. ROYALTIES.

6.1 Production Royalties. Lessee shall pay Lessor a production royalty of eight per cent (8%) of the value of all coal severed and removed from the Leased Premises. For all coal sold pursuant to an arm's-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced. For any coal that is sold or disposed of other than by an arm's-length contract, or for coal that is used within the mine permit area containing the Leased Premises for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, the value of such coal shall be determined by Lessor with reference to (in order of priority): (i) comparable arms-length contracts or other dispositions of like-quality coal produced in the same coal field; (ii) prices reported for that coal to a public utility commission; (iii) prices reported to other governmental agencies; or (iv) other relevant information.

6.2 Allowable Deductions. It is expressly understood and agreed that none of Lessee's mining or production costs, including but not limited to costs for materials, labor, overhead, distribution, transportation within the mine permit area prior to the point of sale, loading, crushing, sizing, screening, or general and administrative activities, may be deducted in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty set forth in this Lease. In the event that the point of sale for coal produced from this Lease is located outside the mine permit area boundary, Lessee may deduct the reasonable, actual costs of transportation of such coal from the mine permit area boundary to the point of sale from gross proceeds in computing Lessor's royalty; provided, however, that transportation deductions for coal transported by Lessee, Lessee's affiliates, or by non-arm's-length contract are subject to review and modification by Lessor. Lessee shall be allowed to deduct its actual, reasonable washing and treatment costs from gross proceeds in computing Lessor's royalty; provided,
however, that, upon Lessor's request Lessee shall provide to Lessor appropriate justification to demonstrate that Lessee's costs are reasonable.

6.3 Reference to Federal Regulations. It is the intent of Lessor and Lessee that the calculation of the value of coal for royalty purposes be consistent with federal coal regulations governing the valuation of coal, except where this Lease expressly provides otherwise. In no event shall the value of coal used for calculation of royalties under this Lease be less than the value which would be obtained were federal royalty valuation regulations applied.

6.4 Royalty Payment. For all coal severed and removed from the Leased Premises that is used, sold, transported or otherwise disposed of during a particular month, Lessee shall pay royalties to Lessor on or before the end of the next succeeding month. Royalty payments shall be accompanied by a verified statement, in a form approved by Lessor, stating the amount of coal sold or otherwise disposed of, the gross proceeds accruing to Lessee, the calculation of allowable deductions, and any other information reasonably required by Lessor to verify production and disposition of the coal or coal products. In the event that Lessee uses or disposes of coal pursuant to a non-arm's-length contract, or uses coal for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, Lessee shall notify Lessor of such use or disposal on or before the end of the next succeeding month following such use or disposal, and shall pay royalties upon Lessee's good faith estimate of the value of such coal, subject to Lessor's right to determine the value of such coal pursuant to paragraph 6.1, Production Royalties.

6.5 Suspension, Waiver or Reduction of Rents or Royalties. Lessor, to the extent not prohibited by applicable law, is authorized to waive, suspend, or reduce the rental or minimum royalty, or reduce the royalty applicable with respect to the entire Lease, whenever in Lessor's judgment it is necessary to do so in order to promote development, or whenever in the Lessor's judgment the Lease cannot be successfully operated under the terms provided herein.

7. RECORDKEEPING; INSPECTION; AUDITS.

7.1 Registered Agent; Records. Lessee shall maintain a registered agent within the State of Utah to whom any and all notices may be sent by Lessor and upon whom process may be served. Lessee shall also maintain an office within the State of Utah containing originals or copies of all maps, engineering data, permitting materials, books, records or contracts (whether such documents are in paper or electronic form) generated by Lessee that pertain in any way to coal production, output and valuation; mine operations; coal sales and dispositions; transportation costs; and calculation of royalties from the Leased Premises. Lessee shall maintain such documents for at least seven years after the date of the coal production to which the documents pertain.

7.2 Inspection. Lessor's employees and authorized agents at Lessor's sole risk and expense shall have the right to enter the Leased Premises to check scales as to their accuracy, and to go on any part of
the Leased Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor's employees and authorized agents shall further have the right to audit, examine and copy (at Lessor's expense) all documents described in paragraph 7.1, Registered Agent; Records, whether such documents are located at the mine site or elsewhere. Lessee shall furnish all conveniences necessary for said inspection, survey, or examination; provided, however, that such inspections shall be conducted in a manner that is in conformance with all applicable mine safety regulations and does not unreasonably interfere with Lessee's operations.

7.3 Federal Inspections. Lessee agrees that Bureau of Land Management ("BLM") agents authorized by the Lessor may conduct underground inspections of the Leased Premises.

7.4 Geologic Information. In the event Lessee conducts core-drilling operations or other geologic evaluation of the Leased Premises, Lessor may inspect core samples, evaluations thereof, and proprietary geologic information concerning the Leased Premises.

7.5 Confidentiality. Any and all documents and geologic data obtained by Lessor through the exercise of its rights as set forth in paragraphs 7.2, Inspection., and 7.4, Geologic Information., may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease.

8. USE OF SURFACE ESTATE.

8.1 Lessor-Owned Surface. If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease the Lessee has been granted the right to make use of such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold. Lessee's right to surface use of Lessor-owned surface estate shall include the right to subside the surface. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in paragraph 2, RESERVATIONS TO LESSOR, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.

8.2 Split-Estate Lands. If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee's access to and use of the surface of such lands shall be determined by applicable law governing mineral development on split-estate lands, including without limitation applicable statutes governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney's fees and costs) arising out of or related to damage caused by Lessee's operations to surface lands or improvements owned by third parties.
9. APPLICABLE LAWS AND REGULATIONS: HAZARDOUS SUBSTANCES

9.1 Trust Lands Statute and Regulations. This Lease is issued pursuant to the provisions of Title 53C, Utah Code Annotated, 1953, as amended, and Lessee is subject to and shall comply with all current and future rules and regulations adopted by the School and Institutional Trust Lands Administration.

9.2 Other Applicable Laws and Regulations. Lessee shall comply with all applicable federal, state and local statutes, regulations, and ordinances, including without limitation the Utah Coal Mining and Reclamation Act, applicable statutes and regulations relating to mine safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances and environmental protection.

9.3 Hazardous Substances. Lessee [or other occupant pursuant to any agreement authorizing mining] shall not keep on or about the premises any hazardous substances, as defined under 42 U.S.C. § 9601(14) or any other Federal environmental law, any regulated substance contained in or released from any underground storage tank, as defined by the Resource Conservation and Recovery Act, 42 U.S.C. § 6991, et seq, or any substances defined and regulated as "hazardous" by applicable State law, (hereinafter, for the purposes of this Lease, collectively referred to as "Hazardous Substances") unless such substances are reasonably necessary in Lessee's mining operations, and the use of such substances or tanks is noted and approved in the Lessee's mining plan, and unless Lessee fully complies with all Federal, State and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended, governing Hazardous Substances. Lessee shall immediately notify Lessor, the Trust Lands Administration, the surface management agency, and any other Federal, State and local agency with jurisdiction over the Leased Premises, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, (ii) all failures to comply with any applicable Federal, state or local law, regulation or ordinance governing Hazardous Substances, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, order, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private Party concerning the Leased Premises.

9.4 Hazardous Substances Indemnity. Lessee [or other occupant pursuant to any agreement authorizing mining] shall indemnify, defend, and hold harmless Lessor its agencies, employees, officers, and agents with respect to any and all damages, costs, liabilities, fees (including attorneys’ fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to Lessee’s use, disposal, transportation, generation, sale or location upon or affecting the Leased Premises of Hazardous Substances, as defined in paragraph 9.4 of this Lease. This
indemnity shall extend to the actions of Lessee's employees, agents assigns, sublessees, contractors, subcontractors, licensees and invitees. Lessee shall further indemnify, defend and hold harmless Lessor from any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to any breach of the provisions of this Lease concerning Hazardous Substances. This indemnity is in addition to, and in no way limits, the general indemnity contained in paragraph 16.1 of this Lease.

9.5 Waste Certification. The Lessee shall provide upon abandonment, transfer of operation, assignment of rights, sealing-off of a mined area, and prior to lease relinquishment, certification to the Lessor and the Trust Lands Administration that, based upon a complete search of all the operator's records for the Lease, and upon its knowledge of past operations, there have been no reportable quantities of hazardous substances as defined in 40 Code of Federal Regulations §302.4, or used oil as defined in Utah Administrative Code R315-15, discharged (as defined at 33 U.S.C. §1321(a)(2)), deposited or released within the Leased Premises, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to such substances. Lessee shall additionally provide to Lessor a complete list of all hazardous substances, hazardous materials, and their respective Chemical Abstracts Service Registry Numbers, and oil and petroleum products used or stored on, or delivered to, the Leased Premises. Such disclosure will be in addition to any other disclosure required by law or agreement.

10. BONDING.

10.1 Lease Bond Required. At the time this Lease is executed, Lessee shall execute and file with the Lessor a good and sufficient bond or other financial guarantee acceptable to Lessor in order to: (a) guarantee Lessee's performance of all covenants and obligations under this Lease, including Lessee's obligation to pay royalties; and (b) ensure compensation for damage, if any, to the surface estate and any surface improvements. The Lease Bond shall meet all federal mineral lease bond requirements as described in 43 Code of Federal Regulations Subpart 3474. The Lease Bond shall further provide that upon forfeiture of the Leased Premises to the State of Utah, the Lease Bond shall be payable to the Trust Lands Administration.

10.2 Reclamation Bonding. The bond filed with the Utah Division of Oil, Gas and Mining ("UDOGM") in connection with the issuance of a mine permit which includes the Leased Premises shall be deemed to satisfy Lessor's bonding requirements with respect to Lessee's reclamation obligations under this Lease; provided, however, upon notice to Lessee and a public hearing with respect to the basis for its decision, the Lessor may, in its reasonable discretion, determine that the bond filed with UDOGM is insufficient to protect Lessor's interests. In such an event the Lessor shall enter written findings as to the basis for its calculation of the perceived insufficiency and enter an order establishing the amount of additional bonding required. Lessee shall file any required additional bond with Lessor within thirty (30) days after demand by Lessor.
10.3 Release of Additional Bond. Any additional bond required by Lessor pursuant to 10.2, Reclamation Bonding, may be released by Lessor at any time and shall be released no later than the time of final bond release by UDOGM with respect to the Leased Premises.

11. WATER RIGHTS.

11.1 Water Rights in Name of Lessor. If Lessee files to appropriate water for coal mining operations on the Leased Premises, the filing for such water right shall be made by Lessee in the name of Lessor at no cost to Lessor, and such water right shall become an appurtenance to the Leased Premises, subject to Lessee’s right to use such water right at no cost during the term of this Lease.

11.2 Option to Purchase. If Lessee purchases or acquires an existing water right for coal mining operations on the Leased Premises, Lessor shall have the option to acquire that portion of such water right as was used on the Leased Premises upon expiration or termination of this Lease. The option price for such water right shall be the fair market value of the water right as of the date of expiration or termination of this Lease. Upon expiration or termination of this Lease, Lessee shall notify Lessor in writing of all water rights purchased or acquired by Lessee for coal mining operations on the Leased Premises and its estimate of the fair market value of such water right. Lessor shall then have forty-five (45) days to exercise its option to acquire the water by payment to Lessee of the estimated fair market value. If Lessor disagrees with Lessee’s estimate of fair market value, Lessor shall notify Lessee of its disagreement within the 45 day option exercise period. The fair market value of the water right shall then be appraised by a single appraiser mutually acceptable to both parties, which appraisal shall be final and not subject to review or appeal. If the parties cannot agree upon the choice of an appraiser, the fair market value of the water right shall be determined by a court of competent jurisdiction. Conveyance of any water right pursuant to this paragraph shall be by quit claim deed.

12. ASSIGNMENT OR SUBLEASE; OVERRIDING ROYALTIES.

12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, creation of overriding royalties or production payments, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.

12.2 Binding Effect. All of the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of their respective successors, assigns, and sublessees.
12.3 Limitation on Overriding Royalties. Lessor reserves the right to disapprove the creation of an overriding royalty or production payment that would, in Lessor's reasonable discretion, constitute an unreasonable economic burden upon operation of the Lease. In exercising its discretion to disapprove the creation of an overriding royalty, Lessor shall consult with Lessee and any third parties involved and shall prepare findings to evidence the basis of its decision. Cumulative overriding royalties of 2% or less shall be deemed presumptively reasonable unless special circumstances are shown by Lessor to exist.

13. OPERATIONS.

13.1 Permitting. Before Lessee commences exploration, drilling, or mining operations on the Leased Premises, it shall have obtained such permits and posted such bonds as may be required under applicable provisions of the Utah Coal Mining and Reclamation Act, the Surface Mining Control and Reclamation Act, and associated regulations, together with applicable regulations of the surface management agency. Lessee shall maintain any required permits in place for the duration of mining operations and reclamation. Upon request, Lessee shall provide Lessor with a copy of all regulatory filings relating to permitting matters.

13.2 Plan of Operations. Prior to the commencement of any underground mining operations on the Leased Premises, Lessee shall obtain Lessor's approval of a plan of operations for the Leased Premises. The plan of operations shall contain all information required to be contained in a federal Resource Recovery and Protection Plan, as described in 43 Code of Federal Regulations § 3482.1(b) and (c) (1998). Lessor may modify the proposed plan of operations as is needed to insure that there is no waste of economically recoverable coal reserves contained on the Leased Premises. In this context "waste" shall mean the inefficient utilization of, or the excessive or improper loss of an otherwise economically recoverable coal resource. Lessor shall notify Lessee in writing of its approval or modifications of the plan of operations. The plan of operations submitted by Lessee shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within sixty (60) days of filing.

13.3 Plan of Operations - Modification. In the event that material changes are required to the plan of operations during the course of mining, Lessee shall submit a modification of the plan of operations to the Lessor. Routine adjustments to the plan of operations based upon geologic circumstances encountered during day-to-day mining operations do not require the submission of a modification. If the proposed changes require emergency action by Lessor, then the Lessee shall so notify the Lessor at the time of submission of the modification and the parties shall use their best efforts to meet the Lessee's time schedule regarding implementation of the changes. Non-emergency modifications will be reviewed promptly by Lessor to insure that there is no waste of economically recoverable coal reserves pursuant to the plan of operations, as modified, and Lessor shall notify lessee in writing of its approval or modification of the proposed modification.
13.4 **Mine Maps.** Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations prepared and maintained in the manner prescribed by 43 Code of Federal Regulations § 3482.3 (1998). Lessee shall provide copies of such maps to Lessor upon request.

13.5 **Good Mining Practices.** Lessee shall conduct exploration and mining operations on the Leased Premises in accordance with standard industry operating practices, and shall avoid waste of economically recoverable coal. Lessee shall comply with all regulations and directives of the Mine Safety and Health Administration or successor agencies for the health and safety of employees and workers. Lessee shall further comply with the performance standards for underground resource recovery set forth at 43 Code of Federal Regulations § 3484.1(c) (1998); provided, however, that Lessor may waive such standards from time to time in its reasonable discretion, upon request by Lessee. Coal shall be mined from this Lease by underground methods only.

13.6 **Mining Units.** Lessor may approve the inclusion of the Leased Premises in a mining unit with federal, private or other non-state lands upon terms and conditions that it deems necessary to protect the interests of the Lessor, including without limitation segregation of production, accounting for commingled coal production, and minimum production requirements or minimum royalties for the Leased Premises.

14. **EQUIPMENT; RESTORATION.**

14.1 **Equipment.** Upon termination of this Lease, Lessee shall remove, and shall have the right to remove, all improvements, equipment, stockpiles, and dumps from the Leased Premises within six (6) months; provided, however, that Lessor may, at Lessor's sole risk and expense, and subject to Lessee's compliance with requirements imposed by UDOGM and MSHA, require Lessee to retain in place underground timbering supports, shaft linings, rails, and other installations reasonably necessary for future mining of the Leased Premises. All improvements and equipment remaining on the Leased Premises after six (6) months may be deemed forfeited to Lessor upon written notice of such forfeiture to Lessee. Lessee may abandon underground improvements, equipment of any type, stockpiles and dumps in place if such abandonment is in compliance with applicable law, and further provided that Lessee provides Lessor with financial or other assurances sufficient in Lessor's reasonable discretion to protect Lessor from future environmental liability with respect to such abandonment or any associated hazardous waste spills or releases. Lessee shall identify and locate on the mine map the location of all equipment abandoned on the Lease Premises.

14.2 **Restoration and Reclamation.** Upon termination of this Lease, Lessee shall reclaim the Leased Premises in accordance with the requirements of applicable law, including mine permits and reclamation plans on file with UDOGM. Lessee shall further abate any hazardous condition on or
associated with the Leased Premises. Lessee and representatives of all governmental agencies having jurisdiction shall have the right to re-enter the Leased Premises for reclamation purposes for a reasonable period after termination of the Lease.

15. DEFAULT

15.1 Notice of Default; Termination. Upon Lessee's violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor's files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor's administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee.

15.2 Effect of Termination. The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the Lessor to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination; however, the obligations of Lessee with respect to reclamation, indemnification and other continuing covenants imposed by this Lease shall survive the termination.

16. MISCELLANEOUS PROVISIONS.

16.1 Indemnity. Except as limited by paragraph 7.2, Inspection, Lessee shall indemnify and hold Lessor harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys' fees and court costs, arising in any way out of Lessee's occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee's obligations under this Lease, including without limitation attorneys' fees and court costs.

16.2 Interest. Except as set forth in paragraph 4, BONUS BID, interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

INCORPORATED

Div. of Oil, Gas & Mining
16.3 **Suspension.** In the event that Lessor in its reasonable discretion determines that suspension is necessary in the interests of conservation of the coal resource, or if Lessee has been prevented from performing any of its obligations or responsibilities under this Lease or from conducting mining operations by labor strikes, fires, floods, explosions, riots, any unusual mining casualties or conditions, Acts of God, government restrictions or orders, severe weather conditions, or other extraordinary events beyond its control, then the time for performance of this Lease by Lessee shall be suspended during the continuance of such acts which prevent performance, excepting any payments due and owing to Lessor.

16.4 **Consent to Suit; Jurisdiction.** This Lease shall be governed by the laws of the State of Utah. Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the Third Judicial District Court for Salt Lake County, Utah. Lessee consents to the jurisdiction of such court. Lessee shall not bring any action against Lessor without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act.

16.5 **No Waiver.** No waiver of the breach of any provision of this Lease shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in default be deemed to be a waiver of such default.

16.6 **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16.7 **Special Stipulations.** The special stipulations set forth in Exhibit “A” to this Lease are hereby incorporated into and made an integral part of this Lease.

16.8 **Entire Lease.** This Lease, together with any attached stipulations, sets forth the entire agreement between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing and signed by each of them.
IN WITNESS WHEREOF, the parties have executed this Lease as of the date hereinabove first written.

APPROVED AS TO FORM:
MARK L. SHURTLEFF
ATTORNEY GENERAL

By: ____________________________

Form Approved: 2/26/04

THE STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR

By: ____________________________

Thomas B. Faddies, Assistant Director/Minerals
School & Institutional Trust Lands Administration - LESSOR

ANDALEX RESOURCES, INC.
LESSEE

By: ____________________________

Douglas H. Smith, President

&

INTERMOUNTAIN POWER AGENCY
LESSEE

By: ____________________________

Reed J. Scudder
Gen. Manager
STATE OF UTAH
COUNTY OF SALT LAKE

On the 22 day of March, 2004, personally appeared before me THOMAS B. FADDIES who duly sworn did say that he is Assistant Director of the School & Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 22 day of March, 2004.

DIANE M. DURRANT
NOTARY PUBLIC, residing at: Layton, UT
My Commission Expires: March 29, 2007

STATE OF UTAH
COUNTY OF SALT LAKE

On the 17th day of March, 2004, personally appeared before me
Douglas H. Smith, who being duly sworn did say that he is an officer of
ANDALEX Resources, Inc. and that said instrument was signed in behalf of said corporation by resolution of
its Board of Directors, and said Douglas H. Smith acknowledged to me that said corporation executed
the same.

Given under my hand and seal this 17th day of March, 2004.

WAYNE L. CROUCH
NOTARY PUBLIC, residing at: Salt Lake County, UTAH
My Commission Expires: July 10, 2006

STATE OF
COUNTY OF

On the 19 day of March, 2004, personally appeared before me
Reed T. Sarke, who being duly sworn did say that he is an officer of
INTERMOUNTAIN POWER AGENCY and that said instrument was signed in behalf of said corporation by
resolution of its Board of Directors, and said Reed T. Sarke acknowledged to me that said corporation executed the same.

Given under my hand and seal this 19 day of March, 2004.

KRISTA R PAULL
NOTARY PUBLIC, residing at: Salt Lake County, UT
My Commission Expires: SEP 25, 2009

Div. of Oil, Gas & mining
APPENDIX 1-4E

LEASE ASSIGNMENT

STATE (SITLA) COAL LEASE

ML 51744
UTAH STATE LEASE FOR COAL
ML 51744-0BA

THIS COAL MINING LEASE AND AGREEMENT (the “Lease”) is entered into and executed in duplicate as of June 1, 2010, (the “Effective Date”) by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, UT 84102, (“Lessor”), and

WEST RIDGE RESOURCES, INC.
P.O. Box 910
East Carbon, UT 84520

having a business address as shown above (“Lessee”).

WITNESSETH:

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration paid or required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, mine, remove, transport, convey, cross-haul, commingle, and sell the coal located within the boundaries of the following described tract of land (the “Leased Premises”) located in Carbon County, State of Utah:

T13S, R13E, SLB&M.
SEC. 36: N½, SE¼

Containing 480.00 acres, more or less.

Together with the right and privilege to make use of the surface (but only to the extent owned by Lessor) and subsurface of the Leased Premises for uses incident to the mining of coal by Lessee on the Leased Premises or on other lands under the control of Lessee or mined in connection with operations on the Leased Premises, including, but not limited to, conveying, storing, loading, hauling, commingling, cross-hauling, and otherwise transporting coal; excavating; removing, stockpiling, depositing and redepositing of surface materials; and the subsidence, mitigation, restoration and reclamation of the surface.

This Coal Mining Lease and Agreement is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:
1. **LEASED MINERALS.**

1.1 **Coal.** This mineral lease covers coal, which shall mean and include black or brownish-black solid fossil fuels that have been subjected to the natural processes of coalification, and which fall within the classification of coal by rank as anthracitic, bituminous, sub-bituminous, or lignitic, together with closely associated substances which include, but are not limited to other hydrocarbon substances physically contained within the same geologic strata as the coal. In the event that minerals other than coal are discovered during lease operations, Lessee shall promptly notify Lessor.

1.2 **Coalbed Methane.** To the extent that Lessor owns gas, coalbed methane or coal seam gas (collectively “coalbed methane”) within the Leased Premises, Lessee may vent, or flare such coalbed methane from the coal strata being mined and any overlying formations if such removal is necessary for safety reasons in the reasonable discretion of Lessee. If Lessee captures or uses such coalbed methane, it shall pay Lessor royalties on the value of such coalbed methane at the prevailing state royalty rate for natural gas, unless such royalties are expressly waived by Lessor. In the event that Lessor does not own gas or coalbed methane within the Leased Premises, or Lessor has granted the rights to gas or coal bed methane in the Leased Premises to another party, Lessee must obtain the consent of the owner or lessee of such coalbed methane prior to removal or capture of such gas. Except as expressly granted herein, the right to extract gas, coalbed methane and coal seam gas is not granted by this Lease.

1.3 **No Warranty of Title.** Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure.

2. **RESERVATIONS TO LESSOR.** Subject to the exclusive rights and privileges granted to Lessee under this Lease, and further provided that Lessor shall refrain from taking actions with respect to the Leased Premises that may unreasonably interfere with Lessee’s operations, Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges (to the extent that Lessor has the right to grant such rights and privileges):

2.1 **Rights-of-Way and Easements.** Lessor reserves the right, following consultation with the Lessee, to establish rights-of-way and easements upon, through or over the Leased Premises, under terms and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, mineral access, and any other purpose deemed reasonably necessary by Lessor.

2.2 **Other Mineral Leases.** Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than coal, under terms and conditions that will not unreasonably interfere with operations under this Lease in accordance with Lessor’s regulations, if any, governing multiple mineral development.

2.3 **Use and Disposal of Surface.** To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease, Lessor reserves the right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor shall notify Lessee of any such sale, lease, or other disposition of the surface estate.
2.4 Previously Authorized Improvements. If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessee shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences. Nothing in this paragraph shall authorize Lessee to remove surface improvements where Lessor does not own the surface estate.

2.5 Rights Not Expressly Granted. Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.

3. TERM OF LEASE; READJUSTMENT.

3.1 Primary Term. This Lease is granted for a “primary term” of ten (10) years commencing on the Effective Date and for a “secondary term” of an additional ten (10) years, subject to Lessee’s compliance with the requirements of paragraph 3.3, Diligent Operations; Minimum Royalty.

3.2 Extension Beyond Secondary Term. Subject to Lessee’s compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the secondary term and for as long thereafter as coal is produced in commercial quantities from the Leased Premises, or from lands constituting either (i) a logical mining unit approved by the Bureau of Land Management containing the Leased Premises, or (ii) a mining unit, in which the recoverable coal reserves can be developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of recoverable coal reserves. The second type of mining unit requires a determination by the Lessor that the criteria set forth in item (ii) have been satisfied. The satisfaction of either (i) or (ii) above shall mean that the Lease is contained within an “approved mining unit.” For the purposes of this Lease, production of coal in commercial quantities shall mean production during each lease year of at least one per cent (1%) of the original recoverable coal reserves within the Leased Premises or within lands constituting an approved mining unit which includes the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee.

3.3 Diligent Operations; Minimum Royalty. In the absence of actual production in commercial quantities as set forth in paragraph 3.2, Extension Beyond Secondary Term, this Lease shall remain in effect beyond the primary term only if the Lessee is engaged in diligent operations, or development activity (which development activity shall include, but not be limited to, pursuit of required permits and approvals), which in Lessor’s reasonable discretion is calculated to advance development or production of coal from the Leased Premises or lands constituting an approved mining unit which includes the Leased Premises, and Lessee pays an annual minimum royalty in advance on or before the anniversary date of the Effective Date. The minimum royalty shall be calculated by determining the production royalty that would be payable upon production of one per cent (1%) of the original recoverable coal reserves within the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee. The unit value of the recoverable coal reserves for purposes of determining the minimum royalty shall be determined by Lessor using the methodology set forth in 43 Code of Federal Regulations Section 3483.4(c)(1)-(3) (1998). Minimum royalties paid by Lessee pursuant to this paragraph may be credited against production royalties accruing during the term of this Lease.
3.4 Expiration; Cessation of Production. This Lease may not be extended pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty, beyond the end of the twentieth year after the Effective Date except by the actual production of coal in commercial quantities from the Leased Premises or from lands constituting an approved mining unit which includes the Leased Premises. After expiration of the secondary term, this Lease will expire of its own terms, without the necessity of any notice or action by Lessor, if Lessee ceases production of coal in commercial quantities for an entire lease year, unless the Lease is suspended pursuant to paragraph 16.3, Suspension.

3.5 Readjustment. At the end of the primary term and at the end of each ten-year period that this lease is in effect, Lessor may readjust the terms and conditions of this Lease (including without limitation rental rates, minimum royalties, royalty rates and valuation methods, and provisions concerning reclamation). If within thirty (30) days after submission of the readjusted lease terms to the Lessee, the Lessee determines that any or all of the proposed readjusted terms and conditions are unacceptable, then Lessee shall so notify Lessor in writing and the parties shall attempt to resolve the objectionable term or condition. If the parties are unable to resolve the matter and agree upon the readjusted terms and conditions submitted by Lessor at the end of such ten (10) year period, Lessee shall forfeit any right to the continued extension of this lease, and the lease shall automatically terminate, provided that nothing herein shall be deemed to preclude Lessee from appealing any readjustment by Lessor pursuant to applicable law.

3.6 Relinquishment. Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor. Lessor may disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to the Lessor, if the lease is otherwise not in good standing, or if relinquishment would in Lessor’s reasonable determination cause waste of economically recoverable coal. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Upon approval, relinquishment shall relieve the Lessee of all future rental obligations as to the relinquished lands effective as of the date of filing of the relinquishment, but shall not relieve Lessee from other obligations to the extent provided in paragraph 15.2, Effect of Termination.

4. BONUS PAYMENTS. Lessee agrees to pay Lessor an upfront bonus in the total amount of $44,696.20, payable with the issuance of the lease. The upfront bonus is based upon the likelihood that Lessee may recover at least one additional deep longwall mining panel with a portion of the recoverable coal tonnage extending into the Leased Premises. In addition to the upfront bonus, Lessee also agrees to pay Lessor a deferred bonus of 30.6 Cents per ton upon each and every ton of coal produced from the Leased Premises in excess of 146,066 tons of coal. Deferred bonus will only accrue as such additional coal is actually produced and shall be payable along with and in addition to production royalty accruing to such coal. Bonus payments may not be credited against any other payments, annual rentals or royalties accruing under the lease.

5. RENTALS. Lessee agrees to pay Lessor an annual rental of three dollars ($3.00) for each acre and fractional part thereof within the Leased Premises. Lessee shall promptly pay annual rentals each year in advance on or before the anniversary date of the Effective Date. Lessee may not credit rentals against production royalties or against minimum royalties payable pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty.
6. ROYALTIES.

6.1 Production Royalties. Lessee shall pay Lessor a production royalty of eight per cent (8%) of the value of all coal severed and removed from the Leased Premises by underground mining methods and twelve and one-half per cent (12.5%) of the value of all coal severed and removed from the Leased Premises by surface mining methods. For all coal sold pursuant to an arm's-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced. For any coal that is sold or disposed of other than by an arm's-length contract, or for coal that is used within the mine permit area containing the Leased Premises for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, the value of such coal shall be determined by Lessor with reference to (in order of priority): (i) comparable arms-length contracts or other dispositions of like-quality coal produced in the same coal field; (ii) prices reported for that coal to a public utility commission; (iii) prices reported to other governmental agencies; or (iv) other relevant information.

6.2 Allowable Deductions. It is expressly understood and agreed that none of Lessee's mining or production costs, including but not limited to costs for materials, labor, overhead, distribution, transportation within the mine permit area prior to the point of sale, loading, crushing, sizing, screening, or general and administrative activities, may be deducted in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty set forth in this Lease. In the event that the point of sale for coal produced from this Lease is located outside the mine permit area boundary, Lessee may deduct the reasonable, actual costs of transportation of such coal from the mine permit area boundary to the point of sale from gross proceeds in computing Lessor's royalty; provided, however, that transportation deductions for coal transported by Lessee, Lessee's affiliates, or by non-arm's-length contract are subject to review and modification by Lessor. Lessee shall be allowed to deduct its actual, reasonable washing and treatment costs from gross proceeds in computing Lessor's royalty; provided, however, that, upon Lessor's request Lessee shall provide to Lessor appropriate justification to demonstrate that Lessee's costs are reasonable.

6.3 Reference to Federal Regulations. It is the intent of Lessor and Lessee that the calculation of the value of coal for royalty purposes be consistent with federal coal regulations governing the valuation of coal, except where this Lease expressly provides otherwise. In no event shall the value of coal used for calculation of royalties under this Lease be less than the value which would be obtained were federal royalty valuation regulations applied.

6.4 Royalty Payment. For all coal severed and removed from the Leased Premises that is used, sold, transported or otherwise disposed of during a particular month, Lessee shall pay royalties to Lessor on or before the end of the next succeeding month. Royalty payments shall be accompanied by a verified statement, in a form approved by Lessor, stating the amount of coal sold or otherwise disposed of, the gross proceeds accruing to Lessee, the calculation of allowable deductions, and any other information reasonably required by Lessor to verify production and disposition of the coal or coal products. In the event that Lessee uses or disposes of coal pursuant to a non-arm's-length contract, or uses coal for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, Lessee shall notify Lessor of such use or disposal on or before the end of the next succeeding month following such use or disposal, and shall pay royalties upon Lessee's good faith estimate of the value of such coal, subject to Lessor's right to determine the value...
of such coal pursuant to paragraph 6.1, Production Royalties. On or before the royalty due date each month Lessee shall also submit to Lessor a detailed mining report of such production telling and mapping the coal tonnages extracted from the mine, whether sold or stockpiled, and the exact locations within the mine from which such tonnages were extracted. Production tonnages shall be determined by volumetric measurements within the mine and shall be verified by belt-scale weighing of the production coming out of the mine.

6.6 Suspension, Waiver or Reduction of Rents or Royalties. Lessor, to the extent not prohibited by applicable law, is authorized to waive, suspend, or reduce the rental or minimum royalty, or reduce the royalty applicable with respect to the entire Lease, whenever in Lessor's sole judgment it is necessary to do so in order to promote development, or whenever in the Lessor's sole judgment the Lease cannot be successfully operated under the terms provided herein.

7. RECORDKEEPING; INSPECTION; AUDITS.

7.1 Registered Agent; Records. Lessee shall maintain a registered agent within the State of Utah to whom any and all notices may be sent by Lessor and upon whom process may be served. Lessee shall also maintain an office within the State of Utah containing originals or copies of all maps, engineering data, permitting materials, books, records or contracts (whether such documents are in paper or electronic form) generated by Lessee that pertain in any way to coal production, output and valuation; mine operations; coal sales and dispositions; transportation costs; and calculation of royalties from the Leased Premises. Lessee shall maintain such documents for at least seven years after the date of the coal production to which the documents pertain.

7.2 Inspection. Lessor's employees and authorized agents at Lessor's sole risk and expense shall have the right to enter the Leased Premises to check scales as to their accuracy, and to go on any part of the Leased Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor’s employees and authorized agents shall further have the right to audit, examine and copy (at Lessor’s expense) all documents described in paragraph 7.1, Registered Agent; Records, whether such documents are located at the mine site or elsewhere. Lessee shall furnish all conveniences necessary for said inspection, survey, or examination; provided, however, that such inspections shall be conducted in a manner that is in conformance with all applicable mine safety regulations and does not unreasonably interfere with Lessee's operations.

7.3 Geologic Information. In the event Lessee conducts core-drilling operations or other geologic evaluation of the Leased Premises, Lessor may inspect core samples, evaluations thereof, and proprietary geologic information concerning the Leased Premises. Upon receiving written request from Lessor, Lessee shall provide Lessor with a copy of drill logs, geotechnical analysis, and geologic reports pertaining to the Leased Premises.

7.4 Confidentiality. Any and all documents and geologic data obtained by Lessor through the exercise of its rights as set forth in paragraphs 7.2, Inspection., and 7.3, Geologic Information., may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease.
8. **USE OF SURFACE ESTATE.**

8.1 **Lessor-Owned Surface.** If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease the Lessee has been granted the right to make use of such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold. Lessee’s right to surface use of Lessor-owned surface estate shall include the right to subside the surface. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in paragraph 2, RESERVATIONS TO LESSOR, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.

8.2 **Split-Estate Lands.** If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee’s access to and use of the surface of such lands shall be determined by applicable law governing mineral development on split-estate lands, including without limitation applicable statutes governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney’s fees and costs) arising out of or related to damage caused by Lessee’s operations to surface lands or improvements owned by third parties.

9. **APPLICABLE LAWS AND REGULATIONS; HAZARDOUS SUBSTANCES**

9.1 **State of Utah and Trust Lands Statute and Regulations.** This Lease is issued pursuant to Title 53C, Utah Code Annotated, 1953, as amended, and Lessee is subject to and shall comply with all current and future rules and regulations adopted by the School and Institutional Trust Lands Administration and its successor agencies.

9.2 **Other Applicable Laws and Regulations.** Lessee shall comply with all applicable federal, state and local statutes, regulations, and ordinances, including without limitation the Utah Coal Mining and Reclamation Act, applicable statutes and regulations relating to mine safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances and environmental protection.

9.3 **Hazardous Substances.** Lessee or other occupant pursuant to any agreement authorizing mining] shall not keep on or about the premises any hazardous substances, as defined under 42 U.S.C. Section 9601(14) or any other Federal environmental law, any regulated substance contained in or released from any underground storage tank, as defined by the Resource Conservation and Recovery Act, 42 U.S.C. Section 6991, **et seq.** or any substances defined and regulated as “hazardous” by applicable State law, (hereinafter, for the purposes of this Lease, collectively referred to as “Hazardous Substances”) unless such substances are reasonably necessary in Lessee’s mining operations, and the use of such substances or tanks is noted and approved in the Lessee’s mining plan, and unless Lessee fully complies with all Federal, State and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended, governing Hazardous Substances. Lessee shall immediately notify Lessor, and any other Federal, State and local agency with jurisdiction over the Leased Premises, or surface thereof, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, (ii) all failures to comply with any applicable Federal, state or local law, regulation or ordinance governing Hazardous Substances, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, order, citations, or notifications from any regulatory entity concerning Hazardous Substances.
Substances affecting the Leased Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private Party concerning the Leased Premises.

9.4 Hazardous Substances Indemnity. Lessee or other occupant pursuant to any agreement authorizing mining shall indemnify, defend, and hold harmless Lessor, its agencies, employees, officers, and agents with respect to any and all damages, costs, liabilities, fees (including attorneys’ fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to Lessee’s use, disposal, transportation, generation, sale or location upon or affecting the Leased Premises of Hazardous Substances, as defined in paragraph 9.3 of this Lease. This indemnity shall extend to the actions of Lessee’s employees, agents assigns, sublessees, contractors, subcontractors, licensees and invitees. Lessee shall further indemnify, defend and hold harmless Lessor and the United States from any and all damages, costs, liabilities, fees (including attorneys’ fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to any breach of the provisions of this Lease concerning Hazardous Substances. This indemnity is in addition to, and in no way limits, the general indemnity contained in paragraph 16.1 of this Lease.

9.5 Waste Certification. The Lessee shall provide upon abandonment, transfer of operation, assignment of rights, sealing-off of a mined area, and prior to lease relinquishment, certification to the Lessor that, based upon a complete search of all the operator’s records for the Lease, and upon its knowledge of past operations, there have been no reportable quantities of hazardous substances as defined in 40 Code of Federal Regulations Section 302.4, or used oil as defined in Utah Administrative Code R315-15, discharged (as defined at 33 U.S.C.S. Section 1321(a)(2)), deposited or released within the Leased Premises, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to such substances. Lessee shall additionally provide to Lessor a complete list of all hazardous substances, hazardous materials, and their respective Chemical Abstracts Service Registry Numbers, and oil and petroleum products used or stored on, or delivered to, the Leased Premises. Such disclosure will be in addition to any other disclosure required by law or agreement.

10. BONDING.

10.1 Lease Bond Required. At any time after this Lease is executed, if requested by the Lessor, Lessee shall execute and file with the Lessor a good and sufficient bond or other financial guarantee acceptable to Lessor in order to: (a) guarantee Lessee’s performance of all covenants and obligations under this Lease, including Lessee’s obligation to pay royalties; and (b) ensure compensation for damage, if any, to the surface estate and any surface improvements. The form of the Lease Bond shall be as prescribed or approved as to form by Lessor. Lessee shall also satisfy all reclamation bonding requirements of the Utah Division of Oil, Gas and Mining (“UDOGM”) in connection with the issuance of a mine permit which includes the Leased Premises.

10.2 Reclamation Bonding. The bond filed with the Utah Division of Oil, Gas and Mining (“UDOGM”) in connection with the issuance of a mine permit which includes the Leased Premises shall be deemed to satisfy Lessor’s bonding requirements with respect to Lessee’s reclamation obligations under this Lease; provided, however, upon notice to Lessee and a public hearing with respect to the basis for its decision, the Lessor may, in its reasonable discretion, determine that the bond filed with UDOGM is insufficient to protect Lessor’s interests. In such an event the Lessor shall enter written findings as to the basis for its calculation of the perceived insufficiency and enter an order establishing the amount of...
additional bonding required. Lessee shall file any required additional bond with Lessor within thirty (30) days after demand by Lessor. Lessor may increase or decrease the amount of any additional bond from time to time in accordance with the same procedure.

10.3 Release of Additional Bond. Any additional bond required by Lessor pursuant to 10.2, Reclamation Bonding, may be released by Lessor at any time and shall be released no later than the time of final bond release by UDOGM with respect to the Leased Premises.

11. WATER RIGHTS.

11.1 Water Rights in Name of Lessor. If Lessee files to appropriate water for coal mining operations on the Leased Premises, the filing for such water right shall be made by Lessee in the name of Lessor at no cost to Lessor, and such water right shall become an appurtenance to the Leased Premises, subject to Lessee's right to use such water right at no cost during the term of this Lease.

11.2 Option to Purchase. If Lessee purchases or acquires an existing water right for coal mining operations on the Leased Premises, Lessor shall have the option to acquire that portion of such water right as was used on the Leased Premises upon expiration or termination of this Lease. The option price for such water right shall be the fair market value of the water right as of the date of expiration or termination of this Lease. Upon expiration or termination of this Lease, Lessee shall notify Lessor in writing of all water rights purchased or acquired by Lessee for coal mining operations on the Leased Premises and its estimate of the fair market value of such water right. Lessor shall then have forty-five (45) days to exercise its option to acquire the water by payment to Lessee of the estimated fair market value. If Lessor disagrees with Lessee's estimate of fair market value, Lessor shall notify Lessee of its disagreement within the 45 day option exercise period. The fair market value of the water right shall then be appraised by a single appraiser mutually acceptable to both parties, which appraisal shall be final and not subject to review or appeal. If the parties cannot agree upon the choice of an appraiser, the fair market value of the water right shall be determined by a court of competent jurisdiction. Conveyance of any water right pursuant to this paragraph shall be by quit claim deed.

12. ASSIGNMENT OR SUBLEASE; OVERRIDING ROYALTIES.

12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, creation of overriding royalties or production payments, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.

12.2 Binding Effect. All of the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of their respective successors, assigns, and sublessees.

12.3 Limitation on Overriding Royalties. Lessor reserves the right to disapprove the creation of an overriding royalty or production payment that would, in Lessor's reasonable discretion, constitute an unreasonable economic burden upon operation of the Lease. In exercising its discretion to disapprove the creation of an overriding royalty, Lessor shall consult with Lessee and any third parties involved and shall prepare findings to evidence the basis of its decision. Cumulative overriding royalties of 2%
or less shall be deemed presumptively reasonable unless special circumstances are shown by Lessor to exist.

13. OPERATIONS.

13.1 Permitting. Before Lessee commences exploration, drilling, or mining operations on the Leased Premises, it shall have obtained such permits and posted such bonds as may be required under applicable provisions of the Utah Coal Mining and Reclamation Act, the Surface Mining Control and Reclamation Act, and associated regulations, together with applicable regulations of the surface management agency. Lessee shall maintain any required permits in place for the duration of mining operations and reclamation. Upon request, Lessee shall provide Lessor with a copy of all regulatory filings relating to permitting matters.

13.2 Plan of Operations. Prior to the commencement of any underground mining operations on the Leased Premises, Lessee shall obtain Lessor’s approval of a plan of operations for the Leased Premises. The plan of operations shall contain all information required to be contained in a federal Resource Recovery and Protection Plan, as described in 43 Code of Federal Regulations Section 3482.1(b) and (c) (1998). Lessor may modify the proposed plan of operations as is needed to insure that there is no waste of economically recoverable coal reserves contained on the Leased Premises. In this context “waste” shall mean the inefficient utilization of, or the excessive or improper loss of an otherwise economically recoverable coal resource. Lessor shall notify Lessee in writing of its approval or modifications of the plan of operations. The plan of operations submitted by Lessee shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within sixty (60) days of filing.

13.3 Plan of Operations - Modification. In the event that material changes are required to the plan of operations during the course of mining, Lessee shall submit a modification of the plan of operations to the Lessor. Routine adjustments to the plan of operations based upon geologic circumstances encountered during day-to-day mining operations do not require the submission of a modification. If the proposed changes require emergency action by Lessor, then the Lessee shall so notify the Lessor at the time of submission of the modification and the parties shall use their best efforts to meet the Lessee’s time schedule regarding implementation of the changes. Non-emergency modifications will be reviewed promptly by Lessor to insure that there is no waste of economically recoverable coal reserves pursuant to the plan of operations, as modified, and Lessor shall notify lessee in writing of its approval or modification of the proposed modification. Modifications shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within thirty (30) days of filing with Lessor.

13.4 Mine Maps. Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations prepared and maintained in the manner prescribed by 43 Code of Federal Regulations Section 3482.3. Said maps shall be stamped and certified by a Professional Engineer or Professional Geologist with experience in coal mining. Lessee shall provide copies of such maps to Lessor upon request.

13.5 Good Mining Practices. Lessee shall conduct exploration and mining operations on the Leased Premises in accordance with standard industry operating practices, and shall avoid waste of economically recoverable coal. Lessee shall comply with all regulations and directives of the Mine Safety and Health Administration or successor agencies for the health and safety of employees and workers. Lessee shall further comply with the performance standards for underground resource recovery set forth at 43 Code of Federal Regulations Section 3484.1(c) (1998) if mining the coal.
underground; provided, however, that Lessor may waive such standards from time to time in its reasonable discretion, upon request by Lessee.

13.6 **Mining Units.** Lessor may approve the inclusion of the Leased Premises in a mining unit with federal, private or other non-state lands upon terms and conditions that it deems necessary to protect the interests of the Lessor, including without limitation segregation of production, accounting for commingled coal production, and minimum production requirements or minimum royalties for the Leased Premises.

14. **EQUIPMENT; RESTORATION.**

14.1 **Equipment.** Upon termination of this Lease, Lessee shall remove, and shall have the right to remove, all improvements, equipment, stockpiles, and dumps from the Leased Premises within six (6) months; provided, however, that Lessor may, at Lessor’s sole risk and expense, and subject to Lessee’s compliance with requirements imposed by UDOGM and MSHA, require Lessee to retain in place underground timbering supports, shaft linings, rails, and other installations reasonably necessary for future mining of the Leased Premises. All improvements and equipment remaining on the Leased Premises after six (6) months may be deemed forfeited to Lessor upon written notice of such forfeiture to Lessee. Lessee may abandon underground improvements, equipment of any type, stockpiles and dumps in place if such abandonment is in compliance with applicable law, and further provided that Lessee provides Lessor with financial or other assurances sufficient in Lessor’s reasonable discretion to protect Lessor from future environmental liability with respect to such abandonment or any associated hazardous waste spills or releases. Lessee shall identify and locate on the mine map the location of all equipment abandoned on the Lease Premises.

14.2 **Restoration and Reclamation.** Upon termination of this Lease, Lessee shall reclaim the Leased Premises in accordance with the requirements of applicable law, including mine permits and reclamation plans on file with UDOGM. Lessee shall further abate any hazardous condition on or associated with the Leased Premises. Lessee and representatives of all governmental agencies having jurisdiction shall have the right to re-enter the Leased Premises for reclamation purposes for a reasonable period after termination of the Lease.

15. **DEFAULT**

15.1 **Notice of Default; Termination.** Upon Lessee’s violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor’s files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor’s administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee.

15.2 **Effect of Termination.** The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the Lessor to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination;
however, the obligations of Lessee with respect to reclamation, indemnification and other continuing covenants imposed by this Lease shall survive the termination.

16. MISCELLANEOUS PROVISIONS.

16.1 Indemnity. Except as limited by paragraph 7.2, Inspection, Lessee shall indemnify and hold Lessor harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys' fees and court costs, arising in any way out of Lessee's occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee's obligations under this Lease, including without limitation attorneys' fees and court costs.

16.2 Interest. Except as set forth in paragraph 4, BONUS BID, interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

16.3 Suspension. In the event that Lessor in its reasonable discretion determines that suspension is necessary in the interests of conservation of the coal resource, or if Lessee has been prevented from performing any of its obligations or responsibilities under this Lease or from conducting mining operations by labor strikes, fires, floods, explosions, riots, any unusual mining casualties or conditions, Acts of God, government restrictions or orders, severe weather conditions, or other extraordinary events beyond its control, then the time for performance of this Lease by Lessee shall be suspended during the continuance of such acts which prevent performance, excepting any payments due and owing to Lessor.

16.4 Consent to Suit; Jurisdiction (i) Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the Third Judicial District Court for Salt Lake County, Utah; (ii) Lessee consents to the jurisdiction of such court; and (iii) Lessee shall not bring any action against Lessor without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act.

16.5 No Waiver. No waiver of the breach of any provision of this Lease shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in default be deemed to be a waiver of such default.

16.6 Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16.7 Entire Lease. This Lease, together with any attached stipulations, sets forth the entire agreement between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing and signed by each of them.
IN WITNESS WHEREOF, the parties have executed this Lease as of the date hereinabove first written.

APPROVED AS TO FORM:
MARK L. SHURTLEFF
ATTORNEY GENERAL

By: ______________________________

Form Approved: 5-17-10

THE STATE OF UTAH, acting by and through the
SCHOOL AND INSTITUTIONAL TRUST LANDS
ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR

By: ______________________________

THOMAS B. FADDIES
ASSISTANT DIRECTOR/MINERALS

("LESSEE")

By: ______________________________

Its: ______________________________

INCORPORATED
JUL 27 2010
Div. of Oil, Gas & Mining
STATE OF UTAH  )
     ss.
COUNTY OF SALT LAKE  )

On the 23rd day of June, 2010, personally appeared before me THOMAS B. FADDIES who being by me duly sworn did say that he is ASSISTANT DIRECTOR/HRI MINERALS of the School and Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 23rd day of June, 2010.

[Signature]
Notary Public
Residing at:___

My commission expires:

STATE OF UTAH  )
     ss.
COUNTY OF SALT LAKE  )

On the 18th day of June, 2010, personally appeared before me David W. Hills, who being duly sworn did say that he is an officer of WEST RIDGE RESOURCES, INC. and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and he acknowledged to me that said corporation executed the same.

Given under my hand and seal this 18th day of June, 2010.

[Signature]
Notary Public
Residing at: Ferron, Utah

My commission expires 5-16-2012.

INCORPORATED
JUL 27 2010
Div. of Oil, Gas & Mining
APPENDIX 1-4F

LEASE ASSIGNMENT

PENTA CREEK FEE LEASE
APPENDIX I-14E

PENTA CREEK FEE LEASE
MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF COAL LEASE made and entered into effective as of the 1st day of January, 2003, among PENTA CREEKS, L.L.C. (a.k.a. Penta Creek LLC), a Utah limited liability company and MAGNIFICENT SEVEN, L.L.C., a Utah limited liability company, collectively referred to as "Lessor," having a single address for purposes of this Lease c/o Howard Jensen Real Estate, 111 East Clark Street, Albert Lea, Minnesota 56007; and ANDALEX RESOURCES, INC., a Delaware corporation, with an address at 45 West 10000 South, Suite 401, Sandy, Utah 84070, and INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah, with an address at 480 East 6400 South, Murray, Utah 84107, each having an undivided 50% ownership interest in the leasehold estate created by this Lease as tenants in common and collectively referred to herein as "Lessee," having a single address c/o ANDALEX Resources, Inc., 45 West 10000 South, Suite 401, Sandy, Utah 84070.

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter "Lease"), effective of even date herewith, all of which are hereby incorporated herein as if set forth in full, Lessors do hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Carbon County, State of Utah, more particularly described as follows, to-wit:

Township 14 South, Range 14 East, SLB&M

Section 6: Lot 7, SE1/4SW1/4
Section 7: Lots 1 and 2, NE1/4NW1/4, E1/2SW1/4, SW1/4SE1/4
Section 18: Lots 2 and 3, NW1/4NE1/4

Less and excepting from the portion of the above described legal subdivisions in Section 7, those lands described in that certain Quitclaim Deed dated September 25, 1998 naming Penta Creeks, L.L.C. and Magnificent Seven, L.L.C., as Grantors, and East Carbon City and Sunnyside City as Grantees. Said Quitclaim Deed was recorded September 30, 1998 in Book 418 at pages 56 to 58, Carbon County Recorder, Utah.

And excepting and reserving to Lessors, to the extent of their ownership interest therein, all water and water rights, and the right of Lessors to access, use and divert those waters and water rights, (collectively herein the "Subject Water Rights") as follows:

Water Right No. 91-1640, including the beneficial use for stockwatering purposes from a point on the Left Fork, Grassy Trail Creek, beginning at Lot 7, Section 6, from SW1/4SW1/4, Section 6, Township 14 South, Range 14 East, SLB&M, to a
point in the NE1/4SW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Water Right No. 91-3519, including the beneficial use for stockwatering purposes from a point on the Right Fork, Grassy Trail Creek in the NW1/4SE1/4, Section 6, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4SW1/4, Section 6, Township 14 South, Range 14 East, SLBM.

Water Right No. 91-3520, including the beneficial use for stockwatering purposes from a point in the NE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Subject to the following rights of way and agreements as they exist at the time of execution of this Lease:

1. Rights of third parties to access water rights on the leased premises.

2. Rights of way for roadways, both public and private as may exist over and across the leased premises.

3. Memorandum Agreement by and between Kaiser Steel Corporation and Frank Liddell and Effie Liddell, his wife, regarding cattle grazing and watershed control recorded February 20, 1958, as Entry No. 84105, in Book 53, at Page 204, Carbon County Recorder, Utah.

4. The right of ingress and egress granted to Sunnyside Fuel Corporation for the purpose of transporting, mining and removing tailings as contained in that certain Deed, Assignment and Bill of Sale recorded December 29, 1987, as Entry No. 19370, in Book 277, at Page 679, Carbon County Recorder, Utah.

5. Reservation of an easement for the delivery of Water Rights Nos. 91-362 and 91-367; also, a perpetual easement and right of way for water pipeline facilities including pipes, valves and related equipment with the right, privilege and authority to construct, operate, maintain, replace and repair said facilities under, over and across certain lands, as set forth and reserved in that certain Quit Claim Deed recorded March 27, 1996, as Entry No. 54278, in Book 370, at Page 121, Carbon County Recorder, Utah.

6. Right of way and Easements granted to East Carbon City and Sunnyside City for the following:

   A) For the purposes of maintaining the Grassy Trail Reservoir Dam and appurtenant works and pipelines.

   B) For the purposes of fluctuation of Grassy Trail Reservoir water levels and inundation of a subject property in conjunction with the operation, maintenance and repair of the Grassy Trail Reservoir Dam.
(C) For ingress and egress for the purpose of inspecting, measuring and insuring available flow of water.

(7) An easement originally in favor of Defense Plant Corporation to construct, operate, maintain, reconstruct, enlarge, alter or remove a water pipeline through and across certain lands, together with all rights and privileges, incident thereto, recorded April 26, 1944, as Entry No. 42483, in Book 3-X, at Page 390, Carbon County Recorder, Utah. Said Easement further set forth in various instruments of record, including Notice of Agreement, recorded December 29, 1987, as Entry No. 19373, in Book 277, at Page 709, Carbon County Recorder, Utah.

(8) As easement 25 feet in width for an existing water line connecting Grassy Trail Reservoir in said Section 7 with the reservoir of East Carbon City in Section 6, Township 15 South, Range 14 East, together with all rights and privileges incident thereto, recorded October 27, 1983, as Entry No. 1415, in Book 233, at Page 182.

The term "leased premises" as used in the Lease shall refer to said lands.

2. The Underground Coal Lease grants to Lessee the exclusive right and privilege to explore for, mine (by any lawful underground mining method), remove extract, store, prepare, ship and dispose of the coal and gas occurring in coal seams, beds or deposits when vented as a non-commercial substance in conjunction with coal development or extraction operations together with limited rights of access for environmental monitoring purposes. The leasing, exploration for, or development of other minerals or substances other than coal and substances mixed with coal shall not interfere in any way with the coal mining operations of the Lessee during the term of this Lease. Leases related to other minerals issued by Lessors after the date of this Lease shall be specifically made subject to the priority of the coal mining operations.

3. The term of the Lease is for a primary term of ten (10) years which commenced on January 1, 2003 and so long thereafter as mining operations are being conducted by Lessee in the general mining area.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Underground Coal Lease and the Underground Coal Lease to be signed effective as of the day and year first above written.

LESSORS:

SOCIAL SECURITY NUMBER OR EMPLOYER IDENTIFICATION NO.:

87-0548467

PENTA CREEKS, L.L.C.
a Utah limited liability company

By: [Signature]

Its: [Signature]

INCORPORATED

DIV OF OIL, GAS & MINING
SOCIAL SECURITY NUMBER OR EMPLOYER IDENTIFICATION NO.:

87-0536833

MAGNIFICENT SEVEN, L.L.C.
a Utah limited liability company

By: [Signature]
Its: [Signature]

LESSEE:
ANDALEX RESOURCES, INC.,
a Delaware corporation

By: [Signature]
DOUGLAS H. SMITH
President
Date: March 11, 2003

INTERMOUNTAIN POWER AGENCY,
a political subdivision of the State of Utah

By: [Signature]
REED T. SEARLE
General Manager
Date: March 10, 2003

INTEGRATED
SEP 24, 2003
Div. of Oil, Gas & Mining

INTEGRATED
APR 07, 2003
DIV OF OIL GAS & MINING
STATE OF Minnesota
COUNTY OF Freeborn

On the 12th day of March, 2003, personally appeared before me, Greg Jensen, the member of Penta Creeks, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of Penta Creeks, L.L.C., and acknowledged to me that he executed the same.

My commission expires: Jan 31, 2007

STATE OF Minnesota
COUNTY OF Freeborn

On the 12th day of March, 2003, personally appeared before me, Greg Jensen, the member of Magnificent Seven, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of Magnificent Seven, L.L.C., and acknowledged to me that he executed the same.

My commission expires: Jan 31, 2007
STATE OF UTAH
COUNTY OF SALT LAKE

On the 11th day of March, 2003, personally appeared before me Douglas H. Smith, the President of ANDALEX Resources, Inc., who signed the foregoing instrument on behalf of ANDALEX Resources, Inc. and acknowledged to me that he executed the same.

Wayne L. Crouch
Notary Public
Residing at: Salt Lake County, Utah

My commission expires: 10 July 2006

STATE OF NEVADA
COUNTY OF SALT LAKE

On the 16th day of March, 2003, personally appeared before me Reed T. Searle, the General Manager of Intermountain Power Agency, who signed the foregoing instrument on behalf of Intermountain Power Agency and acknowledged to me that he executed the same.

Laura Feher
Notary Public
Residing at: Las Vegas, NV

My commission expires: 5-15-05

INTEGRATED
SEP 23, 2009
Div. of Oil, Gas & Mining

INTEGRATED
APR 2 2 2003
DIV OF OIL GAS & MINING
APPENDIX 1-4F(a)

LEASE ASSIGNMENT

PENTA CREEK FEE LEASE
MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF COAL LEASE made and entered into effective as of the 1st day of January, 2003, among PENTA CREEKS, L.L.C. (a.k.a. Penta Creek LLC), a Utah limited liability company and MAGNIFICENT SEVEN, L.L.C., a Utah limited liability company, collectively referred to as “Lessors,” having a single address for purposes of this Lease c/o Howard Jensen Real Estate, 111 East Clark Street, Albert Lea, Minnesota 56007; and ANDALEX RESOURCES, INC., a Delaware corporation, with an address at 45 West 10000 South, Suite 401, Sandy, Utah 84070, and INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah, with an address at 480 East 6400 South, Murray, Utah 84107, each having an undivided 50% ownership interest in the leasehold estate created by this Lease as tenants in common and collectively referred to herein as “Lessee,” having a single address c/o ANDALEX Resources, Inc., 45 West 10000 South, Suite 401, Sandy, Utah 84070.

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter “Lease”), effective of even date herewith, all of which are hereby incorporated herein as if set forth in full, Lessors do hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Carbon County, State of Utah, more particularly described as follows, to-wit:

Township 14 South, Range 14 East, SLB&M

| Section 6:  | Lot 7, SE1/4SW1/4 |
| Section 7:  | Lots 1 and 2, NE1/4NW1/4, E1/2SW1/4, SW1/4SE1/4 |
| Section 18: | Lots 2 and 3, NW1/4NE1/4 |

Less and excepting from the portion of the above described legal subdivisions in Section 7, those lands described in that certain Quitclaim Deed dated September 25, 1998 naming Penta Creeks, L.L.C. and Magnificent Seven, L.L.C., as Grantors, and East Carbon City and Sunnyside City as Grantees. Said Quitclaim Deed was recorded September 30, 1998 in Book 418 at pages 56 to 58, Carbon County Recorder, Utah.

And excepting and reserving to Lessors, to the extent of their ownership interest therein, all water and water rights, and the right of Lessors to access, use and divert those waters and water rights, (collectively herein the “Subject Water Rights”) as follows:

Water Right No. 91-1640, including the beneficial use for stockwatering purposes from a point on the Left Fork, Grassy Trail Creek, beginning at SW1/4SW1/4, Section 6, Township 14 South, Range 14 East, SLBM, to a
point in the NE1/4SW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Water Right No. 91-3519, including the beneficial use for stockwatering purposes from a point on the Right Fork, Grassy Trail Creek in the NW1/4SE1/4, Section 6, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4SW1/4, Section 6, Township 14 South, Range 14 East, SLBM.

Water Right No. 91-3520, including the beneficial use for stockwatering purposes from a point in the NE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Subject to the following rights of way and agreements as they exist at the time of execution of this Lease:

(1) Rights of third parties to access water rights on the leased premises.

(2) Rights of way for roadways, both public and private as may exist over and across the leased premises.

(3) Memorandum Agreement by and between Kaiser Steel Corporation and Frank Liddell and Effie Liddell, his wife, regarding cattle grazing and watershed control recorded February 20, 1958, as Entry No. 84105, in Book 53, at Page 204, Carbon County Recorder, Utah.

(4) The right of ingress and egress granted to Sunnyside Fuel Corporation for the purpose of transporting, mining and removing tailings as contained in that certain Deed, Assignment and Bill of Sale recorded December 29, 1987, as Entry No. 19370, in Book 277, at Page 679, Carbon County Recorder, Utah.

(5) Reservation of an easement for the delivery of Water Rights Nos. 91-362 and 91-367; also, a perpetual easement and right of way for water pipeline facilities including pipes, valves and related equipment with the right, privilege and authority to construct, operate, maintain, replace and repair said facilities under, over and across certain lands, as set forth and reserved in that certain Quit Claim Deed recorded March 27, 1996, as Entry No. 54278, in Book 370, at Page 121, Carbon County Recorder, Utah.

(6) Right of way and Easements granted to East Carbon City and Sunnyside City for the following:

   (A) For the purposes of maintaining the Grassy Trail Reservoir Dam and appurtenant works and pipelines.

   (B) For the purposes of fluctuation of Grassy Trail Reservoir water levels and inundation of a subject property in conjunction with the operation, maintenance and repair of the Grassy Trail Reservoir Dam.
(C) For ingress and egress for the purpose of inspecting, measuring and insuring available flow of water.

(7) An easement originally in favor of Defense Plant Corporation to construct, operate, maintain, reconstruct, enlarge, alter or remove a water pipeline through and across certain lands, together with all rights and privileges, incident thereto, recorded April 26, 1944, as Entry No. 42483, in Book 3-X, at Page 390, Carbon County Recorder, Utah. Said Easement further set forth in various instruments of record, including Notice of Agreement, recorded December 29, 1987, as Entry No. 19373, in Book 277, at Page 709, Carbon County Recorder, Utah.

(8) As easement 25 feet in width for an existing water line connecting Grassy Trail Reservoir in said Section 7 with the reservoir of East Carbon City in Section 6, Township 15 South, Range 14 East, together with all rights and privileges incident thereto, recorded October 27, 1983, as Entry No. 1415, in Book 233, at Page 182.

The term “leased premises” as used in the Lease shall refer to said lands.

2. The Underground Coal Lease grants to Lessee the exclusive right and privilege to explore for, mine (by any lawful underground mining method), remove extract, store, prepare, ship and dispose of the coal and gas occurring in coal seams, beds or deposits when vented as a non-commercial substance in conjunction with coal development or extraction operations together with limited rights of access for environmental monitoring purposes. The leasing, exploration for, or development of other minerals or substances other than coal and substances mixed with coal shall not interfere in any way with the coal mining operations of the Lessee during the term of this Lease. Leases related to other minerals issued by Lessors after the date of this Lease shall be specifically made subject to the priority of the coal mining operations.

3. The term of the Lease is for a primary term of ten (10) years which commenced on January 1, 2003 and so long thereafter as mining operations are being conducted by Lessee in the general mining area.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Underground Coal Lease and the Underground Coal Lease to be signed effective as of the day and year first above written.

LESSORS:

SOCIAL SECURITY NUMBER OR EMPLOYER IDENTIFICATION NO.: 87-0548967

PENTA CREEKS, L.L.C.
a Utah limited liability company

By: [Signature]

INCORPORATED
JUL 05 2011
Div. of Oil, Gas & Mining

INCORPORATED
APR 02 2003
DIV OF OIL GAS & MINING
SOCIAL SECURITY NUMBER OR EMPLOYER IDENTIFICATION NO.: 87-0536853

MAGNIFICENT SEVEN, L.L.C.
a Utah limited liability company

By: [Signature]
Its: [Signature]

LESSEE:

ANDALEX RESOURCES, INC.,
a Delaware corporation

By: [Signature]
DOUGLAS H. SMITH
President
Date: March 11, 2003

INTERMOUNTAIN POWER AGENCY,
a political subdivision of the State of Utah

By: [Signature]
REED T. SEARLE
General Manager
Date: March 10, 2003

SaltLake-194536.1 0020261-00001

4
STATE OF Minnesota  
COUNTY OF Freeborn

On the 12th day of March, 2003, personally appeared before me
Greg Jensen, the member of Penta Creeks, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of
Penta Creeks, L.L.C. and acknowledged to me that he executed the same.

My commission expires:  
Jan. 31, 2007

STATE OF Minnesota  
COUNTY OF Freeborn

On the 12th day of March, 2003, personally appeared before me
Greg Jensen, the member of Magnificent Seven, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of
Magnificent Seven, L.L.C., and acknowledged to me that he executed the same.

My commission expires:  
Jan. 31, 2007

SaltLake-194536.1 0020261-00001
STATE OF UTAH

COUNTY OF SALT LAKE

On the 11th day of March, 2003, personally appeared before me Douglas H. Smith, the President of ANDALEX Resources, Inc., who signed the foregoing instrument on behalf of ANDALEX Resources, Inc. and acknowledged to me that he executed the same.

My commission expires: 16 July 2006

STATE OF UTAH

COUNTY OF SALT LAKE

On the 101th day of March, 2003, personally appeared before me Reed T. Searle, the General Manager of Intermountain Power Agency, who signed the foregoing instrument on behalf of Intermountain Power Agency and acknowledged to me that he executed the same.

My commission expires: 5-15-05

INCORPORATED

JUL 05 2011

Div. of Oil, Gas & Mining

INCORPORATED

APR 02 2003

DIV OF OIL GAS & MINING
APPENDIX 1-4F(b)

LEASE ASSIGNMENT

PENTA CREEK FEE LEASE EXTENSION #1
AUGUST 24, 2010
EXHIBIT B

MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF COAL LEASE made and entered into effective as of the 1st day of January, 2003, among PENTA CREEKS, L.L.C. (a.k.a. Penta Creek LLC), a Utah limited liability company and MAGNIFICENT SEVEN, L.L.C., a Utah limited liability company, collectively referred to as "Lessors," having a single address for purposes of this Lease of Howard Jensen Real Estate, 111 East Clark Street, Albert Lea, Minnesota 56007; and ANDALEX RESOURCES, INC., a Delaware corporation, with an address at P.O. Box 910, East Carbon, Utah 84520, and INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah, with an address at 480 East 6400 South, Murray, Utah 84107, each having an undivided 50% ownership interest in the leasehold estate created by this Lease as tenants in common and collectively referred to herein as "Lessee," having a single address do ANDALEX Resources, Inc., P.O. Box 910, East Carbon, Utah 84520.

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter "Lease"), effective of even date herewith, all of which are hereby incorporated herein as if set forth in full, Lessors do hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease, all of the coal and any substance (whether solid, liquid or gaseous) mixed with or encountered when mining coal (all hereinafter referred to collectively as "coal") in and underlying those certain lands situated in Carbon County, State of Utah, more particularly described as follows, to-wit:

 Townships 14 South, Range 14 East, SLB&M

 Section 6: Lots 2, 3, 4 and 5, SE1/4NW1/4, SW1/4NE1/4, NW1/4SE1/4; S1/2SE1/4.

 Comprising 352.36 acres, more or less.

2. The Underground Coal Lease grants to Lessee the exclusive right and privilege to explore for, mine (by any lawful underground mining method), remove extract, store, prepare, ship and dispose of the coal and gas occurring in coal seams, beds or deposits when vented as a non-commercial substance in conjunction with coal development or extraction operations together with limited rights of access for environmental monitoring purposes. The leasing, exploration for, or development of other minerals or substances other than coal and substances mixed with coal shall not interfere in any way with the coal mining operations of the Lessee during the term of this Lease. Leases related to other minerals issued by Lessors after the date of this Lease shall be specifically made subject to the priority of the coal mining operations.
Section 6: Lots 2, 3, 4 and 5, SE1/4NW1/4, SW1/4NE1/4, NW1/4SE1/4, S1/2SE1/4.

Comprising 352.36 acres, more or less

The parties agree that all other provisions of the LEASE shall remain in full force and effect.

IN WITNESS WHEREOF, with the intent to be legally bound hereby, the parties hereto have caused this Amendment to be executed as of the date and year first above written.

LESSORS: PENTA CREEKS, L.L.C.
By: ____________________________
Its: ____________________________

MAGNIFICENT-SEVEN, L.L.C.
By: ____________________________
Its: ____________________________

LESSEES: ANDALEX RESOURCES, INC.
By: ____________________________
Its: ____________________________

INTERMOUNTAIN POWER AGENCY
By: ____________________________
Its: ____________________________
On the 24th day of April, 2010, personally appeared before me
George Young, the Manager of Penta Creeks, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of Penta Creeks, L.L.C. and acknowledged to me that he executed the same.

My commission expires:

____________________

APRIL LYNNE HABANA
Notary Public
Residing at: _________

Incorporated
JUL 05 2011
Div. of Oil, Gas & Mining
On the 24th day of August, 2010, personally appeared before me
Robert B. More, the Treasurer of ANDALEX Resources, Inc., who signed the foregoing instrument on behalf of ANDALEX Resources, Inc. and acknowledged to me that he executed the same.

PENNY J. ELLIOTT
Notary Public
Residing at: 5560 Pleasant Ridge Rd.
Aledonia, Ohio 43902

On the 30th day of August, 2010, personally appeared before me
James A. Hewlett, the General Manager of Intermountain Power Agency, who signed the foregoing instrument on behalf of Intermountain Power Agency and acknowledged to me that he executed the same.

KRISTA R. PAULL
Notary Public
Residing at: 5761 S. 1130 W.
Taylorville UT 84123
APPENDIX 1-4F(c)

LEASE ASSIGNMENT

PENTACREEK FEE LEASE EXTENSION #2
MARCH 10, 2011
UNDERGROUND COAL LEASE

THIS UNDERGROUND COAL LEASE ("Lease") is entered into effective as of the 10th day of March, 2011, among Steven Ladlie, Penny Ladlie, Gary J. Pestorious, Dawn K. Pestorious, William Dress, Jeffrey Dress, Gregory D. Jensen as Trustee of the Gregory D. Jensen Trust, and Gregory D. Jensen, as Trustee of the SMJ Trust, collectively referred to as "Lessors," having a single address for purposes of this Lease of Greg Jensen Real Estate, 111 East Clark Street, Albert Lea, Minnesota 56007; and WEST RIDGE RESOURCES, INC., a Utah corporation, with an address at P.O. Box 910, East Carbon, Utah 84542 (hereinafter "Lessee").

WITNESSETH:

SECTION 1. Agreement to Lease.

Each of the Lessors, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each Lessor, and in further consideration of the mutual covenants and agreements hereinafter set forth, does hereby lease unto Lessee those interests held by Lessors in underground coal, including any substance (whether solid, liquid or gaseous) mixed with or encountered when mining coal, in the following land, such Lessor's interests in such lands hereafter the "Leased Premises," located in Carbon County, State of Utah, and more particularly described as follows, to-wit:

Township 14 South, Range 14 East, SLB&M

Section 6: E1/2 NE1/4 (legally: Lot 1, SE1/4 NE1/4) 39.96 ac

Section 7: SW1/4 NE1/4; NW1/4 SE1/4; SE1/4 SE1/4; SE1/4 NW1/4 except for real property described in that certain Quitclaim Deed dated September 25, 1998 and recorded on September 30, 1998 in Book 418 at Page 56 in the office of the Carbon County Recorder, Utah.

Section 18: NE1/4 NE1/4

Comprising 295.40 acres, more or less.

Together with the following:

1 Steven Ladlie and Penny Ladlie, as joint tenants, an undivided 25% interest; Gary J. Pestorious and Dawn K Pestorious, as joint tenants, an undivided 25% interest; Will Dress and Jeffrey Dress, as tenants in common, an undivided 25% interest; Gregory D. Jensen, as Trustee of the Gregory D. Jensen Trust, an undivided 2/3 interest of a 25% interest; and Gregory D. Jensen, as Trustee of the SMJ Trust, an undivided 1/3 interest of a 25% interest.
A PARCEL OF LAND LOCATED IN CARBON COUNTY, STATE OF UTAH, WHICH IS IN THE NORTHWEST QUARTER AND THE NORTH HALF OF THE SOUTHWEST QUARTER OF SECTION 7, TOWNSHIP 14 SOUTH, RANGE 14 EAST, SALT LAKE BASE AND MERIDIAN, BEING FURTHER DESCRIBED AS FOLLOWS WITH A BEARING OF NORTH 0°00'00" EAST, BETWEEN THE WEST QUARTER CORNER AND THE NORTHWEST CORNER OF SAID SECTION 7 USED AS THE BASIS OF BEARING, AND BEING MORE PARTICULARLY DESCRIBED ACCORDING TO THE FOLLOWING COURSES AND DISTANCES, TO-WIT:

BEGINNING AT A POINT WHICH IS LOCATED SOUTH 89°34'34" WEST, 577.93 FEET ALONG THE SECTION LINE AND SOUTH 0°25'26" EAST, 616.36 FEET FROM THE NORTH QUARTER. CORNER OF SECTION 7, TOWNSHIP 14 SOUTH, RANGE 14 EAST, SALT LAKE BASE AND MERIDIAN; AND RUNNING THENCE SOUTH 0°00'00" EAST, 167.59 FEET TO A POINT HAVING AN ELEVATION OF 7620.9 FEET; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES HAVING AN ELEVATION OF 7620.9 FEET, THENCE SOUTH 06°04'29" WEST, 57.48 FEET; THENCE SOUTH 15°31'01" WEST, 39.60 FEET; THENCE SOUTH 31°57'10" WEST, 47.67 FEET; THENCE SOUTH 42°15'37" EAST, 50.63 FEET; THENCE SOUTH 00°42'36" EAST, 28.81 FEET; THENCE SOUTH 22°35'01" WEST, 44.34 FEET; THENCE SOUTH 17°26'08" WEST, 67.42 FEET; THENCE SOUTH 37°19'52" WEST, 53.40 FEET; THENCE SOUTH 45°00'45" WEST, 31.74 FEET; THENCE SOUTH 45°48'21" WEST, 99.45 FEET; THENCE SOUTH 21°28'34" WEST, 33.14 FEET; THENCE SOUTH 12°32'15" WEST, 78.54 FEET; THENCE SOUTH 03°45'46" WEST, 60.04 FEET; THENCE SOUTH 07°00'30" WEST, 41.44 FEET; THENCE SOUTH 03°29'47" EAST, 58.65 FEET; THENCE SOUTH 03°42'50" WEST, 89.17 FEET; THENCE SOUTH 06°39'56" WEST, 87.35 FEET; THENCE SOUTH 02°26'03" WEST, 131.79 FEET; THENCE SOUTH 01°48'02" WEST, 20.71 FEET; THENCE SOUTH 10°50'14" EAST, 121.17 FEET; THENCE SOUTH 02°51'32" EAST, 43.74 FEET; THENCE SOUTH 09°14'58" EAST, 44.46 FEET; THENCE SOUTH 22°58'03" EAST, 65.76 FEET; THENCE SOUTH 21°31'59" EAST, 167.75 FEET; THENCE LEAVING ELEVATION 7620.9 FEET; THENCE NORTH 90°00'00" EAST, 343.42 FEET; THENCE SOUTH 0°00'00" WEST, 203.21 FEET; THENCE SOUTH 49°46'54" WEST, 286.20 FEET; THENCE SOUTH 01°55'09" EAST, 150.27 FEET; THENCE SOUTH 74°29'37" WEST, 619.03 FEET TO THE EAST EDGE OF AN EXISTING ROAD; THENCE ALONG THE EAST EDGE OF AN EXISTING ROAD THE FOLLOWING FIVE CALLS; THENCE NORTH 33°21'55" WEST, 24.04 FEET; THENCE NORTH 24°08'49" WEST, 22.74 FEET; THENCE NORTH 16°21'28" WEST, 105.80 FEET; THENCE NORTH 10°56'05" WEST, 39.36 FEET; THENCE NORTH 4°35'47" WEST, 3.13 FEET TO THE EAST LINE OF LOT 3 OF SAID SECTION 7; THENCE NORTH 0°12'18" WEST, 403.37 FEET TO THE NORTHEAST CORNER OF SAID LOT 3; THENCE SOUTH 89°35'34" WEST, 305.92 FEET ALONG THE NORTH LINE OF SAID LOT 3; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES HAVING AN ELEVATION OF 7620.9 FEET; THENCE NORTH 42°28'33" WEST, 10.05 FEET; THENCE NORTH 0°24'23" EAST, 87.17 FEET; THENCE NORTH 11°38'06" EAST, 63.67 FEET; THENCE NORTH 02°37'09" EAST, 59.99 FEET; THENCE NORTH 13°37'12" WEST, 51.20 FEET; THENCE NORTH 04°48'33" WEST, 116.52 FEET; THENCE NORTH 05°16'17" WEST, 58.68 FEET; THENCE NORTH 03°09'16" WEST, 32.25 FEET; THENCE NORTH
01°27'55" EAST, 239.53 FEET; THENCE NORTH 03°21'52" EAST, 64.03 FEET; THENCE NORTH 01°16'56" EAST, 79.58 FEET; THENCE NORTH 05°44'08" EAST, 67.38 FEET; THENCE NORTH 01°58'53" EAST, 59.43 FEET; THENCE NORTH 20°51'15" EAST, 41.86 FEET; THENCE NORTH 35°05'08" EAST, 54.15 FEET; THENCE NORTH 51°13'30" EAST, 77.72 FEET; THENCE NORTH 17°16'59" EAST, 15.12 FEET; THENCE NORTH 75°19'34" WEST, 74.24 FEET THENCE NORTH 13°07'54" EAST, 111.56 FEET; THENCE NORTH 26°10'10" EAST, 55.50 FEET; THENCE NORTH 05°47'47" WEST, 41.86 FEET; THENCE NORTH 35°05'08" WEST, 56.62 FEET; THENCE NORTH 32°53'17" WEST, 43.88 FEET; THENCE NORTH 30°47'37" WEST, 67.38 FEET; THENCE NORTH 14°54'32" WEST, 308.53 FEET CROSSING AN EXISTING ROAD; THENCE NORTH 68°55'28" EAST, 3.00 FEET; THENCE SOUTH 21°04'32" EAST, 60.19 FEET CROSSING AN EXISTING ROAD; THENCE SOUTH 57°07'04" EAST, 258.58 FEET; THENCE SOUTH 64°11'32" EAST, 119.79 FEET; THENCE SOUTH 59°28'18" EAST, 72.31 FEET; THENCE SOUTH 59°52'51" EAST, 43.41 FEET; THENCE SOUTH 46°34'03" EAST, 54.09 FEET; THENCE SOUTH 45°44'11" EAST, 46.23 FEET; THENCE SOUTH 79°53'05" EAST, 18.19 FEET; THENCE SOUTH 72°28'00" EAST, 28.13 FEET; THENCE SOUTH 66°07'17" EAST, 46.38 FEET; THENCE SOUTH 55°30'45" EAST, 63.83 FEET; THENCE SOUTH 50°26'19" EAST, 50.41 FEET; THENCE SOUTH 69°26'12" EAST, 90.12 FEET; THENCE SOUTH 58°53'36" EAST, 74.37 FEET; THENCE SOUTH 33°52'10" EAST, 38.44 FEET; THENCE SOUTH 71°49'18" EAST, 20.00 FEET; THENCE SOUTH 82°39'43" EAST, 3.68 FEET; THENCE NORTH 88°40'41" EAST, 55.25 FEET; THENCE NORTH 85°45'27" EAST, 66.99 FEET; THENCE NORTH 68°02'56" EAST, 30.93 FEET; THENCE NORTH 37°54'32" EAST, 138.07 FEET; THENCE NORTH 49°36'46" EAST, 133.26 FEET; THENCE LEAVING ELEVATION 7620.9 FEET GOING NORTH 48°56'09" EAST, 289.71 FEET TO THE POINT OF BEGINNING.

CONTAINS 44.52 ACRES, MORE OR LESS.

And excepting and reserving to Lessors, to the extent of their ownership interest therein, all water and water rights, and the right of Lessors to access, use and divert those waters and water rights, (collectively herein the "Subject Water Rights") as follows:

Water Right No. 91-1640, including the beneficial use for stockwatering purposes from a point on the Left Fork, Grassy Trail Creek, beginning in SW1/4SW1/4, Section 6, Township 14 South, Range 14 East, SLBM, to a point in the NE1/4SW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Water Right No. 91-3519, including the beneficial use for stockwatering purposes from a point on the Right Fork, Grassy Trail Creek in the NW1/4SE1/4, Section 6, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4SW1/4, Section 6, Township 14 South, Range 14 East, SLBM.
Water Right No. 91-3520, including the beneficial use for stockwatering purposes from a point in the NE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Subject to the following rights of way and agreements as they exist at the time of execution of this Lease:

(1) Rights of third parties to access water rights on the leased premises.

(2) Rights of way for roadways, both public and private as may exist over and across the leased premises.

(3) Memorandum Agreement by and between Kaiser Steel Corporation and Frank Liddell and Effie Liddell, his wife, regarding cattle grazing and watershed control recorded February 20, 1958, as Entry No. 84105, in Book 53, at Page 204, Carbon County Recorder, Utah.

(4) The right of ingress and egress granted to Sunnyside Fuel Corporation for the purpose of transporting, mining and removing tailings as contained in that certain Deed, Assignment and Bill of Sale recorded December 29, 1987, as Entry No. 19370, in Book 277, at Page 679, Carbon County Recorder, Utah.

(5) Reservation of an easement for the delivery of Water Rights Nos. 91-362 and 91-367; also, a perpetual easement and right of way for water pipeline facilities including pipes, valves and related equipment with the right, privilege and authority to construct, operate, maintain, replace and repair said facilities under, over and across certain lands, as set forth and reserved in that certain Quit Claim Deed recorded March 27, 1996, as Entry No. 54278, in Book 370, at Page 121, Carbon County Recorder, Utah.

(6) Right of way and Easements granted to East Carbon City and Sunnyside City for the following:

   (A) For the purposes of maintaining the Grassy Trail Reservoir Dam and appurtenant works and pipelines.

   (B) For the purposes of fluctuation of Grassy Trail Reservoir water levels and inundation of a subject property in conjunction with the operation, maintenance and repair of the Grassy Trail Reservoir Dam.

   (C) For ingress and egress for the purpose of inspecting, measuring and insuring available flow of water.

(7) An easement originally in favor of Defense Plant Corporation to construct, operate, maintain, reconstruct, enlarge, alter or remove a water pipeline through and across certain lands, together with all rights and privileges, incident thereto, recorded April 26, 1944, as Entry No. 42483, in Book 3-X, at Page 390, Carbon County Recorder, Utah. Said Easement further set forth in various instruments of record, including Notice of Agreement, recorded December 29, 1987, as Entry No. 19373, in Book 277, at Page 709, Carbon County Recorder, Utah.
(8) As easement 25 feet in width for an existing water line connecting Grassy Trail Reservoir in said Section 7 with the reservoir of East Carbon City in Section 6, Township 15 South, Range 14 East, together with all rights and privileges incident thereto, recorded October 27, 1983, as Entry No. 1415, in Book 233, at Page 182.

SECTION 2. Interest Leased.

This Lease covers and includes the Leased Premises, and also conveys unto the Lessee any reversionary, contingent or future interest now owned by Lessors or hereinafter acquired by Lessors, excluding, however, any rights of first refusal granted in that Quitclaim Deed dated September 25, 1998 and recorded on September 30, 1998 in Book 418 at Page 56 in the office of the Carbon County Recorder, Utah, together with all of the mining rights and privileges appurtenant to the aforesaid coal and incident to the ownership thereof. In further explanation of the rights granted to Lessee, this Lease is intended to include the following rights and privileges:

(a) The exclusive right and privilege to explore for, mine, remove, extract, store, prepare, ship and dispose of, by underground operations on the Leased Premises, the coal and gas occurring in coal seams, beds or deposits when vented as a non-commercial substance in conjunction with coal development or extraction operations, the right to enter into and through said Leased Premises, at such points and in such manner as may be necessary or convenient for the purpose of mining coal by any lawful underground mining method, provided that such access shall be underground and shall include, without limitation, the right to transport coal, mining equipment, men, supplies and any and all other things necessary or convenient in connection with the mining or transportation of coal underground from the portal of the general mining area. The rights and privileges granted to Lessee specifically exclude the right to use the surface of the Leased Premises to drill bore holes for the purpose of venting gas occurring in coal seams on the Leased Premises or to access such operations as well as the right to mine by surface strip mining methods.

(b) The right to have and use the free and uninterrupted underground right-of-way into and under said Leased Premises, at such points and in such manner as may be necessary or convenient to the mining, removal, processing and marketing of said coal.

(c) The right to transport under and through the Leased Premises any coal now or hereafter owned, leased or otherwise acquired by Lessee and located within the general mining area as hereinafter defined in Section 5.

(d) The right to include the Leased Premises or any portion thereof with other lands in the general mining area in any plan of unitization for coal or a Federal logical mining unit pursuant to any such unitization, and so that operations or mining in any portion of the Leased Premises shall be deemed operations or mining on the logical mining unit for Federal diligent development and continued operations requirements.

(e) To the extent not already owned by Lessee, the right to subside, collapse, sink, lower, and alter the surface, subsurface, and superadjacent strata of the Leased Premises as a result of Lessee's permitted operations hereunder. Lessee agrees to replace the Subject Water Rights (as defined in Section 1) for the period and to the extent Lessors can demonstrate that
Lessee's operations on the Leased Premises have proximately caused an adverse impact on the Subject Water Rights by contamination, diminution or interruption of such right. To the extent Lessee is authorized by Lessors to do so and it is both technologically and economically feasible under the circumstances, Lessee shall eliminate any condition on the surface of the Leased Premises caused by Lessee's mining operations that constitutes a hazard to the health and safety of the public. In addition, Lessee may, but shall not be obligated to, establish subsidence monitoring monuments within the boundaries of the Leased Premises. Subject to the limitations set forth below, Lessee shall have a right of passage for required environmental monitoring (including possession of a key to any locked gates) on roads on the lands of the Lessors in the vicinity of the Leased Premises that provide access to the general mining area. Uses shall include the right to collect data related to permitting and compliance requirements imposed by law and/or regulation, such as the collection of base line data, and monitoring having to do with hydrologic, wildlife, vegetation, seismic, subsidence and other environmental issues, together with the right to conduct such environmental data and conduct such environmental monitoring as may be required by the governmental agencies having jurisdiction to obtain and maintain any and all permits and/or approvals required in order to conduct mining operations on the Leased Premises and in the general mining area. Lessee understands and agrees that the rights granted by Lessors to Lessee pursuant to this subsection (e) shall not necessarily survive a sale of the surface estate in the Leased Premises and shall be subject to renegotiation in the event the Lessors dispose of the Lessors' interest in this Lease. Persons conducting the required environmental monitoring authorized under this subsection (e) shall be instructed concerning the terms of this Lease and Lessee shall maintain a log of the persons conducting such activities and the date and time of such activities, which shall be available to Lessors upon request. Unless otherwise required by the laws, rules and regulations of a governmental authority having jurisdiction or authorized by Lessors, access to the surface to conduct such activities shall be limited to no more than a total of 12 days per year and it is currently anticipated that access will occur roughly quarterly with approximately three days of access per quarter. Annually, during the month of December, Lessee will provide Lessors with an outline of the required environmental monitoring activities Lessee anticipates it will conduct under this subsection (e) during the following calendar year. When feasible to do so, Lessee will notify Lessors one month in advance of any environmental monitoring activities to be conducted pursuant to this subsection (e). Nothing in this paragraph shall limit access to the surface to the extent it is required by a governmental authority having jurisdiction for purposes of inspection or other governmental activities related to the conduct of Lessee's coal mining operations.

The bonus and royalty payment provision contained in this Lease fully compensate Lessors for all the rights and privileges granted Lessee under this or any other provision of this Lease except as provided in this subsection (e) and Section 25.

SECTION 3. Rights Surviving.

At the termination of this Lease, either at the end of the term or prior thereto by cancellation or surrender, all rights granted to Lessee shall terminate; provided, that (i) Lessee shall have ninety (90) days in which to remove Lessee's machinery, equipment and other property from the Leased Premises; (ii) all obligations of Lessee shall cease, except (a) accrued obligations of Lessee as of the date the Lease is terminated, cancelled or surrendered, (b) the right of access to the surface, upon prior notification to Lessors, for the purposes of assessing
damage to or replacing the Subject Water Rights or assessing other subsidence damage to the
Leased Premises and conducting repair, reclamation or environmental remediation on the surface
and, (c) indemnification obligations set forth at Section 28.

SECTION 4. Lease Term.

Unless cancelled or voluntarily surrendered by Lessee at an earlier date as provided
herein, the primary term of this Lease shall run for a period of five (5) years from and after the
date hereof. This Lease shall continue so long thereafter as Lessee is engaged in diligent
development efforts to mine coal on the Leased Premises, and the yearly mining of commercial
quantities of recoverable coal reserves following the conclusion of diligent development efforts,
unless excused by Force Majeure as defined in Section 19.

SECTION 5. General Mining Area.

The term "general mining area" as used in this Lease shall refer to the area included
within the permit area and adjacent areas, as amended from time to time, as more particularly
described in Lessee's mining permit for the WEST RIDGE Mine No. C007/041 (herein "coal
permit"), and shall include, but not be limited to, all fee lands and all fee, county, state, and
federal leases whether now owned or hereafter acquired.

SECTION 6. Compliance with Laws.

Lessee agrees to conduct all mining operations on the Leased Premises in a good and
workmanlike manner and shall materially comply with and abide by all applicable Federal, state
and local laws, rules, regulations and orders including, but not limited to environmental laws.

SECTION 7. Reserved Minerals.

The rights hereby granted to Lessee shall not include mining rights with respect to oils,
gases or other minerals other than coal and substances (whether solid, liquid or gaseous, and
including but not limited to gas or coalbed methane gas) mixed with or encountered when
mining coal. Notwithstanding the foregoing, Lessee shall have the right to vent any gases or
coalbed methane gases which are encountered in Lessee's mining operations as a safety measure,
but Lessee shall not have the right to commercially exploit any such gases or coalbed methane
gases. Lessee shall not have the right to use the surface of the Leased Premises to drill bore
holes for the purpose of venting gas occurring in coal seams on the Leased Premises. The
leasing, exploration for, or development of other minerals or substances other than coal and
substances mixed with coal shall not interfere in any way with the coal mining operations of the
Lessee during the term of this Lease. Leases related to other minerals issued by Lessors after the
date of this Lease shall be specifically made subject to the priority of the coal mining operations.

Upon completion of its extraction operations on the Leased Premises, Lessee shall
provide written notice of that completion to Lessors together with maps showing: (i) the extent
of its underground operations, and (ii) any portion of the Leased Premises that Lessee will need
to continue to utilize for access or other mining related purposes. Lessors shall then be free to
allow development of other minerals or substances other than coal in those areas shown as no
longer needed by Lessee so long as such development does not interfere with the uses identified by Lessee in the notice.

SECTION 8. Payments.

Upon execution of this Lease, Lessee shall pay to Lessors, in the manner hereinafter provided, the amount of the “Initial Payment”). Said Initial Payment shall constitute a non-refundable prepayment of Lease Bonus Payments and Production Royalty Payments, as those terms are defined below, and shall be fully recoupable as herein provided.

Lessee shall further pay to Lessors, in the manner hereinafter provided, a lease bonus payment (“Lease Bonus Payment”) on coal produced from the Leased Premises and all other property identified in Section 1 of this Lease (“Other Section 1 Property”), in the amount of $__________ (2,000 pounds). The Initial Payment and Lease Bonus Payment shall be recouped or payable at the same time as the Production Royalty Payment (as hereinafter defined in Section 9) is payable. The Production Royalty Payment shall be in the amount and shall be recouped at the time it is otherwise payable, as set out in Section 9.

At such time as the Initial Payment has been fully recouped by Lessee through setoff against the Lease Bonus Payments and Production Royalty Payments as they accrue, Lessee shall commence actual payment of the Lease Bonus Payments and the Production Royalty Payments.


Lessee shall pay to Lessors as a production royalty (“Production Royalty Payment”) for all coal actually mined, removed and sold from the Leased Premises and Other Section 1 Property the sum of eight percent (8%) of Gross Realization (as hereinafter defined in Section 10).

For purposes of determining the weight of the coal produced from the Leased Premises and Other Section 1 Property, Lessee shall complete volumetric calculations on a monthly basis as of the last day of each calendar month of all active mining areas contributing to the commingled coal produced from the general mining area and any other areas as to which coal is commingled prior to being weighed at the mine belt scale by Lessee.

A preliminary calculation of the weight of the coal produced from the Leased Premises plus Other Section 1 Property and other separately owned or leased properties shall be made by multiplying the total cubic feet of mined area during the month by 85 pounds per cubic foot and dividing by 2,000 pounds per ton to determine the preliminary tons of coal produced from the Leased Premises and Other Section 1 Property and all other premises contributing to the commingled coal. Based upon the preliminary calculation, the portion of the coal produced during the month from the Leased Premises and Other Section 1 Property plus each of the other properties shall be calculated as a percentage of total production. The percentage so determined shall then be used to determine the tonnage actually produced from the Leased Premises and Other Section 1 Property and from other leases or areas based upon the mine belt scale weights. It is the expressed intent of the parties that all weights be determined and allocated among the
Leased Premises, Other Section 1 Property, and all other leased properties as accurately as possible under the circumstances of Lessee's operations.

The method described above to allocate production of commingled coal under the provisions of this Lease have been determined to be acceptable for Federal lease purposes. In the event the method used to allocate commingled production for Federal lease purposes is changed, the provisions of this Lease will be deemed changed to reflect the new method. The parties agree to execute an amendment to this Lease to confirm any such change.

Lease Bonus Payments and Production Royalty Payment will be recouped or paid on coal sold. Lessee shall maintain a schedule on a monthly basis showing the total coal inventory available for sale broken down by the leases (including the Leased Premises and Other Section 1 Property) or property from which the coal was mined. Such schedules and sales allocations shall be available to Lessors upon request. Sales will be allocated by lease or property in proportion to the coal inventoried from each lease or property. The FIFO (first in-first out) accounting method will be used to allocate coal sales.

Lease Bonus Payment and Production Royalty Payments due and payable for coal actually mined, removed and sold from the Leased Premises and Other Section 1 Property during any calendar month shall be setoff against the Initial Payment or paid on or before the last day of the next succeeding calendar month.

SECTION 10. Gross Realization.

Gross realization shall have the same meaning as the term "gross proceeds" as defined from time to time in 30 C.F.R. Subpart F, with respect to federal coal leases within the general mining area. The value and time of payment for royalty purposes with respect to coal from the Leased Premises and Other Section 1 Property shall be determined under the provisions of such subpart applicable to federal ad valorem coal leases, including amendments thereto and administrative and judicial interpretation thereof which shall include, without limitation, any deductions, adjustments or allowances now existing or hereafter permitted in calculating royalty due under federal coal leases. Deductions include, but are not limited to, trucking and loading expenses.

SECTION 11. Depository for Payments.

Lessee shall pay the Initial Payment, Lease Bonus Payment and Production Royalty Payment to the Lessors on the basis of 25% to Steven Ladlie and Penny Ladlie; 25% to Gary J. Pestorious and Dawn K Pestorious, 25% to Will Dress and Jeffrey Dress, 2/3 of 25% to Gregory D. Jensen as Trustee of the Gregory D. Jensen Trust, and 1/3 of 25% to Gregory D. Jensen, as Trustee of the SMJ Trust. Lessors will provide to Lessee the identity of the depository bank and account information for such payments upon execution of this Lease.

All such payments of royalties shall be considered tendered when made by wire transfer, check or draft of Lessee or of any assignee of Lessee and mailed or delivered to Lessors or to the depository bank and accounts to be identified.
SECTION 12. Records and Accounts.

Lessee shall keep a true and correct record of all coal mined, removed and sold from the Leased Premises and Other Section 1 Property and all royalty calculations applicable thereto and shall permit Lessors or Lessors’ agents at all reasonable times and at Lessors’ expense to examine such records. On or before the last day of each calendar month following the date on which Lessee shall commence actual mining operations hereunder, Lessee shall furnish Lessors a true and correct statement showing the tons of coal actually mined, removed, and sold during the preceding calendar month from the Leased Premises and Other Section 1 Property, the general mining area, and all other areas whose production is commingled with coal mined from the Leased Premises and Other Section 1 Property prior to the first certified weighing of coal. The weight of coal mined, removed and sold from the general mining area shall be determined on scales properly installed, inspected and approved as accurate in accordance with the contracts under which the coal is sold by Lessee. Lessors, or their audit representatives, at Lessors’ expense, shall have the right at any reasonable time or times to examine, audit and reproduce the records, vouchers and their source documents which serve as the basis for royalty payments. All such records of Lessee kept in the ordinary course of its business, and all payments made in accordance therewith, shall be presumed to be accurate after a period of three (3) years. In the event it is determined by a court of competent jurisdiction that Lessee has knowingly or materially misstated the weight of coal mined from the general mining area, Lessee will pay Lessors as liquidated damages an amount calculated as three times the amount of the difference between the production royalty actually paid Lessors and the production royalty that would otherwise have been due from the Leased Premises and other Section 1 Property had the weights been accurately calculated at the time of coal severance.

SECTION 13. Representations and WARRANTIES.

(a) Representations of Lessors

1. LESSORS EXPRESSLY DISCLAIM ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE QUANTITY, QUALITY, MINEABILITY, MERCHANTABILITY OR MARKETABILITY OF COAL RESERVES WITHIN THE LEASED PREMISES.

2. Lessors make no warranty of title as to their ownership interest in the coal situated in the Other Section 1 Property as of the date of this Lease. Lessee agrees that if, on the date of this Lease, Lessors own an interest in the coal situated in the Other Section 1 Property less than the entire fee simple estate, the Lease Bonus Payment and Royalty Production Payment to be paid under this Lease shall not be reduced or eliminated. Lessee shall not have the right to suspend any payments due under this Lease in the event of any title dispute or title defect to coal within the Other Section 1 Property that existed as of the date of this Lease. Lessee agrees that it will pay the Lease Bonus Payment and Royalty Production Payment on each ton of coal mined and removed from the Other Section 1 Property even should Lessors be deemed not to have owned the coal as of the date of this Lease.
3. Lessors represent that they each have the power to own and lease the Leased Property, and to execute, deliver and carry out the terms and provisions of this Lease.

4. Lessors represent that the Lease will, upon execution, constitute the valid, binding obligation of Lessors, duly enforceable severally against each Lessor according to that Lessor’s interest in the Leased Property, and will not conflict or violate the terms of any other agreement to which Lessors, individually or jointly, are bound. Gregory D. Jensen, as Trustee of the Gregory D. Jensen Trust and as Trustee of the SMJ Trust, represents that the execution of this Lease is permissible under the governing documents of such trusts, and violates no provisions of any agreements governing such trusts.

(b) Representations of Lessee

1. Lessee represents that it has made its own independent examination of the adequacy of the Leased Premises.

2. Lessee represents that it is a corporation duly organized, validly existing and in good standing under the laws of the State of Utah, is qualified to do business and is in good standing as a foreign corporation authorized to do business in the State of Utah, that it has the power to own property, operate mines and to execute, deliver and carry out the terms and provisions of this Lease.

3. Lessee represents that the execution, delivery and performance of this Lease by Lessee has been fully authorized by all necessary actions. The Lease will, upon execution, constitute the valid, binding obligation of Lessee as its interests appear herein, duly enforceable against Lessee.


Breach by Lessee of any obligation arising hereunder shall not work a forfeiture or termination of this Lease or cause a termination or reversion of the rights hereby created, nor be grounds for cancellation hereof in whole or in part, except as herein expressly provided. In the event that Lessors consider that Lessee’s mining operations are not at any time being conducted in compliance with this Lease, Lessors shall notify Lessee in writing of the fact relied upon as constituting a breach hereof, and Lessee, if in default under the Lease, shall have ninety (90) days after receipt of such notice in which to comply with the obligations imposed by this Lease. Should Lessee fail timely to comply with such obligations, Lessors may then terminate this Lease, provided, however, that neither notice nor attempted compliance shall be evidence that a breach has occurred. If the alleged default relates to a payment due Lessors under the Lease, Lessee shall have ten (10) days from receipt of such notice to remedy the payment default, whereupon, if the default is not remedied, Lessors may terminate this Lease.
SECTION 15. OBLIGATIONS OF LESSEE.

Lessee agrees to diligently operate the Leased Premises unless precluded by Force Majeure, as defined in Section 19, and in a manner that results in the ultimate maximum economic recovery of coal from the Leased Premises.

The fact that Lessee may fulfill some or all of its obligations under a coal sales contract with production from the Leased Premises is not intended to nor shall it give Lessors any rights in or to said coal sales contract. Lessee shall not be required to mine, remove or pay any production royalty on unmerchantable coal or waste material, unless Lessee actually sells the same. Any amounts received by Lessee for a buyout, buydown or amendment to a coal sales contract shall not be deemed gross realization subject to royalty.

SECTION 16. TAXES.

Lessors covenant to pay promptly all taxes and assessments levied against the Leased Premises or any part thereof during the entire term of this Lease, and any renewal or extension hereof and if they fail to do so, or if there shall be any taxes or encumbrances now on the Leased Premises or any part thereof, Lessee may, without being obligated so to do, pay such taxes or encumbrances and any penalties thereon or redeem said Leased Premises from tax sale. Any payments so made may be considered as an advance against Lease Bonus Payments and Production Royalty Payments and may be credited on or deducted from Lease Bonus Payments and Production Royalty Payments as the same become due and payable under this Lease. Lessee shall pay all validly assessed and levied property taxes on its coal operations within the Leased Premises, its improvements, if any, and property and shall pay all of the taxes and fees, including but not limited to black lung payments, abandoned mine land fund fees and severance taxes, if any, validly assessed and levied against its rights in the coal covered by this Lease.

SECTION 17. RIGHT OF SURRENDER OR TERMINATION.

Lessee may at any time and from time to time, in its sole discretion upon thirty (30) days' prior written notice to Lessors, execute and transfer to Lessors or file for record, in the official records of the county where the Leased Premises are situated, a release or releases covering all or any portion of the Leased Premises and thereby surrender this Lease as to such portion of the Leased Premises and terminate from and after the date of such surrender all obligations as to the acreage surrendered, except those obligations to indemnify Lessors as provided herein at Section 25; replace Subject Water Rights as required herein; and to take such remedial actions as may be required by Lessee's coal permit or environmental laws.

SECTION 18. ENERGY POLICY ACT.

Lessors specifically acknowledge that prior to the execution of this Lease, they have been made aware of the provisions of § 2504(a)(1) of the Energy Policy Act of 1992, Public Law 102-486, 106 Stat. 2776 (enacted October 24, 1992) (codified at 30 U.S.C. § 1309a), and they also hereby acknowledge that, with the exception of the replacement of the Subject Water Rights as provided herein at Section 2(f), the consideration provided for herein is intended to fully compensate Lessors for any and all damages and liability of Lessee to Lessors under § 2504(a)(1) of the Energy Policy Act for subsidence caused by underground mining operations.
(to the extent they are owned by the Lessors) to any occupied residential dwelling and structures related thereto or to any non-commercial building, or for the effects of any underground coal mining operations on any state appropriated water supply in existence prior to Lessee’s application for a coal mining and reclamation permit. Except as set forth herein, Lessors specifically waive any and all other rights they might have under § 2504(a)(1) of the Energy Policy Act and any regulations or State legislation implementing such Section, with regard to such damages or compensation or insurance therefor. Lessors agree to execute an express waiver of the rights described above with respect to those portions of the Leased Premises, if any, in which they own the surface estate. Notwithstanding the foregoing waiver of Lessors’ rights under § 2504(a)(1) of the Energy Policy Act, Lessee’s indemnity under Section 28 shall include any alleged noncompliance with § 2504(a)(1) or implementing statutes or regulations and any contamination arising from Lessee’s use of the Leased Premises that is asserted by any party other than Lessors.


Lessee shall not be deemed in default for failure to perform any of its obligations during periods in which performance is prevented by any cause reasonably beyond Lessee’s control (any such cause being herein called “Force Majeure”) such as, for example and not by way of limitation, fire, cave-in, floods, windstorms, other damage from the elements, strikes, riots, unavailability of transportation or necessary equipment, action of governmental authority, litigation, acts of God and acts of the public enemy. The duration of this Lease shall be extended, unless sooner terminated by Lessee by release as herein above provided, for a period equal to the period for which performance is suspended due to Force Majeure. All periods of Force Majeure shall be deemed to begin at the time Lessee provides actual notice of such Force Majeure to Lessors, and Lessor shall make commercially reasonable efforts to terminate any Force Majeure. Events of Force Majeure shall not excuse timely payment to Lessors for any Initial Payment, Bonus Lease Payment or Production Royalty Payment accrued prior to the time the Force Majeure is effective.

SECTION 20.   Successors and Assigns.

This Lease states the entire consideration for each and all of the rights and privileges herein granted as a whole. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors and assigns.

SECTION 21.   Assignment or Sublease.

Subject to thirty (30) days’ advance written notice and approval, which approval shall not be unreasonably delayed or withheld, the estate of either party to this Lease may be subleased, assigned or transferred in whole or in part. Upon approval of the transfer of the coal permit by the State of Utah, Division of Oil, Gas and Mining, the Assignor/Lessee shall be relieved of all further obligations to the Lessors under this Lease. No change or division of ownership in the Leased Premises or in the royalties payable under this Lease shall (except at Lessee’s option in any particular case) be binding upon Lessee until thirty (30) days after Lessee shall have been furnished, at its address shown above, with the original recorded instruments, or duly certified
copies thereof, properly evidencing the same. No such change or division of ownership shall operate to enlarge the obligations or diminish the rights of Lessee.

SECTION 22. Notices.

All notices shall be in writing and may be served in person, or may be given by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Lessors collectively or the individual party concerned at the respective addresses first above written and shall be deemed to have been duly given three days after the mailing thereof by certified mail, return receipt requested.

SECTION 23. Homestead and Dower.

Lessees, and each of them, hereby release and waive all rights of homestead and dower insofar as such rights may in any way affect the purpose for which this Lease is made.

SECTION 24. Genders.

Wherever used herein, the plural shall include the singular and vice versa, and each gender shall include the other as the text and tenor of this Lease shall indicate.

SECTION 25. Indemnification.

(a) Lessee will defend, hold harmless and fully indemnify Lessors against all claims or demands of any kind or nature which may be made upon Lessors or against Lessors’ interest in the Leased Premises for, or on account of, any debt or expense contracted or incurred by Lessee in conducting its activities, as well as against any and all acts, transactions and omissions of Lessee, its employees, agents, contractors, subcontractors, lessees, partners or coventurers, licensees and suppliers in conducting such activities, and Lessee will defend and save Lessors harmless and fully indemnify Lessors as to liability or asserted liability, for, or on account of, injury to, or death of, any person or damage to any property sustained during the term of this Lease, alleged to have resulted from any such act or omission of Lessee, its employees, agents, contractors, subcontractors, lessees, partners, or coventurers, licensees and suppliers, or any unsafe condition of the Leased Premises created by Lessee or Lessee’s operations. In addition, Lessee will pay, hold harmless and fully indemnify Lessors against any and all penalties or charges imposed upon Lessors by federal, state, or local authorities on account of Lessee’s operations or Lessee’s failure to comply with all laws, rules, regulations or orders of such authorities including, but not limited to environmental laws.

(b) Further, Lessee agrees to defend, hold harmless and fully indemnify Lessors from and against any and all claims of environmental damages and demands arising directly out of the operations that may be asserted by third parties, including but not limited to claims by individuals or groups, whether public or private by federal, state, or local agencies and/or by any other party bringing said action against Lessee, unless Lessors, or any person or instrumentality acting in Lessors’ behalf shall have been a contributing cause to the event giving rise to such claim or demand. Lessors agree to cooperate with Lessee in the conduct of any suits arising from claims and demands under this subsection.
(c) Lessors will defend, hold harmless and fully indemnify Lessee against all claims or demands of any kind or nature which may be made upon Lessee or against Lessee's interest in the Leased Premises for, or on account of, any debt or expense contracted or incurred by Lessors in conducting their activities, as well as against any and all acts, transactions and omissions of Lessors, its employees, agents, contractors, subcontractors, lessees, partners or coventurers, licensees and suppliers in conducting such activities, and Lessors will defend and save Lessee harmless and fully indemnify Lessee as to liability or asserted liability, for, or on account of, injury to, or death of, any person or damage to any property sustained during the term of this Lease, alleged to have resulted from any such act or omission of Lessors, their employees, agents, contractors, subcontractors, lessees, partners, or coventurers, licensees and suppliers, or any unsafe condition of the Leased Premises created by Lessors or Lessors' operations.

SECTION 26. **Lessors’ Cooperation.**

Lessors shall further cooperate with Lessee in any manner as may be reasonably necessary to assure the complete and full development of the coal contained in the Leased Premises, and Lessors shall execute and deliver to Lessee any and all documents, waivers, releases or covenants which may be needed, including, but not limited to any consent to mining which may be required under any current or future laws, rules or regulations of any Federal, State, or local government.

SECTION 27. **Recording.**

The parties agree that they will execute a Memorandum of Underground Coal Lease in a form substantially similar to that attached as Exhibit A, and that the executed Memorandum will be placed on record in the county containing the Leased Premises. This Lease will not be placed of record.

SECTION 28. **Governing Laws.**

This Lease shall be construed in accordance with and governed by the laws of the State of Utah.

SECTION 29. **Time of the Essence.**

Time is of the essence of this Lease and each and every term and provision hereof.

SECTION 30. **Counterparts.**

This Lease may be executed in counterparts.

IN WITNESS WHEREOF, this instrument is executed as of the day and year first above written.

(Signature pages follow)
LESSORS:

STEVEN LADLIE

Dated this 10th day of March, 2011

STATE OF California
COUNTY OF Riverside

On the 10th day of March, 2011, personally appeared before me
Steven Ladlie who signed the foregoing instrument and acknowledged to me that he executed the
same.

S. A. BARDSNES
COMM. # 1813097
NOTARY PUBLIC - CALIFORNIA
RIVERSIDE COUNTY
COMM. EXPIRES SEPT. 13, 2012

My commission expires: 9-13-12.
PENNY LADLIE

Dated this 10 day of March, 2011

STATE OF California
COUNTY OF Riverside

On the 10 day of March, 2011, personally appeared before me Penny Ladlie who signed the foregoing instrument and acknowledged to me that she executed the same.

S. A. BARDSTES
COMM. #1813097
NOTARY PUBLIC - CALIFORNIA
RIVERSIDE COUNTY
FORM. EXPIRES SEPT. 13, 2012

My commission expires: 9-13-12

INTEGRATED
JUL 05 2011
Div. of Oil, Gas & Mining
GAAR J. PESTORIOUS
By: JOSEPH PESTORIOUS
Ita: _____________
Date: 3/9/11

STATE OF NEVADA
COUNTY OF CLARK

On the 9th day of March, 2011, personally appeared before me who signed the foregoing instrument and acknowledged to me that he executed the same:

DEBRA K. BRUMFIELD
Notary Public, State of Nevada
Appointed No. 05-66609-1

Residing at: 241569 Las Vegas Blvd S.
Las Vegas, NV 89119

INTEGRATED
JUL 05 2011
Div. of Oil, Gas & Mining
STATE OF Nevada

COUNTY OF Clark

On the 9th day of March, 2011, personally appeared before me who signed the foregoing instrument and acknowledged to me that she executed the same.

[Signature]
Notary Public

Residing at: Mandalay Bay
350 Las Vegas Blvd South
Las Vegas, NV 89119

My commission expires: 3-3-2013
STATE OF Washington
COUNTY OF King

On the 9th day of March, 2011, personally appeared before me William Dress who signed the foregoing instrument and acknowledged to me that he executed the same.

Notary Public
Residing at: Pxxx, USA

My commission expires: 8/30/13

INCORPORATED
JUL 05 2011
Div. of Oil, Gas & Mining
STATE OF Washington
COUNTY OF King

On the 9th day of March, 2011, personally appeared before me Jeffrey Drew who signed the foregoing instrument and acknowledged to me that he executed the same.

Notary Public
Residing at: Posen, IL

My commission expires: 5/28/13

INcorporated
JUL 05 2011
Div. of Oil, Gas & Mining
STATE OF MINNESOTA     )
COUNTY OF FREEBORN     )

On the 9 day of MARCH, 2011, personally appeared before me who signed the foregoing instrument and acknowledged to me that he executed the same.

GREGORY JENSEN, as Trustee of the Gregory D. Jensen Trust
By:  GREGORY D. JENSEN
Its:  Trustee of Gregory D. Jensen Trust
Date:  Mar 9 2011

APRIL LYNNE HABANA
Notary Public
Minneapolis

My commission expires: Jan 31, 2012

INCORPORATED
JUL 05 2011
Div. of Oil, Gas & Mining
STATE OF Minnesota )
COUNTY OF Freeborn ) ss.

On the 9th day of March, 2011, personally appeared before me who signed the foregoing instrument and acknowledged to me that he executed the same.

APRIL LYNNE HABANA
Notary Public
Minnesota

My commission expires: Jan 31, 2012

GREGORY JENSEN, as Trustee of the SMJ Trust

By: GREGORY JENSEN

Its: Trustee of the SMJ Trust

Date: March 9, 2011

INTEGRATED
JUL 05 2011
Div. of Oil, Gas & Mining
LESSEE:
WEST RIDGE RESOURCES, INC.,

By: ____________________________

Its: ____________________________

Date: 3/10/11

STATE OF Ohio )
COUNTY OF Belmont )

On the 10th day of March, 2011, personally appeared before me
Robert D. More, the Treasurer
of WEST RIDGE RESOURCES, INC., who signed the foregoing instrument on behalf of WEST
 RIDGE RESOURCES, INC. and acknowledged to me that he executed the same.

DENISE R. JACKSON
Notary Public, State of Ohio
My Commission Expires 09/26/2015
Residing at: Belmont County

My commission expires:
APPENDIX 1-4G

LEASE ASSIGNMENT

PENTA CREEK FEE LEASE EXTENSION
EXHIBIT B

MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF COAL LEASE made and entered into effective as of the 1st day of January, 2003, among PENTA CREEKS, L.L.C. (a.k.a. Penta Creek LLC), a Utah limited liability company and MAGNIFICENT SEVEN, L.L.C., a Utah limited liability company, collectively referred to as "Lessors," having a single address for purposes of this Lease of Howard Jensen Real Estate, 111 East Clark Street, Albert Lea, Minnesota 56007; and ANDALEX RESOURCES, INC., a Delaware corporation, with an address at P.O. Box 910, East Carbon, Utah 84520, and INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah, with an address at 480 East 6400 South, Murray, Utah 84107, each having an undivided 50% ownership interest in the leasehold estate created by this Lease as tenants in common and collectively referred to herein as "Lessee," having a single address do ANDALEX Resources, Inc., P.O. Box 910, East Carbon, Utah 84520.

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter "Lease"), effective of even date herewith, all of which are hereby incorporated herein as if set forth in full, Lessors do hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease, all of the coal and any substance (whether solid, liquid or gaseous) mixed with or encountered when mining coal (all hereinafter referred to collectively as "coal") in and underlying those certain lands situated in Carbon County, State of Utah, more particularly described as follows, to-wit:

**Township 14 South, Range 14 East, SLB&M**

Section 6: Lots 2, 3, 4 and 5, SE1/4NW1/4, SW1/4NE1/4, NW1/4SE1/4, S1/2SE1/4.

Comprising 352.36 acres, more or less.

2. The Underground Coal Lease grants to Lessee the exclusive right and privilege to explore for, mine (by any lawful underground mining method), remove extract, store, prepare, ship and dispose of the coal and gas occurring in coal seams, beds or deposits when vented as a non-commercial substance in conjunction with coal development or extraction operations together with limited rights of access for environmental monitoring purposes. The leasing, exploration for, or development of other minerals or substances other than coal and substances mixed with coal shall not interfere in any way with the coal mining operations of the Lessee during the term of this Lease. Leases related to other minerals issued by Lessors after the date of this Lease shall be specifically made subject to the priority of the coal mining operations.
Section 6: Lots 2, 3, 4 and 5, SE1/4NW1/4, SW1/4NE1/4, NW1/4SE1/4, S1/2SE1/4.

Comprising 352.36 acres, more or less

The parties agree that all other provisions of the LEASE shall remain in full force and effect.

IN WITNESS WHEREOF, with the intent to be legally bound hereby, the parties hereto have caused this Amendment to be executed as of the date and year first above written.

LESSORS:
PENTA CREEKS, L.L.C.
By: ____________________________
Its: ____________________________

MAGNIFICENT SEVEN, L.L.C.
By: ____________________________
Its: ____________________________

LESSEES:
ANDALEX RESOURCES, INC.
By: ____________________________
Its: ____________________________

INTERMOUNTAIN POWER AGENCY
By: ____________________________
Its: ____________________________

INCORPORATED
SEP 29 2010
Div. of Oil, Gas & Mining
STATE OF **MINNESOTA**

COUNTY OF **Freeborn**

On the __ day of __________, 2010, personally appeared before me

*Name of Witness*

the member of **Penta Creeks**, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of **Penta Creeks**, L.L.C. and acknowledged to me that he executed the same.

My commission expires:

1-31-2012

__________________________
Notary Public
Residing at:

STATE OF **MINNESOTA**

COUNTY OF **Freeborn**

On the __ day of __________, 2010, personally appeared before me

*Name of Witness*

the member of **Magnificent Seven**, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of **Magnificent Seven**, L.L.C. and acknowledged to me that he executed the same.

My commission expires:

1-31-2012

__________________________
Notary Public
Residing at:

**INCORPORATED**

SEP 29, 2010

Div. of Oil, Gas & Mining

18
STATE OF Ohio        )
COUNTY OF Belmont    )

On the 25th day of August, 2010, personally appeared before me
Robert B. Moore, the Treasurer of ANDALEX Resources, Inc., who signed the foregoing instrument on behalf of ANDALEX Resources, Inc. and acknowledged to me that he executed the same.

PENNY J. ELLIOTT
Notary Public
Residing at: 3635 Pleasant Ridge Rd.
Alledonia, Ohio 43902

STATE OF Utah        )
COUNTY OF Salt Lake  )

On the 30th day of August, 2010, personally appeared before me
James A. Hewlett, the General Manager of Intermountain Power Agency, who signed the foregoing instrument on behalf of Intermountain Power Agency and acknowledged to me that he executed the same.

KRISTA R. PAULL
Notary Public
Residing at: 5161 S. 1130 W.
Taylorville, UT 84123

INCORPORATED
SEP 29 2010
Div. of Oil, Gas & Mining
EXHIBIT A
PENTA CREEK
2010 LEASE

LEGEND:
PENTA CREEK / MAGNIFICENT SEVEN

COAL OUTCROP

2003 LEASE

2010 LEASE

2010 LEASE AREA (352.36 ACRES)
APPENDIX 1-4G(a)

LEASE ASSIGNMENT

HINKINS FEE LEASE
(DAVID P. HINKINS)
MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF COAL LEASE made and entered into effective as of the 26th day of May, 2011, among DAVID P. HINKINS, TODD S. HINKINS and ROSS D. HINKINS, all as tenants in common, as to an undivided one-half interest in the Leased Premises described herein, collectively referred to as “Lessor,” having an address for purposes of this Lease c/o 910 794 North “C” Canyon Road, East Carbon, Utah 84520, referred to herein as “Lessor”; and WEST RIDGE RESOURCES, INC., a Utah corporation, having an address at P.O. Box 910, 794 North “C” Canyon Road, East Carbon, Utah 84520, referred to herein as “Lessee.”

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter “Lease”), effective of even date herewith, all of which are hereby incorporated herein as if set forth in full, Lessor does hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Carbon County, State of Utah, (referred to herein as the “Leased Premises”) and more particularly described as follows:

Township 14 South, Range 14 East, SLB&M
Section 7: N1/2 NE1/4; SE1/4 NE1/4; NE1/4 SE1/4

2. The Underground Coal Lease grants to Lessee the exclusive right and privilege to explore for, mine (by any method), remove extract, store, prepare, ship and dispose of the coal and gas occurring in coal seams, beds or deposits when vented as a non-commercial substance in conjunction with coal development or extraction operations (provided such activities are not in violation of the Conservation Easement currently encumbering the Leased Premises), including but not limited to flaring any such gases or coalbed methane gases to generate carbon credits; provided that the right to commercially exploit such gas or coalbed methane gas shall be addressed in a separate agreement. The leasing, exploration for, or development of other minerals or substances other than coal and substances mixed with coal shall not interfere in any way with the coal mining operations of the Lessee during the term of this Lease. Leases related to other minerals issued by Lessor after the date of this Lease shall be specifically made subject to the priority of the coal mining operations.

3. The term of the Lease is for a primary term of five (5) years which commenced on May 26th, 2011; and is subject to the right of the parties to mutually extend said term for an additional five (5) year period and so long thereafter as mining operations are being conducted by Lessee on the Leased Premises.
IN WITNESS WHEREOF, this instrument is executed as of the day and year first above written.

LESSORS:

DAVID P. HINKINS

TODD S. HINKINS

ROSS D. HINKINS

LESSEE:

WEST RIDGE RESOURCES, INC.,
a Utah corporation

By: [Signature]

Its: PRESIDENT

STATE OF UTAH
COUNTY OF Carbon

On the 27th day of May, 2011, personally appeared before me

[Signature]

David W. Hibbs, the President of WEST RIDGE RESOURCES, INC., who signed the foregoing instrument on behalf of WEST RIDGE RESOURCES, INC. and acknowledged to me that he executed the same.

My commission expires: [Signature]

March 8, 2013

Notary Public
Residing at: 345 Market 700 East, Price, Utah 84501

IN CORPORATION
JUL 05 2011
Div. of Oil, Gas & Mining
STATE OF UTAH  
COUNTY OF Emery

On the 26th day of May, 2011, personally appeared before me DAVID P. HINKINS, who duly acknowledged to me that he executed the same.

NOTARY PUBLIC
ANN JONES
110 E Main
Castle Dale, UT 84513
My Commission Expires February 12, 2012
STATE OF UTAH

My commission expires:
2. 12. 12

STATE OF UTAH  
COUNTY OF Emery

On the 26th day of May, 2011, personally appeared before me ROSS D. HINKINS, who duly acknowledged to me that he executed the same.

NOTARY PUBLIC
ANN JONES
110 E Main
Castle Dale, UT 84513
My Commission Expires February 12, 2012
STATE OF UTAH

My commission expires:
2. 12. 12

STATE OF UTAH  
COUNTY OF Emery

On the 26th day of May, 2011, personally appeared before me TODD S. HINKINS, who duly acknowledged to me that he executed the same.

NOTARY PUBLIC
ANN JONES
110 E Main
Castle Dale, UT 84513
My Commission Expires February 12, 2012
STATE OF UTAH

My commission expires:
2. 12. 12

INCORPORATED
JUL 6 5 2011
Div. of Oil, Gas & Mining
APPENDIX 1-4G(b)

LEASE ASSIGNMENT

HINKINS FEE LEASE
(EMILY P. MARSTON)
EXHIBIT A

MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF COAL LEASE made and entered into effective as of the __________ day of ______, 2011, by and between EMILY P. MARSTON, as to an undivided one-quarter interest in the Leased Premises described herein, referred to as “Lessor,” having an address of 843 Grenoble Drive, Midvale, Utah 84047; and WEST RIDGE RESOURCES, INC., a Utah corporation, having an address at P.O. Box 910, 794 North “C” Canyon Road, East Carbon, Utah 84520, referred to herein as “Lessee.”

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter “Lease”), effective of even date herewith, all of which is incorporated herein as if set forth in full, Lessor does hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Carbon County, State of Utah, (referred to herein as the “Leased Premises”) and more particularly described as follows:

   Township 14 South, Range 14 East, SLB&M
   Section 7: N1/2 NE1/4; SE1/4 NE1/4; NE1/4 SE1/4

2. The Underground Coal Lease grants to Lessee the exclusive right and privilege to explore for, mine, remove extract, store, prepare, ship and dispose of the coal and gas occurring in coal seams, beds or deposits when vented as a non-commercial substance in conjunction with coal development or extraction operations, including but not limited to flaring any such gases or coalbed methane gases to generate carbon credits; provided that the right to commercially exploit such gas or coalbed methane gas shall be addressed in a separate agreement. The leasing, exploration for, or development of other minerals or substances other than coal and substances mixed with coal shall not interfere in any way with the coal mining operations of the Lessee during the term of this Lease. Leases related to other minerals issued by Lessor after the date of this Lease shall be specifically made subject to the priority of the coal mining operations.

3. The term of the Lease is for a primary term of five (5) years which commenced on __________, 2011; and is subject to the right of Lessee to extend said term for an additional five (5) year period and so long thereafter as mining operations are being conducted by Lessee in the general mining area.
IN WITNESS WHEREOF, this instrument is executed as of the day and year first above written.

LESSOR:

EMILY P. MARSTON

LESSEE:

WEST RIDGE RESOURCES, INC.,
a Utah corporation
By: David W. Hibs
Its: President

STATE OF UTAH

COUNTY OF Carbon

On the 22nd day of April, 2011, personally appeared before me David W. Hibs, the President of WEST RIDGE RESOURCES, INC., who signed the foregoing instrument on behalf of WEST RIDGE RESOURCES, INC. and acknowledged to me that she executed the same.

Notary Public
Residing at: 345 North 700 East, Price, Ut. 84501

My commission expires:

March 27, 2013

STATE OF UTAH

COUNTY OF Salt Lake

On the 20th day of April, 2011, personally appeared before me EMILY P. MARSTON, who duly acknowledged to me that she executed the same.

Notary Public
Residing at: 945 E Fort Union Blvd, Midvale, Ut 84047

My commission expires:

August 3, 2011

INCORPORATED

JUL 05 2011
Div. of Oil, Gas & Mining
APPENDIX 1-4G(c)

LEASE ASSIGNMENT

HINKINS FEE LEASE
(LEONARD J. PAGANO)
EXHIBIT A
MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF COAL LEASE made and entered into effective as of the 1st-day of April, 2011, by and between LEONARD J. PAGANO, as to an undivided one-quarter interest in the Leased Premises described herein, referred to as “Lessor,” having an address at 55 West Main Street, Price, Utah 84501; and WEST RIDGE RESOURCES, INC., a Utah corporation, having an address at P.O. Box 910, 794 North “C” Canyon Road, East Carbon, Utah 84520, referred to herein as “Lessee.”

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter “Lease”), effective of even date herewith, all of which is hereby incorporated herein as if set forth in full, Lessor does hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease in those certain lands situated in Carbon County, State of Utah, (referred to herein as the “Leased Premises”) and more particularly described as follows:

Township 14 South, Range 14 East, SLB&M
Section 7: N1/2 NE1/4; SE1/4 NE1/4; NE1/4 SE1/4

2. The Underground Coal Lease grants to Lessee the exclusive right and privilege to explore for, mine, remove extract, store, prepare, ship and dispose of the coal and gas occurring in coal seams, beds or deposits when vented in conjunction with coal development or extraction operations including but not limited to flaring any such gases or coal bed methane gases to generate carbon credits; provided that the right to commercially exploit such gas or coalbed methane gas shall be addressed in a separate agreement. The leasing, exploration for, or development of other minerals or substances other than coal and substances mixed with coal shall not interfere in any way with the coal mining operations of the Lessee during the term of this Lease. Leases related to other minerals issued by Lessor after the date of this Lease shall be specifically made subject to the priority of the coal mining operations.

3. The term of the Lease is for a primary term of five (5) years which commenced on April 15, 2011; and is subject to the right of Lessee to extend said term for an additional five (5) year period and so long thereafter as mining operations are being conducted by Lessee in the general mining area.
IN WITNESS WHEREOF, this instrument is executed as of the day and year first above written.

LESSOR:

[Signature]
LEONARD J. PAGANO

LESSEE:

WEST RIDGE RESOURCES, INC.,
a Utah corporation

By: [Signature]
Its: President

STATE OF UTAH

COUNTY OF Carbon

On the 19th day of April, 2011, personally appeared before me
[Signature]
the President of WEST RIDGE RESOURCES, INC., who signed the foregoing instrument on behalf of WEST RIDGE RESOURCES, INC. and acknowledged to me that he executed the same.

Notary Public
Residing at: 345 North 700 East, Price, UT 84501

My commission expires:
March 27, 2013

STATE OF UTAH

COUNTY OF Carbon

On the 19th day of April, 2011, personally appeared before me LEONARD J. PAGANO, who duly acknowledged to me that he executed the same.

Notary Public
Residing at: 345 North 700 East, Price, UT 84501

My commission expires:
March 27, 2013
IN REPLY REFER TO:
3432
UTSL-068754-U-01215
(UT-9223)

CERTIFIED MAIL- 7010 0780 0000 5750 1470
Return Receipt Requested

DECISION

ANDALEX Resources, Inc.
794 North "C" Canyon Road
P. O. Box 910
East Carbon, Utah 84520
Coal Lease
UTSL-068754-U-01215

Coal Lease UTSL-068754-U-01215 Modified
Extension of Coverage of Surety Bond Accepted

Enclosed is a copy of modified coal lease UTSL-068754-U-01215 effective on November 1, 2012. The terms and conditions of the original lease are made consistent with the laws, regulations, and lease terms applicable at the time of this modification. The anniversary date of the coal lease remains June 1, 1951.

On October 18, 2012, a surety rider submitted by Karen Williams, an Attorney-in-Fact for U. S. Specialty Insurance Company, agreed to extend the coverage of the $212,000 lease bond to the additional modified acreage. This rider is acceptable to extend that coverage and is accepted as of the date of filing.

Please note that rental in the amount of $3.00 per acre, or fraction thereof, or a total of $9,393 is due on the next anniversary date, beginning on June 1, 2013.

An application will have to be filed to add the modified acreage into the logical mining unit you have applied for, UTU-88553.

If you have further questions call Bill Bugle at (801) 539-4086.

Kent Hoffman
Deputy State Director,
Division of Lands and Minerals

Enclosure:
1. Modified Coal Lease (9 pp.)
cc: Price Field Office

Mr. John Baza, Director, UDOGM, Box 145801, Salt Lake City, Utah 84114-5801

ONNR, MRM, Solid Minerals Staff, Attn: Patrick Mulcahy, MS390B2, Box 25165, Denver, CO 80225-0165

U. S. Specialty Insurance Company, c/o Reschini Agency, Inc., 922 Philadelphia Street, Indiana, PA 15701
PART I.

THIS MODIFIED COAL LEASE is entered into on NOV 01 2012, by and between the UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and ANDALEX Resources, Inc.

794 North "C" Canyon Road
P. O. Box 910
East Carbon, UT 84520

hereinafter called Lessee.

This modified lease shall retain the effective date of June 1, 1951, of the original COAL LEASE UTSL-068754 - U-01215, and is effective for a period of 20 years from the date of issuance of the lease, dated June 1, 1951 and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms next on June 1, 2021 and at the end of each 10 year lease period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the: (NOTE: Check the appropriate Act or Acts.)


and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessee as the holder of Coal Lease UTSL-068754 - U-01215, issued effective June 1, 1951, were granted the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 1 and Tract 2.

The Lessor in consideration of fair market value, rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to Lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 3.

Tract 1:
T. 14 S., R. 13 E., SLM, Utah
Sec. 10, NE¼, E¼NW¼, N¼SE¼;
Sec. 11, all;
Sec. 12, S¼SW¼, NW½SW¼;
Sec. 13, NW½NE¼, S½NE¼, NW¼, S¾;
Sec. 14, E¼, N½NW¼, SE¾NW¼;
Sec. 24, N¼, NE½SW¼, N¼SE¼;

Containing 2,570.67 acres

Tract 2:
T. 14 S., R. 13 E., SLM, Utah
Sec. 10, SE½SE¼;
Sec. 15, NE½NE¼;

Containing 80.00 acres

INCORPORATED
FEBRUARY 27, 2013
DIVISION OIL, GAS & MINING
Sec. 15. W\%NE\%, E\%SE\%NE\%;
Sec. 23, lot 1, N\%NE\%, SW\%NE\%, NE\%NW\%;
Sec. 24, NW\%SW\%.

Containing 480.20 acres

containing 3,130.87 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

Part II. TERMS AND CONDITIONS

Sec. 1(a) RENTAL RATE - Lessee shall pay Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $3.00 per acre for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2(a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the Lessee, the authorized officer may accept, for a total of not more than 20 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the Lessee requests approval to pay advance royalties in lieu of continued operation.

* 20 years (Public Law 109-58)

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of $212,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease has achieved diligent development, and is subject to the conditions of continued operation. Continued operation may be excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the Lessee. The Lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension.

The Lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - Either upon approval by the Lessor of the Lessee’s application or at the direction of the Lessor, this lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval or modification will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

An application has been made to place this lease in the Westridge LMU.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as Lessor may prescribe, Lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of Lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow Lessor access to and copying of documents reasonably necessary to verify Lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act.

INTEGRATED MINING INVESTMENT CORPORATION

FEBRUARY 27, 2013

DIVISION OIL, GAS & MINING
Sec. 7. COMPETE CONDUCT OF OPERATIONS - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources. Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by Lessor to accomplish the intent of this lease term. Such measures may include, but not limited to, modification to proposed siting or design of facilities, timing of operations, and specifications of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of Lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither Lessee nor Lessee's subcontractors shall maintain segregated facilities.

Sec. 9.(a) TRANSFERS

(1) This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

(2) This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

(3) This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISHMENTS - The Lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon Lessor's acceptance of the relinquishment, Lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such times as all portions of this lease are returned to Lessor, Lessee shall deliver up to Lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, Lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become
the property of the Lessor, but Lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the Lessor. If the surface is owned by third parties, Lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by Lessee’s activity or activities incidental thereto, and reclaim access roads or trails.

Sec. 11. PROCEEDINGS IN CASE OF DEFAULT - If Lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the Lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by Lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS - IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall insure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 13. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the Lessee’s activities and operations under this lease.

Sec. 14. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

Sec. 15. SPECIAL STIPULATIONS -

SEE ATTACHED STIPULATIONS
The United States of America

Company or Lessee Name

Andalex Resources, Inc.

Dale W. Hill

(Signature of Lessee)

President

(Title)

10/8/12

(Date)

BY

Kent Hoffman

(Signing Officer)

DSD LANDS AND MINERALS

(OCT 30 2012)

(Title)

(Date)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

INCORPORATED

FEBRUARY 27, 2013

DIVISION OIL, GAS & MINING
SPECIAL STIPULATIONS FOR UTSL-068754-01215
MODIFIED COAL LEASE

1. In accordance with Sec. 523(b) of the “Surface Mining Control and Reclamation Act of 1977,” surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable the Utah program approved under the cooperative agreement in accordance with sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a cultural resource inventory and a paleontological appraisal of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists or qualified paleontologists, as appropriate, and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural or paleontological resources.

If cultural resources or paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee prior to disturbance shall, immediately bring them to the attention of the Authorized Officer. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

3. If there is reason to believe that Threatened or Endangered (T&E) species of plants or animals, or migratory bird species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. The inventory shall be conducted by a qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by a qualified paleontologist and a report prepared itemizing the findings.

A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the Authorized Officer who shall evaluate, or have evaluated such discoveries and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.
The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measure shall be borne by the lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data are adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the interrelationship of the geology, topography, surface and ground water hydrology, vegetation and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

6. Powerlines used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

7. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal-handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

8. The lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data. The monitoring system shall be adequate to locate and quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation and wildlife.

9. Except at locations specifically approved by the Authorized Officer, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: (1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, (2) cause damage to existing surface structures, and (3) damage or alter the flow of perennial streams. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.

10. In order to avoid surface disturbance on steep canyon slopes and to preclude the need for surface access, all surface breakouts shall be constructed from inside the mine, except at specifically approved locations.

11. If removal of timber is required for clearing of construction sites, etc., such timber shall be removed in accordance with the regulations of the surface management agency.

12. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas previously occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to an authorized post mining land use.

INTEGRATED
FEBRUARY 27, 2013
DIVISION OIL, GAS & MINING
13. The Lessee at the conclusion of the mining operation, or at other times as surface disturbance related to mining may occur, will replace all damaged, disturbed, or displaced corner monuments (section corners, quarter corners, etc.) their accessories and appendages (witness trees, bearing trees, etc.), or restore them to their original condition and location, or at other locations that meet the requirements of the rectangular surveying system. This work shall be conducted at the expense of the Lessee, by BLM, to the standards and guidelines found in the Manual of Surveying Instructions, U.S. Department of Interior.

14. Notwithstanding the approval of a resource recovery and protection plan by the BLM, lessor reserves the right to seek damages against the operator/lessee in the event (i) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or un-recovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 modification will not attain MER resulting from changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a new R2P2 modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left un-mined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such un-mined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered un-minable or at such time that the lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the lessor that payment is due under this stipulation is appealable as allowed by law.

15. WASTE CERTIFICATION: The lessee shall provide upon abandonment and/or sealing off a mined area and prior to lease termination/relinquishment, certification to the lessee that, based upon a complete search of all the operator's records for the mine and upon their knowledge of past operations, there has been no hazardous substances per (40 CFR 302.4) or used oil as per Utah State Management Rule R-315-15, deposited within the lease, either on the surface or underground, or that all remedial action necessary has been taken to protect human health and the environment with respect to any such substances remaining on the property. The back-up documentation to be provided shall be described by the lessor prior to the first certification and shall include all documentation applicable to the Emergency Planning and Community Right-to-know Act (EPCRA, Public Law 99-499), Title III of the Superfund Amendments and Reauthorization Act of 1986 or equivalent.

16. ABANDONMENT OF EQUIPMENT: The lessee/operator is responsible for compliance with reporting regarding toxic and hazardous material and substances under Federal Law and all associated amendments and regulations for the handling such materials on the land surface and in underground mine workings.
The lessee/operator must remove mine equipment and materials not needed for continued operations, roof support and mine safety from underground workings prior to abandonment of mine sections. Exceptions can be approved by the Authorized Officer (BLM) in consultation with the surface management agency. Creation of a situation that would prevent removal of such material and by retreat or abandonment of mine sections without prior authorization would be considered noncompliance with lease terms and conditions and subject to appropriate penalties under the lease.

17. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The lessee shall notify the Authorized Officer in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground.

The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and State Management Rule R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the lessee's expense and shall be submitted to the Authorized Officer as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the Authorized Officer has granted a written approval.

18. GOB VENT BOREHOLES. The Lessee shall submit a gob vent borehole plan for approval by the AO as part of an R2P2 for all gob vent boreholes. The plugging portion of the plan must meet 43 CFR 3484.1(a)(3) as a minimum. If variations to the approved plugging procedures are necessary, they shall also be approved by the AO in writing prior to implementation of the procedures.

19. FAIR MARKET VALUE BONUS: Due to the uncertainty of the amount of recoverable coal reserves in this modification, the lessee will pay the fair market value (FMV) bonus payment for the coal resources mined in the area of Federal coal lease modification (UTSL-068754) Tract 2, at the rate of $0.25 per ton for the actual tonnage mined. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Office of Natural Resources Revenue (ONRR). The lessee will clearly indicate which portion of the payment is for royalty and what is for the lease bonus payment.

20. FAIR MARKET VALUE BONUS: Due to the uncertainty of the amount of recoverable coal reserves in this modification, the lessee will pay the fair market value (FMV) bonus payment for the coal resources mined in the area of Federal coal lease modification (UTSL-068754) Tract 3, at the rate of $0.42 per ton for the actual tonnage mined, adjusted annually using the U. S. Bureau of Labor Statistics CPI West Urban Energy Index; or if that index is not available the BLM authorized officer will chose a comparable index to be used. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Office of Natural Resources Revenue (ONRR). The lessee will clearly indicate which portion of the payment is for royalty and what is for the lease bonus payment.
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

INFORMATION ON TAKING APPEALS TO THE INTERIOR BOARD OF LAND APPEALS

DO NOT APPEAL UNLESS
1. This decision is adverse to you, AND
2. You believe it is incorrect

IF YOU APPEAL, THE FOLLOWING PROCEDURES MUST BE FOLLOWED

1. NOTICE OF APPEAL
A person who wishes to appeal to the Interior Board of Land Appeals must file in the office of the officer who made the decision (not the Interior Board of Land Appeals) a notice that he wishes to appeal. A person served with the decision being appealed must transmit the Notice of Appeal in time for it to be filed in the office where it is required to be filed within 30 days after the date of service. If a decision is published in the FEDERAL REGISTER, a person not served with the decision must transmit a Notice of Appeal in time for it to be filed within 30 days after the date of publication (43 CFR 4.411 and 4.413).

2. WHERE TO FILE
NOTICE OF APPEAL: Bureau of Land Management, Utah State Office, P. O. Box 45155, Salt Lake City, Utah 84145-0151 or Bureau of Land Management, Utah State Office, 440 West 200 South, Suite 500, Salt Lake City, Utah 84101
WITH COPY TO SOLICITOR: Regional Solicitor, Room 6201, 125 South State Street, Salt Lake City, Utah 84111

3. STATEMENT OF REASONS: Within 30 days after filing the Notice of Appeal, file a complete statement of the reasons why you are appealing. This must be filed with the United States Department of the Interior, Office of Hearings and Appeals, Interior Board of Land Appeals, 801 N. Quincy Street, MS 300-QC, Arlington, Virginia 22203. If you fully state your reasons for appealing when filing the Notice of Appeal, no additional statement is necessary (43 CFR 4.412 and 4.413).
WITH COPY TO SOLICITOR: Regional Solicitor, Room 6201, 125 South State Street, Salt Lake City, Utah 84111

4. ADVERSE PARTIES: Within 15 days after each document is filed, each adverse party named in the decision and the Regional Solicitor or Field Solicitor having jurisdiction over the State in which the appeal arose must be served with a copy of: (a) the Notice of Appeal, (b) the Statement of Reasons, and (c) any other documents filed (43 CFR 4.413).

5. PROOF OF SERVICE: Within 15 days after any document is served on an adverse party, file proof of that service with the United States Department of the Interior, Office of Hearings and Appeals, Interior Board of Land Appeals, 801 N. Quincy Street, MS 300-QC, Arlington, Virginia 22203. This may consist of a certified or registered mail "Return Receipt Card" signed by the adverse party (43 CFR 4.401(c)).

6. REQUEST FOR STAY: Except where program-specific regulations place this decision in full force and effect or provide for an automatic stay, the decision becomes effective upon the expiration of the time allowed for filing an appeal unless a petition for a stay is timely filed together with a Notice of Appeal (43 CFR 4.21). If you wish to file a petition for a stay of the effectiveness of this decision during the time that your appeal is being reviewed by the Interior Board of Land Appeals, the petition for a stay must accompany your Notice of Appeal (43 CFR 4.21 or 43 CFR 2801.10 or 43 CFR 2881.10). A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the Notice of Appeal and Petition for a Stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay. Except as otherwise provided by law or other pertinent regulations, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards: (1) the relative harm to the parties if the stay is granted or denied, (2) the likelihood of the appellant's success on the merits, (3) the likelihood of immediate and irreparable harm if the stay is not granted, and (4) whether the public interest favors granting the stay.

Unless these procedures are followed, your appeal will be subject to dismissal (43 CFR 4.402). Be certain that all communications are identified by serial number of the case being appealed.

NOTE: A document is not filed until it is actually received in the proper office (43 CFR 4.401(a)). See 43 CFR Part 4, Subpart B for general rules relating to procedures and practice involving appeals.

(Continued on page 2)
PART I.

THIS MODIFIED COAL LEASE is entered into on JUN 1 0 2011, by and between the UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and ANDALEX Resources, Inc.
P. O. Box 910
East Carbon, Utah 84520

hereinafter called Lessees.

This modified lease shall retain the effective date of February 1, 2002, of the original COAL LEASE UTU-78562, and is effective for a period of 20 years therefrom, and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year (February 1, 2022), and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the: (NOTE: Check the appropriate Act or Acts.)


and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessees as the holders of Coal Lease UTU-78562, issued effective February 1, 2002, was granted the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 1 and Tract 2.

The Lessor in consideration of fair market value, rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to Lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 3.

Tract 1:
T. 13 S., R. 13 E., SLM, Utah
Sec. 35, S¹SW¼, SE²;

T. 14 S., R. 13 E., SLM, Utah
Sec. 1, lots 2-7, SW½NE½, S¼NW½, W½SE½, SW½;
Sec. 12, lots 1-4, S¹NW½, NE½SW½, SE²;
Sec. 13, NE½NE²;

T. 14 S., R. 14 E., SLM, Utah
Sec. 6, lot 6;
Sec. 7, lots 3 and 4;
Sec. 16, lot 1, E¹NW¼.

Tract 2:
T. 13 S., R 13 E., SLM, Utah
Sec. 34, NE½SE½, S¹SE²;
Sec. 35, N½, N¹SW¼;

T. 14 S., R 13 E., SLM, Utah
Sec. 1, lot 1;

Tract 3:
T. 14 S., R. 14 E., SLM, Utah
Sec. 31, lot 4, S¹SE½SW¼, NŒSE½SW¼, SE½NW½SE½SW¼, W½SW½SE²;

T. 14 S., R. 14 E., SLM, Utah
Sec. 5, lot 4, W½SW½SW½NW½, SW½NW½SW¼, W½NW½NW½SW¼.
containing 2,605.49 acres, more or less,

(together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.)

INTEGRATED
FEBRUARY 27, 2013
DIVISION OIL, GAS & MINING
Part II. TERMS AND CONDITIONS

Sec. 1.(a) RENTAL RATE - Lessee shall pay Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $3.00 per acre for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2.(a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the Lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the Lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of $905,000.00. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease is subject to the conditions of diligent development and continued operation. Continued operation may be excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the Lessee. The Lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessees' failure to produce coal in commercial quantities at the end of ten years from the original date of this lease shall terminate the lease.

The Lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - The lands contained in the original lease have been included in the LMU application UTU- 86007 filed February 1, 2008. Within 30 days after the effective date of this lease modification, the Lessee shall amend its application for the Western Ridge Logical Mining Unit to include the 602.91 acres added to Coal Lease UTU- 78562 by this modification. The modified land shall be segregated into another Federal coal lease should the Lessee fail to file such an amendment.

The stipulations established in an LMU approval in effect at the time of LMU approval or modification will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as Lessor may prescribe, Lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of Lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relating to operations, surveys, or investigations or under the leased lands.

Lessee shall allow Lessor access to and copy of documents reasonably necessary to verify Lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than exploratory, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit shall be submitted to the authorized officer.
Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by Lessor to accomplish the intent of this lease term. Such measures may include, but not limited to, modification to proposed siting or design of facilities, timing of operations, and specifications of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of Lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8 PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither Lessee nor Lessee's subcontractors shall maintain segregated facilities.

Sec. 9.(a) TRANSFERS
(Check the appropriate space)

X This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISHMENTS - The Lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon Lessor's acceptance of the relinquishment, Lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such times as all portions of this lease are returned to Lessor, Lessee shall deliver up to Lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, Lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the Lessor, but Lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the Lessor. If the surface is owned by third parties, Lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the surface and onsite damage caused by Lessee's activity or activities incidental thereto, and reclaim access roads or trail.
Sec. 11. PROCEEDINGS IN CASE OF DEFAULT - If Lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the Lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by Lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS - IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 13. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the Lessee's activities and operations under this lease.

Sec. 14. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

Sec. 15. SPECIAL STIPULATIONS -

SEE ATTACHED STIPULATIONS
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.
APPENDIX 1-5

CURRENT AND PREVIOUS COAL MINING PERMITS
CURRENT AND PREVIOUS COAL MINING PERMITS
<table>
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<th>Resources, Inc.</th>
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<td>MonValley Transportation Center Inc. P.O. Box 135 1060 Ohio Avenue Glassport, PA 15045</td>
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<td>Maple Creek Mining Inc.</td>
<td>25-1755305</td>
<td>Maple Creek Mining Inc. 981 Route 917 Bentleyville, Pa 15314</td>
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**INCORPORATED**

**JUL 7 2000**
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Div. of Oil, Gas & Mining
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APPENDIX 1-6
CONSULTATION AND COORDINATION
# LIST OF CONSULTANTS PROVIDING TECHNICAL ANALYSES

<table>
<thead>
<tr>
<th>NAME OF CONSULTANT</th>
<th>REPORT PREPARED</th>
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<tr>
<td>Mr. Jim Nyenhuis, Soils Consultant</td>
<td>Soil Resource Assessment “C” Canyon Area of the West Ridge Project, Carbon County, Utah July 1997</td>
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<tr>
<td>1427 Wildwood Road</td>
<td>Soil Resource Assessment Proposed Topsoil Borrow Area, West Ridge Project Carbon County, Utah</td>
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<td>Fort Collins, CO 80521</td>
<td>Plant Communities of the West Ridge Project Mine Area July 1997</td>
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<td>Plant Communities of the West Ridge Project Proposed Topsoil Borrow Area July 1997</td>
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<td>Dr. Patrick D. Collins, Mt. Nebo Scientific</td>
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<td>290 East, 1230 North</td>
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<td>Springville, Utah 84663</td>
<td>Seep And Spring Survey (Spring-Fall, 1997) PHC Chapter 6 Chapter 7 (portions)</td>
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<td>801/489-6937</td>
<td>An Intensive Cultural Resources Survey and Inventory of the Proposed West Ridge Prospect Mine Site and Borrow Area May 1997</td>
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<tr>
<td>710 East, 100 North</td>
<td>Sedimentation And Drainage Control Plan December 1997</td>
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<tr>
<td>Lindon, Utah 84042</td>
<td>Slope Stability Analyses - Reclaimed Highwalls, Sediment Pond Embankment</td>
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<td>801/796-0211</td>
<td>West Ridge Project Raptor Survey June 1997</td>
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<tr>
<td>John Senulis, Senco-Phenix Archeological</td>
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<tr>
<td>P.O. Box 187</td>
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<td>Mount Pleasant, Utah 84647</td>
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<td>801/462-0291</td>
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<tr>
<td>Mr. Dan Guy, P.E., Blackhawk Engineering</td>
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<tr>
<td>801/637-2422</td>
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<tr>
<td>Agapito Associates, Inc. 715 Horizon Drive, Suite 340 Grand Junction, CO 81506</td>
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<tr>
<td>Division of Wildlife Resources Bureau of Land Management</td>
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APPENDIX 1-7

OWNERSHIP AND CONTROL
Part V No. 1

A-3 Complete this item for each entity listed in the corporate structure.

Name of Entity: Apanex Resources, Inc.
Mailing Address: 46226 National Road
Street Address (if mailing address is a Post Office Box): 

City: St. Clairsville
State: Ohio
Zip: 43950

FBN No.: 61-0931323
Ownership/Control relationship to Permittee

NOTE:
- If entity is a VEST PROPONENT, list owner
- If entity is a PARTNERSHIP, list all partners, including legal names
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or shareholder owners ten percent (10%) or more or any class of voting stock; all officers
- If entity is a REVOCABLE LIVING TRUST, its trustee; any other person performing a function similar and/or limited liability companies, all members and managers

<table>
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<tr>
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<th>Address</th>
<th>SS 3/EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
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<td>Utah/American Energy, Inc.</td>
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INCORPORATED

JUL 09 2019

Div. of Oil, Gas & Mining
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<th>Title</th>
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**INCORPORATED**

**JUL 09 2019**

**Div. of Oil, Gas & Mining**
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<td>11/1/1999</td>
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Part V No. 1

Complete this item for each entity listed in the corporate structure.

Name of Entity: The American Coal Company
Mailing Address: 46226 National Road, St. Clairsville, Ohio 43950
City: St. Clairsville
State: Ohio
Zip: 43950
FEIN No.: 73-1543124
Telephone No.: 740-338-3100

NOTE:
- If entity is a SOLE PROPRIETORSHIP, list owner.
- If entity is a PARTNERSHIP, list all partners, including limited partners.
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar and for limited liability companies, all members and managers.

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<th>Entity Name</th>
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<td>John R. Forrelli</td>
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<td>B.J. Cornelius</td>
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Complete this item for each entity listed in the corporate structure.

- **Name of Entity**: The American Coal Sales Company
- **Mailing Address**: 46226 National Road
- **Street Address** (if mailing address is a Post Office Box)
- **City**: St. Clairsville
- **State**: Ohio
- **Zip**: 43950
- **FEIN No.**: 34-1603499
- **Ownership/Control relationship to Permittee**

**NOTE:**
- If entity is a SOLE PROPRIETORSHIP, list owner
- If entity is a PARTNERSHIP, list all partners, including limited partners
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more of any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

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### Part V  No. 1

#### A-3
Complete this item for each entity listed in the corporate structure.

**Name of Entity:** AmericanMountaineer Energy, Inc.

**Mailing Address:**
46226 National Road

**Street Address:**

**City:** St. Clairsville
**State:** Ohio
**Zip:** 43950

**Telephone No.:** 740-338-3100

**FEIN No.:** 61-0931325

**Ownership/Control relationship to Permittee:**

### Notes:
- If entity is a SOLE PROPRIETORSHIP, list owner
- If entity is a PARTNERSHIP, list all partners, including limited partners
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS/#EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
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<tbody>
<tr>
<td>Murray Energy Corp.</td>
<td>46226 National Road, St. Clairsville Ohio, 43950</td>
<td>34-1956752</td>
<td>Owner – 100%</td>
<td>6/30/2008</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville Ohio, 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>6/30/2008</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Edward Murray</td>
<td>46226 National Road, St. Clairsville Ohio, 43950</td>
<td>XXX-XX-1320</td>
<td>President</td>
<td>8/22/2008</td>
<td>Open</td>
</tr>
<tr>
<td>Jason D. Witt</td>
<td>46226 National Road, St. Clairsville Ohio, 43950</td>
<td>XXX-XX-3754</td>
<td>V.P. &amp; Secretary</td>
<td>8/22/2008</td>
<td>Open</td>
</tr>
<tr>
<td>Michael O. McKown</td>
<td>46226 National Road, St. Clairsville Ohio, 43950</td>
<td>XXX-XX-4552</td>
<td>V.P. &amp; Asst. Secretary</td>
<td>8/22/2008</td>
<td>Open</td>
</tr>
<tr>
<td>Anthony C. Vezilka, II</td>
<td>46226 National Road, St. Clairsville Ohio, 43950</td>
<td>XXX-XX-5311</td>
<td>Treasurer</td>
<td>10/7/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Peter J. Vuljanic</td>
<td>46226 National Road, St. Clairsville Ohio, 43950</td>
<td>XXX-XX-6310</td>
<td>Vice President</td>
<td>9/12/2008</td>
<td>6/21/2010</td>
</tr>
<tr>
<td>James R. Turner, Jr.</td>
<td>46226 National Road, St. Clairsville Ohio, 43950</td>
<td>XXX-XX-8372</td>
<td>Treasurer</td>
<td>8/22/2008</td>
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**Part V No. 1**

A-3 Complete this item for each entity listed in the corporate structure.

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<th>Entity Name</th>
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<th>Title</th>
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<tr>
<td>Mill Creek Mining Company</td>
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<td>31-1040986</td>
<td>Shareholder 100%</td>
<td>7/8/1988</td>
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</tr>
<tr>
<td>Charles E. Shestak</td>
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<td>XXX-XX-9288</td>
<td>Director</td>
<td>7/3/1998</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>President</td>
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<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Treasurer</td>
<td>6/25/2001</td>
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</tr>
<tr>
<td>Michael O. McKown</td>
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<td>XXX-XX-4552</td>
<td>Secretary</td>
<td>5/26/2007</td>
<td>Open</td>
</tr>
<tr>
<td>Robert L. Putsock</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8460</td>
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<td>1/2/2003</td>
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</tr>
<tr>
<td>James M. Spigarelli</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<tr>
<td>James R. Turner, Jr.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8372</td>
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<td>34-1875051</td>
<td>Shareholder 100%</td>
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<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
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<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<tr>
<td>Robert Eugene Murray</td>
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<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<tr>
<td>Michael D. Lomacono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
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<td>1/28/2005</td>
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<td>Michael O. McKown</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<td>11/6/2009</td>
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<tr>
<td>Robert L. Putsock</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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</tr>
<tr>
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<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8460</td>
<td>Assistant Treasurer</td>
<td>6/30/2003</td>
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</tr>
<tr>
<td>Entity Name</td>
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<td>Title</td>
<td>Beginning Date</td>
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<td>20-0100479</td>
<td>Shareholder 100%</td>
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<tr>
<td>Robert Eugene Murray</td>
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<td>Henry W. Fayne</td>
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<td>XXX-XX-7216</td>
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<tr>
<td>Richard L. Lawson</td>
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<td>XXX-XX-4413</td>
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<tr>
<td>Robert Eugene Murray</td>
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<td>XXX-XX-8852</td>
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<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
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</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
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<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
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### Part V No. 1

Complete this item for each entity listed in the corporate structure.

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<tbody>
<tr>
<td>Michael O. McKown</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<tr>
<td>Michael O. McKown</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-4552</td>
<td>General Counsel</td>
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<td>Michael O. McKown</td>
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<td>XXX-XX-4552</td>
<td>Secretary</td>
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<tr>
<td>Robert Edward Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-1320</td>
<td>VP - Business Development &amp; External Affairs</td>
<td>9/11/2007</td>
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<tr>
<td>Ryan Michael Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-0815</td>
<td>VP - Operations</td>
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<tr>
<td>John R. Forrelli</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-2688</td>
<td>VP - Engineering and Planning</td>
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<tr>
<td>Roy A. Heldelbach</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<td>Asst. VP - Operations</td>
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<tr>
<td>Michael D. Lolacoeno</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Treasurer</td>
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<td>Open</td>
</tr>
<tr>
<td>Robert L. Putsock</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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</tr>
<tr>
<td>Robert L. Putsock</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<td>Asst. Treasurer</td>
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A-3
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<table>
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<th>End Date</th>
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<tr>
<td>Ohio Valley Resources, Inc.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>34-1586391</td>
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<td>Robert Eugene Murray</td>
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<td>XXX-XX-8852</td>
<td>Director</td>
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</tr>
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<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>President</td>
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</tr>
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<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Chief Executive Officer</td>
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<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Vice President</td>
<td>12/5/2013</td>
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</tr>
<tr>
<td>Paul B. Piccolini</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-2971</td>
<td>Vice President</td>
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<tr>
<td>Jason D. Witt</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<td>Secretary</td>
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<td>Michael D. Loiacono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<td>Treasurer</td>
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</tr>
<tr>
<td>Michael D. Loiacono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Asst. Secretary</td>
<td>12/5/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Michael D. Loiacono</td>
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<td>XXX-XX-6784</td>
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</tr>
<tr>
<td>Ronnie D. Dietz</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-7715</td>
<td>Asst. Treasurer</td>
<td>12/5/2013</td>
<td>Open</td>
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</tbody>
</table>

NOTE:
- If entity is a SOLE PROPRIETORSHIP, list owner.
- If entity is a PARTNERSHIP, list all partners, including limited partners.
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more of any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.
**Part V No. 1**

Complete this item for each entity listed in the corporate structure.

**Name of Entity**: Consolidation Coal Company  
**Mailing Address**: 46226 National Road  
**Street Address**: (if mailing address is a Post Office box)  
**City**: St. Clairsville  
**State**: Ohio  
**Zip**: 43950  
**FEIN No.**: 13-2566594  
**Ownership/Control relationship to Permittee**:  

**Telephone No.**: 740-338-3100

---

**NOTE:**  
- If entity is a SOLE PROPRIETORSHIP, list owner  
- If entity is a PARTNERSHIP, list all partners, including limited partners  
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

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<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #/EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
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<tr>
<td>Brian Murdy</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td></td>
<td>Assistant Secretary</td>
<td>2/20/2009</td>
<td>5/27/2010</td>
</tr>
<tr>
<td>Louis Barletta, Jr.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td></td>
<td>Vice President</td>
<td>1/1/2006</td>
<td>3/9/2011</td>
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<tr>
<td>Robert Belesky</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td></td>
<td>Vice President</td>
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<td>10/25/2011</td>
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<tr>
<td>Robert King</td>
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<td>3/16/2012</td>
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<td>Robert King</td>
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<td>3/16/2012</td>
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<td>6/26/2012</td>
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<tr>
<td>Rodney Ford</td>
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<td>6/15/2003</td>
<td>12/31/2012</td>
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<td>Daniel Cangilla</td>
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<td>5/1/2006</td>
<td>12/31/2012</td>
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<td>William Lyons</td>
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<td>9/30/2000</td>
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<tr>
<td>Robert Puateri</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<td>Director</td>
<td>8/21/2008</td>
<td>3/1/2013</td>
</tr>
<tr>
<td>Robert Puateri</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<td>Vice President</td>
<td>9/13/2011</td>
<td>3/1/2013</td>
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<tr>
<td>P. Richey</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td></td>
<td>Director</td>
<td>3/1/2005</td>
<td>3/1/2013</td>
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</tbody>
</table>
A-3

Complete this item for each entity listed in the corporate structure.

Name of Entity: Consolidation Coal Company

Mailing Address: 46226 National Road

Street Address (if mailing address is a Post Office Box):

City: St. Clairsville

State: Ohio

Zip: 43950

Telephone No.: 740-338-3100

NOTE: If entity is a SOLE PROPRIETORSHIP, list owner.

- If entity is a PARTNERSHIP, list all partners, including limited partners.

- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

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<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #/EIN</th>
<th>Title</th>
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<th>End Date</th>
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<tr>
<td>J. Harvey</td>
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<td>1/1/1998</td>
<td>12/5/2013</td>
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<tr>
<td>J. Harvey</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>Chairman of the Board</td>
<td>10/9/2007</td>
<td>12/5/2013</td>
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<tr>
<td>J. Harvey</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>Chief Executive Officer</td>
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<tr>
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</tbody>
</table>
**Part V No. 1**

A-3  Complete this item for each entity listed in the corporate structure.

Name of Entity  **Eighty-Four Mining Company**  
Mailing Address  **46226 National Road**  
Street Address (If mailing address is a Post Office Box)  
City  **St. Clairsville**  
State  **Ohio**  
Zip  **43950**  
FEIN No.  
Ownership/Control relationship to Permittee  
Telephone No.  **740-338-3100**

**NOTE:**
- If entity is a SOLE PROPRIETORSHIP, list owner
- If entity is a PARTNERSHIP, list all partners, including limited partners
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies; all members and managers.

<table>
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<th>Entity Name</th>
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Complete this item for each entity listed in the corporate structure.

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A-3

Complete this item for each entity listed in the corporate structure.

Name of Entity: Energy Resources, Inc.
Mailing Address: 46226 National Road
Street Address (if mailing address is a Post Office Box): 31-1044044
City: St. Clairsville
State: Ohio
Zip: 43950
Telephone No.: 740-338-3100

NOTE:
- If entity is a SOLE PROPRIETORSHIP, list owner
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<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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</table>
Part V. No. 1

A-3

Complete this item for each entity listed in the corporate structure.

Name of Entity: KenAmerican Resources, Inc.
Mailing Address: 46226 National Road
Street Address (if mailing address is a Post Office box): 
City: St. Clairsville
State: Ohio
FEIN No.: 61-1264385
Ownership/Control relationship to Permittee: 
Zip: 43950
Telephone No.: 740-338-3100

NOTE:
- If entity is a SOLE PROPRIETORSHIP, list owner
- If entity is a PARTNERSHIP, list all partners, including limited partners
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

<table>
<thead>
<tr>
<th>Entity Name</th>
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<th>Title</th>
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<th>End Date</th>
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<tr>
<td>Mill Creek Mining Company</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>31-1040986</td>
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<tr>
<td>Robert Eugene Murray</td>
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<tr>
<td>B.J. Cornelius</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-5023</td>
<td>SR Vice President</td>
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<td>Randy L. Wiles</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<td>Anthony C. Vcelka, II</td>
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<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<tr>
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<td>Robert Eugene Murray</td>
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</tr>
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</tr>
<tr>
<td>Roberta K. Hall</td>
<td>48226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-3774</td>
<td>Treasurer</td>
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</tr>
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</table>
### Complete this item for each entity listed in the corporate structure.

**Name of Entity**: The Marion County Coal Company  
**Mailing Address**: 46226 National Road  
**Street Address**:  
**City**: St. Clairsville  
**State**: Ohio  
**Zip**: 43950  
**FEIN No.**: 46-4067755  
**Ownership/Control relationship to Permittee**

**Telephone No.** 740-338-3100

**NOTE:**  
- If entity is a SOLE PROPRIETORSHIP, list owner  
- If entity is a PARTNERSHIP, list all partners, including limited partners  
- If entity’s legal structure is other than a sole proprietorship or partnership, list all owners or stockholder’s owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

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<tr>
<th>Entity Name</th>
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<th>Title</th>
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<tr>
<td>Murray American Energy, Inc</td>
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<td>Robert Eugene Murray</td>
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<td>XXX-XX-8852</td>
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<td>Robert Eugene Murray</td>
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<td>XXX-XX-8852</td>
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<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<tr>
<td>Paul B. Piccolini</td>
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Complete this item for each entity listed in the corporate structure.

Name of Entity: The Marshall County Coal Company

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<td>Robert Eugene Murray</td>
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<td>Robert Eugene Murray</td>
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<td>Lorraine Ritter</td>
<td>46226 National Rd, St. Clairsville, Ohio 43950</td>
<td></td>
<td>Assistant Secretary</td>
<td>3/1/2006</td>
<td>12/31/2013</td>
</tr>
<tr>
<td>Lu Ann Cutarch</td>
<td>46226 National Rd, St. Clairsville, Ohio 43950</td>
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<td>6/12/2013</td>
<td>12/31/2013</td>
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<tr>
<td>James Grech</td>
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<td>9/12/2011</td>
<td>12/31/2013</td>
</tr>
<tr>
<td>Charles Shymak</td>
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<td>3/9/2011</td>
<td>12/31/2013</td>
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<tr>
<td>Stephen Johnson</td>
<td>46226 National Rd, St. Clairsville, Ohio 43950</td>
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<td>9/12/2011</td>
<td>12/31/2013</td>
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<td>Stephen Johnson</td>
<td>46226 National Rd, St. Clairsville, Ohio 43950</td>
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<td>12/31/2013</td>
</tr>
<tr>
<td>William Gillenwater</td>
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<td>12/31/2013</td>
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<tr>
<td>David Kelly</td>
<td>46226 National Rd, St. Clairsville, Ohio 43950</td>
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<tr>
<td>David Khari</td>
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<td>Michael Baker</td>
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<tr>
<td>Steve Aspinall</td>
<td>46226 National Rd, St. Clairsville, Ohio 43950</td>
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<td>Treasurer</td>
<td>1/1/2013</td>
<td>12/31/2013</td>
</tr>
<tr>
<td>David Miller</td>
<td>46226 National Rd, St. Clairsville, Ohio 43950</td>
<td></td>
<td>Assistant Secretary</td>
<td>6/12/2013</td>
<td>12/31/2013</td>
</tr>
</tbody>
</table>
### Entity Name | Address | SS #/EIN | Title | Beginning Date | End Date |
---|---|---|---|---|---|
Coal Resources, Inc. | 46226 National Road, St. Clairsville, Ohio 43950 | 34-1586390 | Shareholder 100% | 5/25/1988 | Open |
Robert Eugene Murray | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-8852 | Director | 5/3/1993 | Open |
Charles E. Shestak | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-9238 | President | 8/18/1998 | Open |
Anthony C. Vcella, II | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-5311 | Treasurer | 10/7/2013 | Open |
Robert D. Moore | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-9703 | Asst. Treasurer | 3/1/2005 | Open |
Michael O. McKown | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-4552 | Secretary | 3/1/2005 | Open |
Robert L. Putsock | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-8460 | Asst. Secretary | 6/25/2001 | Open |
Robert L. Putsock | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-8460 | Asst. Treasurer | 6/25/2001 | Open
**Part V No. 1**

**A-3**

Complete this item for each entity listed in the corporation structure.

Name of Entity: The Monongalia County Coal Company
Mailing Address: 46226 National Road
Street Address (if mailing address is a Post Office box):
City: St. Clairsville
State: Ohio
FEIN No.: 46-4067864
Ownership/Control relationship to Permittee: Zip: 43950

**NOTE:**
- If entity is a SOLE PROPRIETORSHIP, list owner.
- If entity is a PARTNERSHIP, list all partners, including limited partners.
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #/EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Murray American Energy, Inc</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Owner 100%</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>President</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Chief Executive Officer</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Vice President</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Paul B. Piccolini</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-2971</td>
<td>Vice President</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Jason D. Witt</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-3754</td>
<td>Secretary</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Michael D. Lolacocono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Treasurer</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Michael D. Lolacocono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Asst. Secretary</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Michael D. Lolacocono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Comptroller</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Ronnie D. Dietz</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-715</td>
<td>Asst. Treasurer</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Matthew C. Efaw</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6793</td>
<td>Vice President</td>
<td>1/4/2014</td>
<td>Open</td>
</tr>
</tbody>
</table>
Part V No. 1

A-3 Complete this item for each entity listed in the corporate structure.

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #/EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
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<tbody>
<tr>
<td>Pennsylvania Transloading, Inc.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>34-1603748</td>
<td>Shareholder 100%</td>
<td>8/28/1995</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>8/28/1995</td>
<td>Open</td>
</tr>
<tr>
<td>Michael D. Loiacono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Director</td>
<td>11/1/1999</td>
<td>Open</td>
</tr>
<tr>
<td>Paul B. Piccolini</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-2971</td>
<td>President</td>
<td>4/28/2006</td>
<td>Open</td>
</tr>
<tr>
<td>Anthony C. Vcelka, II</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-3311</td>
<td>Treasurer</td>
<td>10/7/2013</td>
<td>Open</td>
</tr>
<tr>
<td>James M. Spigarelli</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>Not Available</td>
<td>Secretary</td>
<td>10/7/2013</td>
<td>Open</td>
</tr>
<tr>
<td>James R. Turner, Jr.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8372</td>
<td>Secretary</td>
<td>3/1/2005</td>
<td>10/7/2013</td>
</tr>
<tr>
<td>James R. Turner, Jr.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8372</td>
<td>Treasurer</td>
<td>3/1/2005</td>
<td>10/7/2013</td>
</tr>
</tbody>
</table>
**Part V No. 1**

**A-3** Complete this item for each entity listed in the corporate structure.

Name of Entity: Murray American Energy, Inc.
Mailing Address: 46226 National Road
Street Address (if mailing address is a Post Office box)

City: St. Clairsville  
State: Ohio  
FEIN No.: 46-4091556  
Ownership/Control relationship to Permittee: Owner
Zip: 43950  
Telephone No.: 740-338-3100

**NOTE:**
- If entity is a SOLE PROPRIETORSHIP, list owner.
- If entity is a PARTNERSHIP, list all partners, including limited partners.
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #/EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio Valley Resources, Inc.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Owner 100%</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>President</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Chief Executive Officer</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Vice President</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Paul B. Picolini</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-2971</td>
<td>Vice President</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Jason D. Witt</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-3754</td>
<td>Secretary</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Michael D. Lalacono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Treasurer</td>
<td>10/29/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Michael D. Lalacono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Asst. Secretary</td>
<td>10/29/2013</td>
<td>Open</td>
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<tr>
<td>Michael D. Lalacono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Comptroller</td>
<td>10/29/2013</td>
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<tr>
<td>Ronnie D. Dietz</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-7713</td>
<td>Asst. Treasurer</td>
<td>10/29/2013</td>
<td>Open</td>
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</table>
Part V No. 1

A-3  Complete this item for each entity listed in the corporate structure.

Name of Entity  Murray American Resources, Inc.
Mailing Address  46226 National Road
Street Address(if mailing address is a Post Office box)  
City  St. Clairsville  State  Ohio  Ownership/Control relationship to Permittee
FEIN No.  34-1875051  Zip  43950  Telephone No.  740-338-3100

NOTE:  If entity is a SOLE PROPRIETORSHIP, list owner
       If entity is a PARTNERSHIP, list all partners, including limited partners
       If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers
       such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

<table>
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<tr>
<th>Entity Name</th>
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<th>Title</th>
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<th>End Date</th>
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<td>Murray Energy</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>34-1956752</td>
<td>Shareholder 100%</td>
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<td>Corporation</td>
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</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>10/1/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>President</td>
<td>10/1/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Treasurer</td>
<td>10/1/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Secretary</td>
<td>10/1/2013</td>
<td>Open</td>
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<tr>
<td>Entity Name</td>
<td>Address</td>
<td>SS #/EIN</td>
<td>Title</td>
<td>Beginning Date</td>
<td>End Date</td>
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<tr>
<td>Murray Energy Holdings Company</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>20-0100463</td>
<td>Owner - 100%</td>
<td>10/21/2003</td>
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<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>2/23/2001</td>
<td>Open</td>
</tr>
<tr>
<td>Henry W. Fayne</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-7216</td>
<td>Director</td>
<td>1/28/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Director</td>
<td>4/23/2007</td>
<td>Open</td>
</tr>
<tr>
<td>Richard L. Lawson</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-4413</td>
<td>Director</td>
<td>1/28/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Chief Executive Officer</td>
<td>2/23/2001</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Executive V.P.</td>
<td>8/15/2012</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Chief Financial Officer</td>
<td>8/15/2012</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Chairman of the Board</td>
<td>2/23/2001</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>President</td>
<td>2/23/2001</td>
<td>Open</td>
</tr>
<tr>
<td>Michael O. McKown</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-4552</td>
<td>Secretary</td>
<td>2/24/2001</td>
<td>Open</td>
</tr>
<tr>
<td>Michael D Loiacono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Treasurer</td>
<td>2/23/2001</td>
<td>Open</td>
</tr>
</tbody>
</table>
A-3  Complete this item for each entity listed in the corporate structure.

Name of Entity: Murray Energy Corporation  
Mailing Address: 46226 National Road  
Street Address (if mailing address is a Post Office box):  
City: St. Clairsville  
State: Ohio  
FEIN No.: 34-1956752  
Ownership/Control relationship to Permittee:  
Urban Miners LLC  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-2688  
Title: Senior Vice President  
Beginning Date: 11/1/2010  
End Date: Open  

B. J. Cornellus  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-5023  
Title: Sr. VP - Marketing & Sales  
Beginning Date: 8/15/2012  
End Date: Open  

Roy A. Heidelbach  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-5011  
Title: Asst. Vice President - Operations  
Beginning Date: 9/11/2007  
End Date: Open  

Ryan Michael Murray  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-8015  
Title: Vice President - Operations  
Beginning Date: 9/11/2007  
End Date: Open  

Michael O. Mckown  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-4552  
Title: Senior VP - Law & Admin  
Beginning Date: 8/15/2012  
End Date: Open  

Robert D. Moore  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-9703  
Title: Chief Operating Officer  
Beginning Date: 8/15/2012  
End Date: Open  

Michael T.W. Carey  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-2161  
Title: VP - Govt. Relations  
Beginning Date: 6/1/2012  
End Date: Open  

Robert Edward Murray  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-1320  
Title: Executive VP - Marketing and Sales  
Beginning Date: 1/30/2015  
End Date: Open  

Jason D. Witt  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-3754  
Title: Assistant Secretary  
Beginning Date: 4/30/2013  
End Date: Open  

Paul B. Piccolini  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-2971  
Title: VP - H.R. & Employee Relations  
Beginning Date: 1/4/2014  
End Date: Open  

Robert Edward Murray  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-1320  
Title: VP - External Affairs  
Beginning Date: 8/15/2012  
End Date: 7/29/2014  

Robert Edward Murray  
Address: 46226 National Road, St. Clairsville, Ohio 43950  
SS #/EIN: XXX-XX-1320  
Title: VP - Marketing & Sales  
Beginning Date: 8/15/2012  
End Date: 7/29/2014
Complete this item for each entity listed in the corporate structure.

Name of Entity: Murray Energy Corporation
Mailing Address: 46226 National Road
Street Address (if mailing address is a Post Office box): ____________
City: St. Clairsville
State: Ohio
FEIN No.: 34-1956752
Ownership/Control relationship to Permittee: ______________________

NOTE: - If entity is a SOLE PROPRIETORSHIP, list owner.
- If entity is a PARTNERSHIP, list all partners, including limited partners.
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

<table>
<thead>
<tr>
<th>Entity Name</th>
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<th>Title</th>
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<th>End Date</th>
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<tr>
<td>Anthony C. Vcelka, II</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-5311</td>
<td>Assistant Treasurer</td>
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<td>Open</td>
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<tr>
<td>James R. Turner, Jr.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8372</td>
<td>Vice President - Engineering</td>
<td>1/1/2015</td>
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</tr>
<tr>
<td>John R. Forrelli</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-2688</td>
<td>Vice President</td>
<td>9/11/2007</td>
<td>11/1/2010</td>
</tr>
<tr>
<td>Michael O. Mckown</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-4552</td>
<td>General Counsel</td>
<td>8/1/2008</td>
<td>8/15/2012</td>
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<tr>
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<td>Sr. Vice President</td>
<td>8/1/2008</td>
<td>8/15/2012</td>
</tr>
<tr>
<td>B. J. Cornelius</td>
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<td>Vice President</td>
<td>8/1/2008</td>
<td>8/15/2012</td>
</tr>
<tr>
<td>James R. Turner, Jr.</td>
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<td>XXX-XX-8372</td>
<td>Vice President - Operations</td>
<td>11/1/2010</td>
<td>8/15/2012</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Executive V.P. - Operations</td>
<td>2/9/2011</td>
<td>8/15/2012</td>
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<tr>
<td>G. Christopher Van Bever</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-2161</td>
<td>Assistant Secretary</td>
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<td>James R. Turner</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8372</td>
<td>Senior VP - Eng. &amp; Human Res.</td>
<td>8/15/2012</td>
<td>10/7/2013</td>
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</table>
### Part V No. 1

**A-3** Complete this item for each entity listed in the corporate structure.

**Name of Entity:** Murray Energy Holdings Company  
**Mailing Address:** 46226 National Road  
**Street Address:** [If mailing address is a Post Office Box]  
**City:** St. Clairsville  
**State:** Ohio  
**Zip:** 43950  
**Telephone No.:** 740-338-3100

**FEIN No.:** 20-0100463  
**Ownership/Control relationship to Permitee:**

*NOTE:*  
- If entity is a SOLE PROPRIETORSHIP, list owner  
- If entity is a PARTNERSHIP, list all partners, including limited partners  
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

<table>
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<th>Entity Name</th>
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<th>Title</th>
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<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>6/30/2003</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Director</td>
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<td>Michael O. McKown</td>
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<td>XXX-XX-4552</td>
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<td>Michael D Loiacono</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-6784</td>
<td>Treasurer</td>
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<td>Michael O. McKown</td>
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<td>XXX-XX-4552</td>
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<tr>
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<tr>
<td>Robert Eugene Murray</td>
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<tr>
<td>Murray, Robert Eugene Trustee, (REM Family Trust)</td>
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</table>
Complete this item for each entity listed in the corporate structure.

Name of Entity: The Ohio County Coal Company
Mailing Address: 46226 National Road
Street Address: 46226 National Road, St. Clairsville, Ohio 43950
City: St. Clairsville
State: Ohio
FEIN No.: 46-4605400
Zip: 43950
Telephone No.: 740-338-3100
Ownership/Control relationship to Permittee

NOTE:
- If entity is a SOLE PROPRIETORSHIP, list owner.
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<tr>
<td>Murray American Energy, Inc</td>
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<tr>
<td>Robert Eugene Murray</td>
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<td>XXX-XX-8852</td>
<td>Director</td>
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<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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<td>Paul B. Piccolini</td>
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<td>XXX-XX-2971</td>
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<td>Jason D. Witt</td>
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<td>Roberta K. Heil</td>
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<td>XXX-XX-2378</td>
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<td>Bonnie M. Froehlich</td>
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<td>Ronnie D. Dietz</td>
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<td>Ronnie D. Dietz</td>
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<td>Kevin R. Hughes</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
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### Entity Names

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<td>XXX-XX-7715</td>
<td>Treasurer</td>
<td>3/1/2005</td>
<td>10/30/2013</td>
</tr>
<tr>
<td>Ronnie D. Dietz</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-7715</td>
<td>Comptroller</td>
<td>3/1/2005</td>
<td>10/30/2013</td>
</tr>
</tbody>
</table>
Complete this item for each entity listed in the corporate structure.

Name of Entity: OhioAmerican Energy, Inc.
Mailing Address: 46226 National Road
Street Address (if mailing address is a Post Office Box): 
City: St. Clairsville
State: Ohio
FEIN No.: 20-3044610
Ownership/Control relationship to Permittee: 
Zip: 43950
Telephone No.: 740-338-3100

NOTE: 
- If entity is a SOLE PROPRIETORSHIP, list owner
- If entity is a PARTNERSHIP, list all partners, including limited partners
- If entity’s legal structure is other than a sole proprietorship or partnership, list all owners or stockholder’s owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #/EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Murray Energy Corporation</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>31-1956752</td>
<td>Shareholder 100%</td>
<td>5/1/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>5/1/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Stanley T. Plasecki</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-1838</td>
<td>VP - Operations</td>
<td>12/1/2007</td>
<td>Open</td>
</tr>
<tr>
<td>Michael O. McKown</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-4552</td>
<td>Secretary</td>
<td>5/2/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Robert D. Moore</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9703</td>
<td>Treasurer</td>
<td>5/2/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Robert L. Putsock</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8372</td>
<td>Assistant Treasurer</td>
<td>6/1/2008</td>
<td>Open</td>
</tr>
<tr>
<td>Charles O. Kapp</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9453</td>
<td>Vice President</td>
<td>7/15/2009</td>
<td>Open</td>
</tr>
<tr>
<td>Charles O. Kapp</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9453</td>
<td>Manager</td>
<td>7/15/2009</td>
<td>Open</td>
</tr>
</tbody>
</table>
Part V No. 1

A-3  Complete this item for each entity listed in the corporate structure.

Name of Entity: The Oklahoma Coal Company
Mailing Address: 46226 National Road
Street Address: (If mailing address is a Post Office Box)
City: St. Clairsville
State: Ohio
FEIN No.: 34-1673480
Ownership/Control relationship to Permittee:

NOTE: - If entity is a SOLE PROPRIETORSHIP, list owner
- If entity is a PARTNERSHIP, list all partners, including limited partners
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #/EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Coal Sales Company</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>34-1603699</td>
<td>Shareholder 100%</td>
<td>11/1/1999</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>4/17/1992</td>
<td>Open</td>
</tr>
<tr>
<td>Paul B. Piccolini</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-2971</td>
<td>President</td>
<td>4/28/2006</td>
<td>Open</td>
</tr>
<tr>
<td>Michael O. McKown</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-4552</td>
<td>Secretary</td>
<td>3/1/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Anthony C. Vcelka, II</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-5311</td>
<td>Treasurer</td>
<td>10/7/2013</td>
<td>Open</td>
</tr>
<tr>
<td>James M. Spigarelli</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>Not Available</td>
<td>Asst. Secretary</td>
<td>10/7/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Robert L. Putsock</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8460</td>
<td>Asst. Secretary</td>
<td>1/10/2003</td>
<td>Open</td>
</tr>
</tbody>
</table>
**A-3**

Complete this item for each entity listed in the corporate structure.

Name of Entity: Pennsylvania Transloading, Inc.
Mailing Address: 46226 National Road
Street Address (if mailing address is a Post Office Box): __________
City: St. Clairsville
State: Ohio
FEIN No.: 34-1693748
Zip: 43950
Ownership/Control relationship to Permittee: __________
Telephone No.: 740-338-3100

**NOTE:**
- If entity is a SOLE PROPRIETORSHIP, list owner
- If entity is a PARTNERSHIP, list all partners, including limited partners
- If entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more of any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

**Entity Name** | **Address** | **SS#/EIN** | **Title** | **Beginning Date** | **End Date**
---|---|---|---|---|---
Sunburst Resources, Inc. | 46226 National Road, St. Clairsville, Ohio 43950 | 25-1766427 | Shareholder 100% | 4/1/1996 | Open
Robert Eugene Murray | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-8852 | Director | 11/18/1988 | Open
Michael O. McKown | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-6784 | Secretary | 3/1/2005 | Open
Anthony C. Vcelka, II | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-5311 | Treasurer | 10/7/2013 | Open
James R. Turner, Jr. | 46226 National Road, St. Clairsville, Ohio 43950 | XXX-XX-8372 | Treasurer | 3/1/2005 | 10/7/2013
A-3 Complete this item for each entity listed in the corporate structure.

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #/EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio Valley Resources, Inc.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>34-1586391</td>
<td>Shareholder 100%</td>
<td>4/1/1997</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>11/1/1995</td>
<td>Open</td>
</tr>
<tr>
<td>Paul B. Piccolini</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-2971</td>
<td>President</td>
<td>4/28/2006</td>
<td>Open</td>
</tr>
<tr>
<td>Ronnie D. Dietz</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-7715</td>
<td>Treasurer</td>
<td>3/1/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Ronnie D. Dietz</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-7715</td>
<td>Secretary</td>
<td>10/26/2009</td>
<td>Open</td>
</tr>
<tr>
<td>Entity Name</td>
<td>Address</td>
<td>SS #/EIN</td>
<td>Title</td>
<td>Beginning Date</td>
<td>End Date</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------------------</td>
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</tr>
<tr>
<td>Energy Resources, Inc.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>31-1044044</td>
<td>Shareholder 100%</td>
<td>2/1/1999</td>
<td>Open</td>
</tr>
<tr>
<td>Stanley T. Piascic</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-1838</td>
<td>Director</td>
<td>8/1/2004</td>
<td>Open</td>
</tr>
<tr>
<td>Stanley T. Piascic</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-1838</td>
<td>President</td>
<td>8/1/2004</td>
<td>Open</td>
</tr>
<tr>
<td>Stanley T. Piascic</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-1838</td>
<td>CEO</td>
<td>8/1/2004</td>
<td>Open</td>
</tr>
<tr>
<td>Michael O. McKown</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-4552</td>
<td>Secretary</td>
<td>3/1/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Anthony C. Vcelka, II</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-5311</td>
<td>Treasurer</td>
<td>10/7/2013</td>
<td>Open</td>
</tr>
<tr>
<td>Charles E. Shestak</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9288</td>
<td>Asst. Secretary</td>
<td>2/1/1999</td>
<td>Open</td>
</tr>
</tbody>
</table>
**Part V No. 1**

**A-3**
Complete this item for each entity listed in the corporate structure.

Name of Entity: UMCO Energy, Inc.
Mailing Address: 46226 National Road

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #:EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maple Creek Mining, Inc.</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>25-1755305</td>
<td>Shareholder 100%</td>
<td>10/14/1996</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>10/14/1996</td>
<td>Open</td>
</tr>
<tr>
<td>Ronnie D. Dietz</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-7715</td>
<td>Vice President</td>
<td>7/12/2010</td>
<td>Open</td>
</tr>
<tr>
<td>Ronnie D. Dietz</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-7715</td>
<td>Treasurer</td>
<td>3/1/2005</td>
<td>Open</td>
</tr>
<tr>
<td>Ronnie D. Dietz</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-7715</td>
<td>Asst. Secretary</td>
<td>3/1/2005</td>
<td>Open</td>
</tr>
</tbody>
</table>
**A-3**

Complete this item for each entity listed in the corporate structure.

**Name of Entity** West Virginia Resources, Inc.

**Mailing Address** 46226 National Road

**Street Address** (if mailing address is a Post Office box) —

**City** St. Clairsville, Ohio **State** Ohio **Zip** 43950

**FEIN No.** 55-0713676 **Ownership/Control relationship to Permittee**

**Telephone No.** 740-338-3100

**NOTE:**
- if entity is a SOLE PROPRIETORSHIP, list owner
- if entity is a PARTNERSHIP, list all partners, including limited partners
- if entity's legal structure is other than a sole proprietorship or partnership, list all owners or stockholder's owners ten percent (10%) or more or any class of voting stock; all officers such as President, Vice President, Secretary, Treasurer, Directors; any other person performing a function similar; and for limited liability companies, all members and managers.

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<tr>
<th>Entity Name</th>
<th>Address</th>
<th>SS #/EIN</th>
<th>Title</th>
<th>Beginning Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mill Creek Mining Company</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>31-1040986</td>
<td>Shareholder 100%</td>
<td>12/27/1991</td>
<td>Open</td>
</tr>
<tr>
<td>Robert Eugene Murray</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8852</td>
<td>Director</td>
<td>10/2/2006</td>
<td>Open</td>
</tr>
<tr>
<td>Charles E. Shestak</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-9288</td>
<td>Vice President</td>
<td>10/2/2006</td>
<td>Open</td>
</tr>
<tr>
<td>Robert L. Putsock</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8460</td>
<td>Treasurer</td>
<td>12/1/2007</td>
<td>Open</td>
</tr>
<tr>
<td>Robert L. Putsock</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>XXX-XX-8460</td>
<td>Secretary</td>
<td>12/1/2007</td>
<td>Open</td>
</tr>
<tr>
<td>Neil Kok</td>
<td>46226 National Road, St. Clairsville, Ohio 43950</td>
<td>Unk</td>
<td>President</td>
<td>10/2/2006</td>
<td>8/6/2012</td>
</tr>
</tbody>
</table>
APPENDIX 1-8

LETTER FROM CARBON COUNTY
February 6, 1998

David Shaver
Andalex Resources Inc.
Manager, Technical Services
PO Box 902
Price, UT 84501

Dear Mr. Shaver,

Carbon County does hereby authorize Andalex Resources, Inc. to construct its West Ridge coal mining facilities within 100 feet of Carbon County's proposed C Canyon road in the NW ¼ of Sec 15, T14S, R13E. Andalex should avoid any negative impacts to the county road and should place a sign on the road to indicate that a controlled access area lies beyond. Ingress and egress from the county road to the mine facilities should be designed and constructed to provide maximum safety to the public users of the road. All mining operations adjacent to the road should be conducted in a manner that assures safety to the public.

Carbon County will be responsible for maintenance of the C Canyon road. However, Andalex will be responsible for maintenance of that segment of the road located within the disturbed area of the West Ridge mine yard.

Carbon County will require that Andalex leave the county road in place and intact upon final reclamation of the mine site, and terminate the road at a parking area/turn around for public use. The road will be left in a condition which provides safe and convenient access to public lands in the C Canyon area. Retention of this road is an acceptable post-mining land use which serves the best interests of the public and to consistent with Carbon County's management plan.

Carbon County concurs with the post-mining land use proposed by Andalex which is essentially the same that exists there now (i.e. wildlife habitat, grazing & recreational uses).

Sincerely,

William D. Krompel
Carbon County Commissioner

INTEGRATED EFFECTIVE: APR 01 1999

Neil Breinholt, William Krompel, Mike Milovich — Commissioners
APPENDIX 1-9

COAL LEASE MODIFICATION SL-068754-U-01215
Coal lease SL-068754-U-01215 was modified effective September 1, 1998. All terms and conditions of the original lease were made consistent with the laws, regulations, and lease terms applicable at the time of this modification.

A cash bond of $8,000 is on file in this office and has been determined to be adequate coverage to include the modification of coal lease SL-068754-U-01215.

The method of payment of the fair market value for the area of the lease modification is listed in No. 16 of the special lease stipulations.

Additional rental of $180.00 to cover the estimated additional rental for the current rental year was submitted to this office August 31, 1998. Rental in the amount of $3.00 per acre, or a total of $7,953 is due on June 1, 1999, and payable to the Minerals Management Service.

Enclosure
Copy of Lease Modification
cc: ANDALEX Resources, Inc. (w/encl)
P.O. Box 902
Price, Utah 84501

Intermountain Power Agency (w/encl)
Department of Water & Power
City of Los Angeles
Attn: William W. Engels
111 No. Hope Street, Room 1107
Los Angeles, CA 90012

Stoel Rives LLP (w/encl)
Attn: John S. Kirkham
201 South Main Street, Suite 1100
Salt Lake City, Utah 84111

Lowell Braxton, Director (w/encl)
Utah Division of Oil, Gas and Mining
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Price Coal Office (w/encl)
MMS, Solid Minerals Staff (w/encl)
PART I.

THIS MODIFIED COAL LEASE is entered into on SEP 1 1998, by and between the UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and Andalex Resources, Inc. (50%) Intermountain Power Agency (50%)
45 West 10600 South, Suite 401 480 East 6400 South, Suite 200
Sandy, Utah 84070 Murray, Utah 84107

hereinafter called Lessee.

This modified lease shall retain the effective date of June 1, 1951, of the original COAL LEASE SL-068754-U01215, and is effective for a period of 20 years therefrom, and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year (September 1, 1976), and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the: (NOTE: Check the appropriate Act or Acts.)


and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessee as the holder of Coal Lease SL-068754-U-01215, issued effective June 1, 1951, was granted the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 1.

The Lessor in consideration of fair market value, rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to Lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 2.

Tract 1:

T. 14 S., R. 13 E., SLM, Utah
Sec. 10, NE, N2SE, E2NW;
Sec. 11, all;
Sec. 12, S2SW, NWSW;
Sec. 13, S2, NW, S2NE, NWNE;
Sec. 14, E2, N2NW, SENW;
Sec. 24, N2, N2SE, NESW.

Containing 2,570.67 acres - Carbon County

Tract 2:

T. 14 S., R. 13 E., SLM, Utah
Sec. 10, SESE;
Sec. 15, NENE.

Containing 80.00 acres - Carbon County

I INCORPORATED EFFECTIVE:

UTAH DIVISION OIL, GAS AND MINING
Part II. TERMS AND CONDITIONS

Sec. 1.(a) RENTAL RATE - Lessee shall pay Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of $3.00 per acre for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2.(a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the Lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the Lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of $8,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease must achieve diligent development by June 1, 2001, or be terminated pursuant to authority of law. After achievement of diligent development it becomes subject to the conditions of continued operation. Continued operation may be excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the Lessee. The Lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension.

The Lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5. LOGICAL MINING UNIT (LMU) - The lands contained in the original lease are not currently included in an LMU or an LMU application.

Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION - At such times and in such form as Lessor may prescribe, Lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of Lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow Lessor access to and copying of documents reasonably necessary to verify Lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by Lessor to accomplish the intent of this lease term. Such measures may include, but not limited to, modification to proposed siting or design of facilities, timing of operations, and specifications of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder.
and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of Lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 8 PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither Lessee nor Lessee’s subcontractors shall maintain segregated facilities.

Sec. 9.(a) TRANSFERS

(X) This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) RELINQUISHMENTS - The Lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon Lessor’s acceptance of the relinquishment, Lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. - At such times as all portions of this lease are returned to Lessor, Lessee shall deliver up to Lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, Lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the Lessor, but Lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the Lessor. If the surface is owned by third parties, Lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by Lessee’s activity or activities incidental thereto, and reclaim access roads or trails.

Sec. 11. PROCEEDINGS IN CASE OF DEFAULT - If Lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the Lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by Lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 12. HEIRS AND SUCCESSORS - IN-INTEREST - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 13. INDEMNIFICATION - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the Lessee’s activities and operations under this lease.
Sec. 14. SPECIAL STATUTES - This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

Sec. 15. SPECIAL STIPULATIONS -

The following stipulations made part of this lease may be waived or amended with the mutual consent of the lessor and lessee.

1. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable, a Utah program equivalent approved under cooperative agreement in accordance with Sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. The permitting of any mining operations on the lease will be subject to the possible designation of any portion of the lease as unsuitable for some or all kinds of surface mining under the regulations of the Department under the Surface Mining Control and Reclamation Act of 1977 (SMCRA) in effect at the time of action on the mine plan permit.

3. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a cultural resource inventory of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural resources.

If significant cultural resources are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the authorized officer who shall evaluate or have evaluated such discoveries and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by qualified paleontologists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the authorized officer who shall evaluate or have evaluated such discoveries brought to his attention and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.
5. If there is reason to believe that threatened or endangered (T&E) species of plants or animals, or migratory species of high Federal interest occur in the area, the lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. A listing of migratory birds of high Federal interest in Federal coal producing regions is published by the Fish and Wildlife Service, Migratory Bird Management Office, Washington, D.C. The inventory shall be conducted by qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the lessee.

6. The lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data is adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation, and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

7. Powerlines on the lease area used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

8. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

9. The lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data.

10. Except at specifically approved locations, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: 1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, 2) cause damage to existing surface structures, or 3) damage or alter the flow of perennial streams.

11. In order to avoid surface disturbance on steep canyon slopes and to satisfy the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

12. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to a premining land use.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, lessor reserves the right to seek damages against the operator/lessee in the event (I) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or unrecovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminnable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined.
Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 as approved will not attain MER as the result of changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left unmined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unminable or at such time that the lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the lessor that payment is due under this stipulation is appealable as allowed by law.

14. WASTE CERTIFICATION: The lessee shall provide on a yearly basis and prior to lease relinquishment, certification to the lessor that, based upon a complete search of all the operator’s records for the mine and upon their knowledge of past operations, there has been no hazardous substances per (40 CFR 302.4) or used oil as per Utah State Management Rule R-315-15, deposited within the lease, either on the surface or underground, or that all remedial action necessary has been taken to protect human health and the environment with respect to any such substances remaining on the property. The back-up documentation to be provided shall be described by the lessee prior to the first certification and shall include all documentation applicable to the Emergency Planning and Community Right-to-know Act (EPCRA, Public Law 99-499), Title III of the Superfund Amendments and Reauthorization Act of 1986 or equivalent.

15. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The lessee shall notify the Authorized Officer in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put in place, the lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground. The Authorized Officer may participate in this inspection. The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and State Management Rule R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the lessee’s expense and shall be submitted to the Authorized Officer as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the Authorized Officer has granted a written approval.

16. Due to the uncertainty of the amount of recoverable coal tons in this modification and the uncertainty in mining conditions, the lessee will pay the fair market value (FMV) for the coal resources mined in the area of Federal Coal Lease Modification SL-068754-U-01215 at the rate of $0.25 per ton for the actual tonnage mined. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Minerals Management Service (MMS). The lessee will clearly indicate which portion of the payment is for royalty and what is for lease bonus payment.
ANDALEX Resources, Inc.
Company or Lessee Name

(Signature of Lessee)

Vice President, Finance
(Title)

8/24/98
(Date)

The United States of America

By Bureau of Land Management

(Signing Officer)

Group Leader
Minerals Adjudication Group
(Title)

SEP 1 1998
(Date)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.
APPENDIX 1-10
SITLA - SPECIAL USE LEASE (TOPSOIL BORROW AREA)
December 15, 1998

Mr. Dave Shaver
Andalex Resources, Inc.
P.O. Box 902
Price, UT 84501

RE: Special Use Lease Agreement No. 1163

Dear Mr. Shaver:

Special Use Lease Agreement No. 1163 has been fully executed by the Director of the Trust Lands Administration. One original document is enclosed for your records.

Sincerely,

Diane Durrant
Trust Lands Technician

Enclosure
SPECIAL USE LEASE AGREEMENT NO. 1163

Fund: School

The STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, LESSOR, hereby leases to Andalex Resources, Inc., LESSEE, P.O. Box 902, Price, Utah 84501, the following described tract of trust land in Carbon County, Utah, to-wit:

Township 14 South, Range 13 East, SLB&M
Section 16: Within the SE¼

Beginning at a point 1600 feet north of the southeast corner of Section 16 and located along the eastern section line of said section, thence 600 feet west, thence 700 feet north, thence 600 feet east, thence 700 feet south to the point of beginning, containing 9.6 acres more or less, said parcel being located entirely within the SE¼ of Section 16.

TO HAVE AND TO HOLD for a term of 30 years, beginning October 1, 1998, and expiring September 30, 2028, subject to any and all existing valid rights in said land and subject also to the following terms and conditions. LESSOR and LESSEE enter into this Special Use Lease Agreement for the purpose that LESSEE develop the land in the manner hereinafter described and consistent with the principles and objectives of land development expressed and implicit in the Enabling Act of Utah (Act of July 16, 1894, Ch. 138, 28 Stat. 107) and Article X of the Constitution of the State of Utah. The LESSEE takes this lease subject to the continued regulation of the School and Institution Trust Lands Administration pursuant to the rules of the Trust Lands Administration as they may be adopted hereafter.

1. Purpose of Lease. The subject tract shall be used by LESSEE for the purpose of a topsoil source for possible future use during the final reclamation of the West Ridge Mine Site. All improvements constructed on the subject tract shall comply with the applicable provisions of the Uniform Building Code, current edition, and the International Conference of Building Officials.

2. Rental. LESSEE shall pay annually in advance to the LESSOR, as rental for the subject tract, the sum of $500.00 for the first 5-year period of this lease. Thereafter the rental shall be adjusted pursuant to paragraph 4 below. LESSOR acknowledges the receipt of $1,450.00 which is payment of rental for the year October 1, 1998 through September 30, 1999, and which includes the $250.00 application fee and the $700.00 lease processing charge. In addition to the rentals as provided above, LESSEE agrees to pay for any material removed from the leased premises at a rate equal to the fees charged by the LESSOR under a materials permit. The rate will be determined at the time the material is removed. Failure to pay the rental for a period of one month from the date such rent is due, and upon expiration of a written notice from LESSOR to LESSEE requiring performance within thirty (30) days, shall constitute a default and entitle the LESSOR to forfeit the LESSEE's interest in the lease and all improvements or to take...
other legal remedies available at law.

3 Rental Adjustments. LESSEE agrees that LESSOR shall have the right to adjust the annual rentals provided for in Paragraph 2 at the end of the first 5-year period, and every 5 years thereafter, as LESSOR shall deem to be reasonably necessary in the best interest of the State. Said adjustment shall be calculated by one of the following methods as determined by the LESSOR:

a. At the end of any 5-year period, the increase shall be tied to the annual percentage of increase index established by the Board of Trustees for the School and Institutional Trust Lands Administration pursuant to Trust Lands Administration rule R850-30-400(4), or by any replacement rule that shall be then in effect. The base rental to be adjusted shall be multiplied by the sum of the indices established for the years in the review period.

b. At the end of any 5-year period, the Trust Lands Administration may make a preliminary appraisal of the subject property. The value of the subject property as determined by this appraisal, multiplied by the current prime rate, as published by Zion's First National Bank, will be the adjusted annual rental.

4. Compliance. LESSEE, in exercising the privileges granted by this lease, shall comply with the provisions of all valid Federal, State, County, and Municipal laws, ordinances, and regulations which are applicable to the subject tract and operations covered by this lease.

5. Survey Monuments. LESSEE shall take reasonable precautions to protect, in place, all public land survey monuments and private property corners.

6. Access. LESSEE agrees to permit LESSOR free and unrestricted access to and upon the subject tract at all reasonable times for all lawful and proper purposes not inconsistent with the intent of this lease or with the reasonable exercise and enjoyment by the LESSEE of the rights and privileges granted herein.

7. Antiquities. It is hereby understood and agreed that all treasure-trove and all articles of antiquity in or upon the subject lands are and shall remain the property of the State of Utah. LESSEE shall report any discovery of a "site" or "Specimen" to LESSOR and the Division of State History in compliance with the provisions of Section 9-8-305, Utah Code Annotated (1953), as amended and take such action as may be required for the protection of said site or specimen.

8. Default. In the event of a default or breach by LESSEE and LESSEE's failure to cure such default or breach, LESSOR may at any time and with or without notice do any one or more of the following:
a. Re-enter the Lease Premises, remove all persons and property, and repossess and enjoy such premises.

b. Terminate this Lease and LESSEE's right of possession of the Lease Premises. Such termination shall be effective upon LESSOR’s giving written notice and upon receipt of such notice LESSEE shall immediately surrender possession of the Lease Premises to LESSOR. Upon such termination, all improvements on the premises shall, at LESSOR's discretion, be forfeited and become the property of the LESSOR subject only to any previously approved waiver of interest or security interest.

c. Maintain this Lease in full force and effect and recover any rental, royalty, or other consideration as it becomes due without terminating LESSEE's right of possession regardless of whether LESSEE shall have abandoned the Lease Premises.

d. The LESSOR may seek damages for any and all violations or defaults with or without canceling this lease. In the event LESSOR deems the breach or default to constitute a threat to safety, life, or property it may elect to intervene immediately, without notice, to remedy the breach or default and LESSEE hereby agrees to repay LESSOR for all costs in remedying the breach or default upon demand, together with interest thereon from the date of expenditure at the rate set forth in this Lease. Alternatively, LESSOR may require LESSEE itself to act immediately to remedy the breach or default, should LESSOR deem it a threat to safety, life, or property.

e. Exercise any other right or remedy which LESSOR may have at law or equity.

9. Survival. LESSEE agrees that all obligations of LESSEE to be performed prior to the expiration or earlier termination shall not cease upon the termination or expiration of this lease, and shall continue as obligations until fully performed. All clauses of this lease which require performance beyond the termination or expiration date shall survive the termination or expiration date of this lease. However, upon expiration or earlier termination of this Lease, the rights of LESSEE and of all persons, firms, corporations, and entities claiming under LESSEE in and to the premises and all improvements hereon, unless specified otherwise in this Lease, shall cease.

10. LESSOR’s Right to Cure Defaults. If LESSEE fails to perform and is in default of any undertaking or promise contained herein, including those set forth in any plan of development, the LESSOR shall have the option, but is not obligated, to make such performance after giving 10 days written notice to the LESSEE. The LESSOR's costs and expense to correct LESSEE's failure to perform shall be reimbursed by LESSEE and shall be immediately due and payable, together with interest accruing from the date such cost or expense is incurred.

11. Remedies Cumulative. The specified remedies to which the LESSOR may resort under the terms of this lease are cumulative and are not intended to be exclusive of any other
remedies or means of redress to which LESSOR may lawfully be entitled in case of any breach or threatened breach by LESSEE of any provision of this lease.

12. Force Majeure. The LESSEE’s failure to comply with any of the obligations under this lease shall be excused only if due to causes beyond LESSEE’s control and without the fault or negligence of the LESSEE, including acts of God, acts of the public enemy, acts of any government, fires, floods, epidemics and strikes.

13. Bond. LESSEE agrees to furnish LESSOR a performance and reclamation bond in such type and amount and by such date as LESSOR may request. Further, it is expressly agreed that LESSOR may at any time, upon 30 days notice by certified mail, require LESSEE to furnish LESSOR such additional performance and reclamation bond as LESSOR may deem to be in the best interest of the State of Utah.

14. Improvements upon Termination or Expiration. Upon the expiration or earlier termination of this lease, LESSEE shall have the right to remove from the premises all personal property and fixtures. All physical improvements attached to the land shall become the property of LESSOR upon such expiration or termination; provided that by written notice given within thirty (30) days of such expiration or termination, LESSOR may require LESSEE to remove any such improvements at LESSEE’s sole cost and expense, in which event LESSEE shall cause such improvements to be removed and the land restored within sixty (60) days of the giving of such notice.

15. Indemnity. LESSEE agrees to protect, indemnify and save harmless the LESSOR, its agents and employees, from and against all claims, demands, damages, and causes of action of every kind or character on account of bodily injuries, death, or damage to property arising because of, for, out of, or in any way connected with the performance of this agreement, except where such injury, death, or damage has resulted from the sole negligence of the LESSOR, without negligence or willful act on the part of the LESSEE, its agents, employees, or subcontractors, it being the intent of this provision that the LESSEE indemnify the LESSOR and its agents and employees regardless of whether or not such injury, death, or damage is caused in part by the LESSOR, its agents and employees. LESSEE shall defend all suits brought upon such claims and pay all costs and expenses incidental thereto, but the LESSOR shall have the right, at its option, to participate in the defense of any such suit without relieving the LESSEE of any obligation hereunder.

16. Insurance.

a. Casualty Insurance. Throughout the entire term, LESSEE, at its sole cost and expense, shall cause the premises, improvements, and equipment to be insured against fire, windstorm, or other casualty or hazard with extended coverage in such amounts and with such deductibles as may reasonably be required. This insurance coverage shall not be less than the estimated
replacement cost of the improvements.

b. Bodily Injury, Property Damage and Other Insurance. In addition to the insurance required in a. above, LESSEE, at its sole cost and expense, shall purchase and maintain during the entire term the following insurance, subject to the terms and conditions set forth in c. below:

(i) Comprehensive bodily injury and property damage liability insurance against claims for bodily injury, death, or property damage, occurring in, on, or about the premises (including any injury, death, or property damage arising from a hazardous activity permitted under the lease), such insurance to afford minimum protection during the entire term of not less than One Million Dollars ($1,000,000.00) in respect of bodily injury or death to any one person or in respect of any one accident, and of not less than One Million Dollars ($1,000,000.00) for property damage, the foregoing dollar amounts being subject to increase by the percentage increase in the CPI not more frequently than every five (5) lease years, provided that LESSEE shall not carry less than the amount or scope of coverage customary in the mining industry from time to time; and,

(ii) During any period of building construction, including the construction of the initial improvements, and all alterations and restorations:

(a) Builder's Risk Insurance written on the Completed Value Form or on the Monthly Reporting form;

(b) Workmen's compensation insurance covering all persons employed in connection with the work and with respect to whom death or bodily injury claims could be asserted against LESSOR, LESSEE, or the premises; and

(c) General liability insurance with limits in accordance with applicable law and then-current mining industry standards shall be maintained by LESSEE at LESSEE's sole cost and expense at all times when any work is in progress.

c. Conditions and Requirements of Insurance. All insurance required by this Article and any additional insurance maintained by LESSEE with respect to the premises and improvements shall:

(i) Name LESSOR as loss payee or additional insured as its interest may appear;

(ii) Be effected under valid and enforceable policies issued by insurers of recognized responsibility that are licensed to do business in the State of Utah, including insurance pools or risk management arrangements which may generally provide such insurance coverage in the mining industry from time to time;
(iii) To the extent reasonably obtainable, expressly waive any right of subrogation against LESSOR; and,

(iv) To the extent reasonably obtainable, have attached thereto:

(a) An endorsement that such policy shall not be canceled without at least thirty (30) days' prior written notice to LESSOR; and,

(b) An endorsement to the effect that no act or omission of LESSEE shall invalidate the interest of LESSOR therein.

(v) Provide that the insurance coverage for the State or Agency is primary and not contributing; that other insurance of the State or Agency is excess over the insurance required by this lease; and, the amount of the insurance company's liability or coverage limits required by this lease shall not be reduced by the existence of other State or Agency insurance.

d. Copies of Policies to Lessor. Upon the commencement date, and thereafter not less than thirty (30) days prior to the expiration dates of the policies furnished pursuant to this Article, LESSEE shall deliver to LESSOR policy copies of certificates thereof, in the case of bodily injury and property damage liability insurance, bearing notations evidencing the payment of premiums or accompanied by other evidence of such payment.

e. Adjustments. LESSOR and each mortgagee shall have the right to participate in the adjustment of any insurance claim filed by LESSEE relating to any insurance required by this Article to the extent necessary to protect their respective interests in the premises and the improvements.

17. Condemnation.

a. Total taking.

(i) Termination and distribution. If at any time during the term of this lease, the whole or the premises is taken by condemnation or other act of eminent domain (a "Taking" or "Taken"): 

(a) this lease shall terminate and expire on the date of such Taking and LESSEE shall pay within thirty (30) days after the date of Taking all lease rentals accrued to the date of Taking;

(b) LESSEE shall comply with all of its other obligations under this lease up to the date of Taking; and

(c) LESSEE's share of any condemnation award shall be disbursed to LESSEE.
b. Partial taking.

(i) Continuation of Lease. If at any time during the term of this lease title to less than the whole of the premises has been Taken, LESSEE shall have the right but not the obligation to continue this lease. LESSEE may, within thirty (30) days after receiving its share of the condemnation award, give notice of its election to terminate this lease, provided that each mortgagee consents in writing to such termination.

(ii) Proceedings. LESSOR, LESSEE, and any mortgagee shall have the right to participate in respect of their respective interests in any proceeding of purchase negotiations relating to any Taking. In case of any Taking, LESSEE shall bear its proportionate share of all reasonable costs and fees, including reasonable counsel fees and expenses incurred in the determination and collection on any condemnation award. LESSOR shall bear only such costs, expenses, and fees as it may authorize in writing.

18. Assignment and Sublease. LESSEE shall not assign this lease, in whole or in part, nor sublease the leased premises, nor allow unauthorized or commercial use of the premises without obtaining the prior written consent of LESSOR.

a. In granting such approval, LESSOR reserves the right to change the terms and conditions of this lease as it may affect the sublessee/assignee. The LESSOR shall be entitled to consider, among other items, the proposed sublessee's/assignee's financial condition, managerial capability, business reputation, nature of the proposed sublessee's/assignee's business, the then current fair market rental value of the premises, and such other factors as may reasonably bear upon the suitability of the sublessee/assignee or transferee as a tenant of the premises or the holder of this Lease.

b. Approval may also be conditioned on, among other items, additional payment to reimburse the LESSOR for any additional costs of management or losses of payments resulting from the assignment.

c. Consent of the LESSOR to an assignment or transfer shall not constitute a waiver of the LESSOR's right to approve subsequent assignments or transfers. The acceptance by LESSOR of payment or performance following an assignment or transfer shall not constitute consent to any assignment or transfer, and LESSOR's consent shall be evidenced only in writing.

d. An assignment does not constitute a new lease but is continuation of the existing lease.

19. Mineral Exploration. LESSOR expressly reserves the right to lease said lands to third parties for mineral exploration and/or development purposes together with the right to grant the mineral LESSEE reasonable access by ingress and egress to and from the mineral estate through the surface estate in connection with mineral exploration and/or development, but
without damage to improvements made by LESSEE.

20. **Title.** LESSOR claims title in fee simple, but does not warrant to LESSEE the validity of title to the leased premises. LESSEE shall have no claim from damages or refund against the LESSOR for any claimed failure or deficiency of LESSOR's title to said lands or for interference by any third party. LESSEE takes possession subject to all existing encumbrances, rights-of-way, or encroachments as may exist or be of record. Possession is subject to a reservation of rights-of-way as may be necessary to access other state land.

21. **Water Rights.** If LESSEE shall initiate or establish any water right on the leased premises, such right shall become an appurtenance of the leased premises. LESSEE agrees that any existing application to appropriate water on said State land shall be transferred to the School and Institutional Trust Lands Administration after the application has been completed, without any cost to the State. It is expressly understood and agreed that this lease does not confer any rights upon LESSEE to use any water presently developed on the subject lands.

22. **Fire.** LESSEE shall at all times observe reasonable precautions to prevent fire on the leased premises and shall comply with all applicable laws and regulations of any governmental agency having jurisdiction. In the event of a fire on the leased premises proximately caused by LESSEE, its servants, employees, agents, sublessees, assignees or licensees which necessitates suppression action, LESSEE agrees to reimburse LESSOR for the cost of such fire suppression action.

23. **Fencing.** LESSEE may fence the leased premises at his own expense, but if there is no fence erected, LESSEE shall have no right of action against any other State grazing permittee by reason of a trespass upon the leased premises. The right of LESSEE to fence the leased premises shall be subject to the LESSOR's rights of access across state lands to other state lands.

24. **Insolvency of Lessee.** If the LESSEE becomes insolvent, bankrupt, or has a receiver appointed, the LESSOR may terminate this lease. Insolvency as used herein will mean the inability of the LESSEE to meet obligations as they come due.

25. **Waste.** LESSEE shall neither commit nor permit any waste on the said leased lands. LESSEE shall maintain said lands in good condition and at its own expense, free from any nuisance. Surface and subsurface areas will be cleaned of all trash, debris, and waste of any kind to the satisfaction of the LESSOR. LESSEE shall maintain the leased premises to standards of repair, orderliness, neatness, sanitation, and safety as required by law and applicable regulations.

26. **Pollution.** LESSEE shall be bound by all of the environmental regulatory programs, including air quality, water pollution and water quality, solid and hazardous waste management and underground storage tanks, and other conditions as contained in the provisions, conditions, and rules and regulations developed under authority of Title 19, Utah Code Annotated (1953) as
amended.

27. Hazardous, Toxic, or Harmful Substances.

a. LESSEE shall not make, or suffer to be made, any filling in of the premises or any deposit of rock, earth, ballast, refuse, garbage, waste matter, chemical, biological or other wastes, hydrocarbons, any other pollutants, or other matter within or upon the premises, except as approved in writing by the LESSOR. If the LESSEE fails to remove all non-approved fill material, refuse, garbage, wastes or any other of the above materials from the premises, the LESSEE agrees that the LESSOR may, but is not obligated to, remove such materials and charge the LESSEE for the cost of removal and disposal.

b. LESSEE shall not keep on or about the premises any substances now or hereinafter designated as or containing components now or hereinafter designated as hazardous, toxic, dangerous, or harmful, and/or which are subject to regulation as hazardous, toxic, dangerous, or harmful by any federal, state or local law, regulation, statute or ordinance (hereinafter collectively referred to as "Hazardous Substances") unless such are necessary to carry out LESSEE's permitted use under paragraph 1 and unless LESSEE fully complies with all federal, state and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended and unless LESSEE has notified LESSOR of all Hazardous Substances necessary to carry out such purposes which will be kept or used on the property.

c. LESSEE shall:

(1) Immediately notify the LESSOR of (i) all spills or releases of any Hazardous Substance affecting the premises, (ii) all failures to comply with any federal, state or local law, regulation or ordinance, as now enacted or as subsequently enacted or amended, (iii) all inspections of the premises by, or any correspondence, orders, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private party concerning the premises; and

(2) On request, provide copies to the LESSOR of any and all correspondence, pleadings, and/or reports received by or required of LESSEE or issued or written by LESSEE or on LESSEE's behalf with respect to the use, presence, transportation or generation of Hazardous Substances related to the premises.

d. LESSEE shall be fully and completely liable to the LESSOR, and shall indemnify, defend, and save harmless LESSOR and its agencies, employees, officers, and agents with respect to any and all damages, costs, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs assessed against or imposed as a result of LESSEE's use, disposal, transportation, generation and/or sale of Hazardous Substances or that of LESSEE's
employees, agents, assigns, sublessees, contractors, subcontractors, licensees or invitees, and for any breach of this subsection.

28. **No Partnership.** The LESSOR is not a partner nor a joint venturer with the LESSEE in connection with the activities conducted and business carried on under this lease and the LESSOR shall have no obligation with respect to the LESSEE's debts or other liabilities.

29. **Time of Essence.** Time is expressly declared to be of the essence of this lease and each and every covenant of LESSEE hereunder.

30. **Amendments.** Any amendments, revisions, supplements, or additions to this Lease or the attached exhibits shall be made in writing executed by the parties hereto, and neither LESSOR nor LESSEE shall be bound by verbal or implied agreements.

31. **Entire Agreement.** This written lease or its successor or replacement contains the entire agreement of the parties hereto with respect to the matters covered hereby, and no other agreement, statement or promise made by any party hereto, or to any employee, officer or agent of any party hereto, which is not contained herein, shall be binding or valid.

32. **Invalidity.** If any term or provision of this Lease or the application thereof to any person or circumstance shall to any extent prove to be invalid, unenforceable, void, or illegal, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall be not affected thereby, and each term and provision of this Lease shall be valid and be enforced as written to the fullest extent permitted by law.

33. **Consent to Suit.** The LESSEE consents to suit in the courts of the LESSOR in any dispute arising under the terms of this lease or as a result of operations carried on under this lease. Service of process in any such action is hereby agreed to be sufficient if sent by certified mail to the LESSEE at the last known address of LESSEE appearing on the LESSOR's records.

34. **Venue.** The LESSEE agrees for itself, its heirs, successors and assigns that any suit brought by the LESSEE, its heirs, successor or assigns concerning this lease may be maintained only in the Utah State District Court of Salt Lake County.

35. **No Waiver of Conditions.** Waiver by the LESSOR of any default of the LESSEE or failure of the LESSOR to timely enforce any provisions of this lease shall not constitute a waiver of or constitute a bar to subsequent enforcement of the same or other provisions of this lease. No provision in this lease shall be construed to prevent the LESSOR from exercising any legal or equitable remedy it may otherwise have.

36. **Inspection of Books.** LESSEE shall permit any authorized representative of the
LESSOR to examine all books and records pertaining to its operations and royalties payable to LESSOR under the lease at their regular place of business with reasonable notice, and to make copies of and extracts from such books and records if desired.

37. Right to Audit. The LESSOR has the right to audit the LESSEE's performance of the terms and conditions of this lease. Nevertheless, it is the continuing duty of the LESSEE to faithfully perform all of the terms, conditions, and obligations of this lease, including, but not limited to, the duty to properly calculate and render to the LESSOR any and all amounts due. Any term, condition, provision, or obligation subject to change or interpretation shall be deemed self-executing, and shall in no way shift or relieve the LESSEE of its continuing duties and obligations.

38. Attorney's Fees. In the event the LESSOR shall prevail in any action or suit for the enforcement of any provision of this lease or concerning this lease in any manner, the LESSEE shall pay to the LESSOR a reasonable attorney's fee on account thereof.

39. Lessor's Lien. LESSOR shall have at all times a valid lien for all rentals and other sums of money becoming due hereunder from LESSEE, upon all goods, wares, equipment, fixtures, furniture and other personal property of LESSEE situated on the Premises, and such property shall not be removed therefrom without the consent of the LESSOR until all arrearage in rent as well as any and all other sums of money then due to LESSOR hereunder shall first have been paid and discharged. Upon the occurrence of any event of default by LESSEE, LESSOR may, in addition to any other remedies provided herein or by law, enter upon the Premises and take possession of any and all goods, wares, equipment, fixtures, furniture and other personal property of LESSEE situated on the Premises without liability for trespass or conversion, and sell the same with or without notice at public or private sale, with or without having such property at the sale, at which LESSOR or its assigns may purchase, and apply the proceeds thereof less any and all expenses connected with the taking of possession and sale of the property, as a credit against any sums due by LESSEE to LESSOR. Any surplus shall be paid to LESSEE and LESSEE agrees to pay any deficiency forthwith. Alternatively, the lien hereby granted may be foreclosed in the manner and form provided by law for foreclosure of security interest or in any other form provided by law. The statutory lien for rent is not hereby waived, the express contractual lien herein granted being in addition and supplementary thereto. Anything herein to the contrary notwithstanding, purchase money financing of LESSEE's removable trade fixtures and equipment shall not be a default. LESSEE will execute upon LESSOR's request a financing statement and security agreement evidencing LESSOR's security interest in LESSEE's personal property and warrants to LESSOR that there are no prior liens or security interest on said personal properties.

40. Notice. Any notice contemplated herein to be served upon LESSEE shall be in writing and shall be deemed sufficient if deposited in the United States mail, postage prepaid and certified or registered, and addressed as follows:
Andalex Resources, Inc.
P.O. Box 902
Price, Utah 84501

or at any such other address as LESSEE may from time to time designate by written notice to LESSOR.

41. Responsibilities of Successors. The provisions hereof shall inure to and be binding upon the successors and assigns of LESSEE.

IN WITNESS WHEREOF, the State of Utah, by and through the School and Institutional Trust Lands Administration, has caused these presents to be executed this [ ] day of December, 1998 by the Director.

LESSOR:
STATE OF UTAH
SCHOOL AND INSTITUTIONAL
TRUST LANDS ADMINISTRATION
675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818

By: DaviDT. Terry
DAVID T. TERRY, DIRECTOR

LESSEE:
Andalex Resources, Inc.
P.O. Box 902
Price, Utah 84501

By: Samuel McGuire
Vice President Operations

APPROVED AS TO FORM:
JAN GRAHAM
ATTORNEY GENERAL

BY:
Dawn Soper
Assistant Attorney General

Date: Dec 4, 1998

INCORPORATED
EFFECTIVE:
APR 01 1998

UTAH DIVISION OIL, GAS AND MINING
On the 14th day of December, 1998, personally appeared before me David T. Terry, who being by me duly sworn did say that he is the Director of the School and Institutional Trust Lands Administration, and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 14th day of December, 1998

My commission expires: March 29, 1999

Notary Public

STATE OF UTAH
COUNTY OF SALT LAKE

On the 9th day of December, 1998, personally appeared before me Samuel C. Bradley, who being by me duly sworn did say that he is the Vice President of Andalex Resources, Inc., and the signer of the above instrument, who duly acknowledged that (s)he executed the same.

Given under my hand and seal this 9th day of December, 1998

My commission expires: 

Notary Public

STATE OF UTAH
COUNTY OF CARBON

INCORPORATED EFFECTIVE: APR 01 1998

UTAH DIVISION OIL, GAS AND MINING
APPENDIX 1-11

MATERIAL DEPOSIT SPECIAL USE LEASE AGREEMENT

INCORPORATED

EFFECTIVE:

APR 01 1990

UTAH DIVISION OIL, GAS AND MINING
MATERIAL DEPOSIT
SPECIAL USE LEASE AGREEMENT

THIS MATERIAL DEPOSIT SPECIAL USE LEASE AGREEMENT (the "Agreement") is made and entered into as of this 6th day of January, 1999 by and among ANDALEX Resources, Inc., a Delaware corporation ("ANDALEX"), and The Himonas Brothers Partnership, a Utah general partnership, whose general partners consist of Gust Himonas, an individual, George Himonas, an individual, and Mike Himonas, an individual (said partnership and its general partners being collectively referred to herein as "Himonas").

RECITALS:

A. Himonas is the fee-simple owner of the surface and mineral estates of certain real property located in Carbon County, Utah, more particularly described as the Southwest Quarter of Section 1, Township 15 South, Range 12 East, Salt Lake Base and Meridian (the "Property"), upon a portion of which an operating gravel pit is presently situated (the "Gravel Pit").

B. ANDALEX and its affiliated companies conduct mining operations on certain other properties owned, leased or controlled by ANDALEX or its affiliated companies in Carbon County, Utah, which properties and operations are known as the West Ridge Mine (collectively, the "West Ridge Mine").

C. Pursuant to certain permits required to be held by ANDALEX in connection with the West Ridge Mine, ANDALEX must remove, at the time ANDALEX conducts final reclamation activities on the properties encompassing the West Ridge Mine (the "Reclamation Activities"), certain gravel, soils, rocks and other surface and sub-surface materials that ANDALEX has imported and deposited upon or will import and deposit upon the properties encompassing the West Ridge Mine (the "Materials").

D. Himonas desires to grant and convey to ANDALEX the right to deposit the Materials upon certain portions of the Property and ANDALEX desires to acquire and be conveyed the right to deposit the Materials upon said portions of the Property, subject to and in accordance with the terms and conditions set forth in this Agreement.
AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties hereto, and in further consideration of the mutual covenants and promises set forth herein, the parties hereto hereby agree as follows:

1. Grant of Deposit Right.

1.1 Subject to the remaining provisions of this Agreement, Himonas hereby grants and conveys to ANDALEX the right to enter upon and to deposit within the Gravel Pit or, at Himonas' election, upon any other ten (10) contiguous acres of the Property designated by Himonas (the "Designated Location"), any of the Materials removed from the West Ridge Mine in connection with the Reclamation Activities (the "Material Deposit Right"). ANDALEX may exercise the Material Deposit Right only at the time of and only in connection with ANDALEX's Reclamation Activities on the properties encompassing the West Ridge Mine.

1.2 Upon ANDALEX's exercise of the Material Deposit Right, ANDALEX shall, at ANDALEX's sole cost and expense:

1.2.1 Remove any top soil then overlaying the Gravel Pit or the Designated Location prior to depositing any Materials at said locations on the Property;

1.2.2 Cause any Materials ANDALEX deposits within the Gravel Pit or the Designated Location to be leveled or otherwise placed at a uniform depth within said locations on the Property;

1.2.3 Uniformly cover the deposited Materials with any removed topsoil upon completing its deposits of the Materials upon the Property; and

1.2.4 Revegetate any portion of the Gravel Pit or the Designated Location where ANDALEX removed topsoil in accordance with Section 1.2.1, hereof.

1.3 Thirty (30) days after ANDALEX commences Materials deposit activities on the Property, and upon each thirty (30) day anniversary thereof (individually, an "Accounting Date"), ANDALEX shall deliver to Himonas a written statement setting forth the quantity of Materials (expressed in cubic yards) deposited upon the Property during the prior thirty (30) day period (individually, an "Accounting Statement").

1.4 Upon ANDALEX's completion of the work contemplated by Section 1.2 hereof and upon ANDALEX's payment of all monies owed to Himonas hereunder, ANDALEX shall so notify Himonas in writing, whereupon this Agreement and each of the
parties' respective rights and obligations hereunder shall terminate (except as otherwise provided herein).

2. Consideration.

2.1 Initial Payment. Upon the execution of this Agreement, ANDALEX shall pay to Himonas the sum of TEN AND NO/100 DOLLARS ($10.00) or such other amount as the parties may otherwise mutually agree in writing.

2.2 Deposit Fee Payment. Within ten (10) business days after each Accounting Date, ANDALEX shall pay to Himonas the further sum of FIFTEEN CENTS ($0.15) for each cubic yard of Materials identified by ANDALEX on each Accounting Statement (the "Deposit Fee"); provided, however, that the Deposit Fee shall be adjusted annually on each anniversary date of this Agreement in accordance with the percentage change in the U.S. Producer Price Index for Finished Goods ("PPI") that occurred during the preceding one-year period as reported by the United States Government or by such other source that is mutually acceptable to ANDALEX and Himonas. For purposes of this Agreement, the PPI shall be deemed to be 130.8 (1982 = 100) as of the date of this Agreement. For example, and for purposes of illustration only, if the PPI increases from 130.8, to 140.8, as reported on the fifteenth anniversary of the date of this Agreement, the Deposit Fee that will be effective during the annual period immediately following the fifteenth anniversary of the date of this Agreement will be $0.1615 (rounded to the nearest hundredth of a cent) -- which amount is calculated as follows: $0.15 + [$0.15 x {(140.8 - 130.8) / 130.8}].

3. Covenants Running With the Land. Himonas understands, acknowledges and agrees that the rights granted and conveyed to ANDALEX hereunder are and shall be deemed covenants running with the title to the Property and that the Property shall be held, sold, conveyed, encumbered, leased, used, occupied and improved subject to and in accordance with said rights and the terms of this Agreement. This Agreement shall be binding upon Himonas and Himonas' heirs, successors and assigns and shall inure to the benefit of ANDALEX and its successors and assigns, and the properties encompassing the West Ridge Mine.

4. Compliance with Laws. ANDALEX shall comply, at its sole cost and expense, with any and all laws governing the Reclamation Activities and the exercise of the rights conveyed to ANDALEX hereunder, including without limitation, any and all bonding or land use laws, statutes, ordinances or regulations governing the deposit of the Materials on the Property in accordance herewith.

5. Hazardous Materials. ANDALEX shall not generate, manufacture, store or dispose of, on, under or about the Property or transport to or from the Property any flammable explosives, radioactive materials, hazardous wastes, toxic substances, asbestos, polychlorinated biphenyls, petroleum and petroleum byproducts, oil, gasoline (refined and unrefined) or related materials (as further defined herein, "Hazardous Materials"). For the

6. Indemnification.

6.1 ANDALEX shall indemnify and save Himonas harmless from and against any and all costs, losses, liabilities, injuries or damages to persons or property and from and against any and all claims, demands, suits, liens, causes of actions or judgments, arising from or in any way related to ANDALEX’s entry upon and egress from the Property or ANDALEX’s activities upon the Property, including without limitation, any reasonable attorneys’ fees incurred by Himonas in connection therewith.

6.2 The covenants set forth in this Section 6 shall survive the termination of this Agreement.

7. Early Termination. This Agreement may be terminated by Himonas in the event (i) ANDALEX becomes insolvent or admits its inability to pay its debts generally as they come due, (ii) any sheriff, marshall, custodian, trustee or receiver is appointed by order of any court of competent jurisdiction to take charge of or sell any material portion of the West Ridge Mine, or (iii) a case is filed by ANDALEX under the U.S. Bankruptcy Code or any other insolvency law.

8. Assignment. This Agreement may not be assigned by ANDALEX without the prior written consent of Himonas, said consent not to be unreasonably withheld.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above.

[Signature page follows]
"HIMONAS"

The Himonas Brothers Partnership
a Utah general partnership

By GUST HIMONAS
Its General Partner

By GEORGE HIMONAS
Its General Partner

By MIKE HIMONAS
Its General Partner

"ANDALEX"

ANDALEX Resources, Inc., a Delaware corporation

By Samuel J. Deca
Its Vice President, Operations

INCORPORATED
EFFECTIVE:

APR 01 1990

SCL1-43901.4 99999-0006
The foregoing instrument was acknowledged before me this 16th day of December, 1998 by Gust Himonas in his capacity as a general partner of The Himonas Brothers Partnership, a Utah general partnership.

The foregoing instrument was acknowledged before me this 16th day of December, 1998 by George Himonas in his capacity as a general partner of The Himonas Brothers Partnership, a Utah general partnership.

The foregoing instrument was acknowledged before me this 16th day of December, 1998 by Mike Himonas in his capacity as a general partner of The Himonas Brothers Partnership, a Utah general partnership.

The foregoing instrument was acknowledged before me this 28th day of December, 1998 by Samuel Quayle as the VP Operation of ANDALEX Resources, Inc., a Delaware corporation.
APPENDIX 1-12

WATER LINE/PUMP HOUSE RIGHT-OF-WAY
Right-of-Way/Temporary Use Permit Amended
Details of Amendment

On May 14, 1999, right-of-way UTU-77120 and temporary use permit UTU-77120-1 were issued for a water pipeline on public lands in Carbon County, Utah. The subject pipeline was granted under authority of the Federal Land Policy and Management Act of 1976 (90 Stat. 2776, 43 U.S.C. 1761) and in the Code of Federal Regulations Chapter 43, part 2800. On April 19, 1999, we received your application to amend the application and add additional public lands to the right-of-way. The amendment was not processed at the time the right-of-way was processed due to the need to complete additional environmental studies. Right-of-way UTU-77120 and temporary use permit UTU-77120-1 are hereby amended subject to the following terms, conditions and stipulations.

1. Authorization to utilize the following described lands for the construction, operation and maintenance of a water pipeline is hereby granted:

Salt Lake Meridian, Utah.
T. 15 S., R. 13 E.,
Sec. 4, W1/2W1/2NW1/4, E1/2NW1/4SW1/4.

T. 15 S., R. 13 E.,
Sec. 5, NE1/4NE1/4.

2. The amended right-of-way area is 10 foot wide, 8.818 feet in length and encompasses 2.02 acres more or less.
3. The amended temporary use permit area is 15 feet wide, 8.818 feet in width and encompasses 3.04 acres more or less.

4. Authorization is given to construct a pumping station in Salt Lake Meridian, T. 14 S., R. 13 E., sec. 21, NE1/4NE1/4. The dimension of this site is 100 by 100 feet and encompasses 0.23 acres more or less.

5. The additional rental for the period of May 14, 1999 through December 31, 2004 is $61.82. Please remit your check in the amount of $61.82 by June 30, 1999. Please make your check payable to U.S. Department of the Interior-BLM.

6. All terms, conditions, and stipulations found in the original grant and temporary use permit are in full, force and effect.

7. An archeologist shall be present to monitor construction within one (1) mile of Grassy Trail Creek.

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4 and the enclosed form 1842-1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) within thirty (30) days from receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

If you wish to file a petition pursuant to regulation 43 CFR 4.21 (58 FR 4939, January 19, 1993) or 43 CFR 2804.1 for a stay of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and petition for a stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted. This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4 and the enclosed form 1842-1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) within thirty (30) days from receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

If you wish to file a petition pursuant to regulation 43 CFR 4.21 (58 FR 4939, January 19, 1993) or 43 CFR 2804.1 for a stay of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and petition for a stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed with
this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay

Except as otherwise provided by law or other pertinent regulation, a petition of a stay of a decision pending appeal shall show sufficient justification based on the following standards:

(1) The relative harm to the parties if the stay is granted or denied,

(2) The likelihood of the appellants success on the merits,

(3) The likelihood of immediate and irreparable harm if the stay is not granted, and

(4) Whether the public interest favors granting the stay.

If you have any questions, please feel free to contact Mark Mackiewicz of my staff at (435) 636-3616.

Mark E. Bailey
Acting Field Manager

Enclosure
Form 1842-1

INCORPORATED
FEB 15 2002
DIV OF OIL GAS & MINING
APPENDIX 1-13

CORRESPONDENCE REGARDING SECURITY GATE
May 26, 2000

Mike Glasson, Environmental Coordinator
West Ridge Resources, Inc.
PO Box 902
Price, Utah 84501

Re: Revised Permit for Inclusion of Security Gate on C Canyon Road, West Ridge Resources, Inc.,
West Ridge Mine, ACT/007/041-AM00B, Outgoing File

Dear Mr. Glasson:

The security gate on the C Canyon Road has been approved and included in the permit area for
the West Ridge Mine. This amendment included a public notice of the occasional closure of this road.
The public comment period ended on May 11, 2000 and the Division received no comments. A copy of
the technical analysis is enclosed for your information as well as your stamped and approved pages for
this amendment to incorporate into the West Ridge Mine mining and reclamation plan. The "Amended
Analysis and Findings for the C Canyon Road" are also attached for your information (see attached).

Enclosed are two copies of the revised permit that include this portion of the C Canyon road
(ports of Section 15, SE1/4NE1/4 of T14SR13E). Please sign both copies of the permit and return
one to the Division.

If you have any questions, please feel free to call me or Pamela Grubaugh-Littig at
(801)-538-5268.

Sincerely,

Lowell P. Braxton
Director

Enclosures:
cc: Joe Wilcox, OSM, Denver
    Richard Manus, BLM, Price
    Mark Page, Water Rights, Price, w/o enc
    Dave Annoti, DEQ, Price, w/o enc
    Dennis Jones, DWR, Price, w/o enc
    Price Field Office
O:\007041\WR\FINAL\pg\app\AM00B.wpd
Mr. Mike Milovich, Chairman  
Carbon County Commission  
Carbon County Courthouse  
Price, Utah 84501

Dear Mr. Milovich:

On September 8, 1998, the Bureau of Land Management granted Carbon County a right-of-way to construct, operate and maintain a road that leads to a mine operated by West Ridge Resources, Inc. (UTU-74334). The subject grant was issued for a term of thirty (30) years with the right of renewal.

Recently there has been concern regarding a gate West Ridge Resources constructed approximately 1500 feet south of the mine site. The gate is located on public lands administered by the Bureau of Land Management within right-of-way UTU-74334. West Ridge Resources has met with my staff and requested authorization to lock the gate when necessary for safety and security reasons at the discretion of West Ridge Resources Management.

The Bureau of Land Management supports the decision to install and lock the gate in question. We hereby give our approval for Carbon County to install and lock the subject gate at your discretion. Please let us know in writing if this arrangement meets with approval of the Carbon County Commission.

If you have any questions, please feel free to contact Mark Mackiewicz of my staff at (435) 636-3616.

Sincerely,

Field Manager

cc: Mr. Michael Glasson  
West Ridge Resources, Inc.  
P. O. Box 902  
Price, UT 84501

Ms. Pamela Graubaugh-Littig  
Utah Division of Oil Gas and Mining  
P. O. Box 145801  
Salt Lake City, UT 84114-5801
Minutes of the meeting of the Board of Commissioners, Carbon County, State of Utah, held December 8, 1999, at the Courthouse Building, Price, Utah, commencing at 6:00 p.m.

Those present: William D. Krompel, Chairman
Michael S. Milovich, Commissioner
Tom Matthews, Commissioner

Also present: Robert P. Pero, County Clerk
Gene Strate, County Attorney
Jana Hoyt, Transcriptionist
Dave Levanger, Building & Zoning
Dennis Dooley, Personnel Director

Clerk's Certificate of Compliance with Open Meeting Law was filed.

Chairman Krompel led the Pledge of Allegiance to the Flag. A motion was made by Commissioner Milovich to approve minutes of November 3, 1999. Seconded by Commissioner Matthews. Motion carried.

Commissioner Milovich motioned to approve minutes of November 22, 1999, after amended. Commissioner Matthews seconded the motion. Motion carried.

The Warrant Edit Report was approved, as were the November Monthly Reports of Ambulance, Assessor, Building Official, Clerk/Auditor, Recorder, and Sheriff.

9) Discussion regarding action on "C" Canyon Road in connection with Andalex's Quit Claim Agreement and security concerns at the coal mine site-Dave Shaver.

Mr. Shaver explained that the C Canyon Road terminates at the mine. There is a gate in place, of which Westridge could grant ownership to the County. The construction of the gate cost $6,000. The gate necessary for security of the mine and public safety/liability purposes. The only time gate is locked is when there is no one at the mine, which is limited to some weekends and holidays. Chairman Krompel requested that a concrete pad be put in at the intersection for maintenance purposes. Commissioner Milovich moved to turn the gate over to the County and let Westridge Resources control the opening and closing. Commissioner Matthews seconded the motion. Motion passes.
AFFIDAVIT OF PUBLICATION

STATE OF UTAH

ss.

County of Carbon,)

I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 23rd day of March 2000, and that the last publication of such notice was in the issue of such newspaper dated the 11th day of April, 2000.

Kevin Ashby - Publisher

Subscribed and sworn to before me this 11th day of April, 2000.

Linda Thayn

Notary Public My commission expires January 10, 2003 Residing at Price, Utah

Publication fee, $ 116.00

PUBLIC NOTICE

Notice is hereby given to the public that there is a gate installed on Carbon County's new C Canyon Road, approximately 900 feet below the WEST RIDGE Mine existing permit area (eighty over 1/4 miles below the mine shaft). The gate is located in the SE1/4 of the NE1/4 of section 15, T14S R13E. This notice is to inform the public that occasionally this gate will be locked for safety and security reasons. The closure of this gate will be at the discretion of WEST RIDGE Resources, Inc., management and generally will include night time hours, weekends and holidays.

Following the publication of this notice, there will be an opportunity for a public comment should anyone desire. Anyone wishing to comment on this activity should address their comment to the Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Box 145801, Salt Lake City, Utah 84114-5801, Attn: Lowell P. Braxton. In addition, but not in substitution, comments may also be directed to the Bureau of Land Management, 125 South 600 West, Price, Utah 84501, Attn: Mark Mackiewicz.

Published in the Sun Advocate March 23, 30 and April 6 and 11, 2000.

RECEIVED

APR 26 2000
DIVISION OF OIL, GAS AND MINING

INCORPORATED
FEB 15 2002
DIV OF OIL, GAS & MINING
APPENDIX 1-14
PENTA CREEK FEE LEASE
MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF COAL LEASE made and entered into effective as of the 1st day of January, 2003, among PENTA CREEKS, L.L.C. (a.k.a. Penta Creek LLC), a Utah limited liability company and MAGNIFICENT SEVEN, L.L.C., a Utah limited liability company, collectively referred to as “Lessors,” having a single address for purposes of this Lease c/o Howard Jensen Real Estate, 111 East Clark Street, Albert Lea, Minnesota 56007; and ANDALEX RESOURCES, INC., a Delaware corporation, with an address at 45 West 10000 South, Suite 401, Sandy, Utah 84070, and INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah, with an address at 480 East 6400 South, Murray, Utah 84107, each having an undivided 50% ownership interest in the leasehold estate created by this Lease as tenants in common and collectively referred to herein as “Lessee,” having a single address c/o ANDALEX Resources, Inc., 45 West 10000 South, Suite 401, Sandy, Utah 84070.

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter “Lease”), effective of even date herewith, all of which are hereby incorporated herein as if set forth in full, Lessors do hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Carbon County, State of Utah, more particularly described as follows, to-wit:

Township 14 South, Range 14 East, SLB&M

Section 6: Lot 7, SE1/4SW1/4
Section 7: Lots 1 and 2, NE1/4NW1/4, E1/2SW1/4, SW1/4SE1/4
Section 18: Lots 2 and 3, NW1/4NE1/4

Less and excepting from the portion of the above described legal subdivisions in Section 7, those lands described in that certain Quitclaim Deed dated September 25, 1998 naming Penta Creeks, L.L.C. and Magnificent Seven, L.L.C., as Grantors, and East Carbon City and Sunnyside City as Grantees. Said Quitclaim Deed was recorded September 30, 1998 in Book 418 at pages 56 to 58, Carbon County Recorder, Utah.

And excepting and reserving to Lessors, to the extent of their ownership interest therein, all water and water rights, and the right of Lessors to access, use and divert those waters and water rights, (collectively herein the “Subject Water Rights”) as follows:

Water Right No. 91-1640, including the beneficial use for stock watering purposes from a point on the Left Fork, Grassy Trail Creek, beginning in SW1/4SW1/4, Section 6, Township 14 South, Range 14 East, SLBM, to a
point in the NE1/4SW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Water Right No. 91-3519, including the beneficial use for stockwatering purposes from a point on the Right Fork, Grassy Trail Creek in the NW1/4SE1/4, Section 6, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4SW1/4, Section 6, Township 14 South, Range 14 East, SLBM.

Water Right No. 91-3520, including the beneficial use for stockwatering purposes from a point in the NE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Subject to the following rights of way and agreements as they exist at the time of execution of this Lease:

(1) Rights of third parties to access water rights on the leased premises.

(2) Rights of way for roadways, both public and private as may exist over and across the leased premises.

(3) Memorandum Agreement by and between Kaiser Steel Corporation and Frank Liddell and Effie Liddell, his wife, regarding cattle grazing and watershed control recorded February 20, 1958, as Entry No. 84105, in Book 53, at Page 204, Carbon County Recorder, Utah.

(4) The right of ingress and egress granted to Sunnyside Fuel Corporation for the purpose of transporting, mining and removing tailings as contained in that certain Deed, Assignment and Bill of Sale recorded December 29, 1987, as Entry No. 19370, in Book 277, at Page 679, Carbon County Recorder, Utah.

(5) Reservation of an easement for the delivery of Water Rights Nos. 91-362 and 91-367; also, a perpetual easement and right of way for water pipeline facilities including pipes, valves and related equipment with the right, privilege and authority to construct, operate, maintain, replace and repair said facilities under, over and across certain lands, as set forth and reserved in that certain Quit Claim Deed recorded March 27, 1996, as Entry No. 54278, in Book 370, at Page 121, Carbon County Recorder, Utah.

(6) Right of way and Easements granted to East Carbon City and Sunnyside City for the following:

(A) For the purposes of maintaining the Grassy Trail Reservoir Dam and appurtenant works and pipelines.

(B) For the purposes of fluctuation of Grassy Trail Reservoir water levels and inundation of a subject property in conjunction with the operation, maintenance and repair of the Grassy Trail Reservoir Dam.
(C) For ingress and egress for the purpose of inspecting, measuring and insuring available flow of water.

(7) An easement originally in favor of Defense Plant Corporation to construct, operate, maintain, reconstruct, enlarge, alter or remove a water pipeline through and across certain lands, together with all rights and privileges, incident thereto, recorded April 26, 1944, as Entry No. 42483, in Book 3-X, at Page 390, Carbon County Recorder, Utah. Said Easement further set forth in various instruments of record, including Notice of Agreement, recorded December 29, 1987, as Entry No. 19373, in Book 277, at Page 709, Carbon County Recorder, Utah.

(8) As easement 25 feet in width for an existing water line connecting Grassy Trail Reservoir in said Section 7 with the reservoir of East Carbon City in Section 6, Township 15 South, Range 14 East, together with all rights and privileges incident thereto, recorded October 27, 1983, as Entry No. 1415, in Book 233, at Page 182.

The term "leased premises" as used in the Lease shall refer to said lands.

2. The Underground Coal Lease grants to Lessee the exclusive right and privilege to explore for, mine (by any lawful underground mining method), remove extract, store, prepare, ship and dispose of the coal and gas occurring in coal seams, beds or deposits when vented as a non-commercial substance in conjunction with coal development or extraction operations together with limited rights of access for environmental monitoring purposes. The leasing, exploration for, or development of other minerals or substances other than coal and substances mixed with coal shall not interfere in any way with the coal mining operations of the Lessee during the term of this Lease. Leases related to other minerals issued by Lessors after the date of this Lease shall be specifically made subject to the priority of the coal mining operations.

3. The term of the Lease is for a primary term of ten (10) years which commenced on January 1, 2003 and so long thereafter as mining operations are being conducted by Lessee in the general mining area.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Underground Coal Lease and the Underground Coal Lease to be signed effective as of the day and year first above written.

LESSORS:

SOCIAL SECURITY NUMBER OR EMPLOYER IDENTIFICATION NO.:

PENTA CREEKS, L.L.C.
a Utah limited liability company

By: [Signature]
Its: [Signature]
MAGNIFICENT SEVEN, L.L.C.
a Utah limited liability company

By: [Signature]
Its: [Signature]

LESSEE:

ANDALEX RESOURCES, INC.,
a Delaware corporation

By: [Signature]
DOUGLAS H. SMITH
President
Date: March 11, 2003

INTERMOUNTAIN POWER AGENCY,
a political subdivision of the State of Utah

By: [Signature]
REED T. SEARLE
General Manager
Date: March 10, 2003

INCORPORATED
APR 02 2003
DIV OF OIL GAS & MINING
STATE OF Minnesota        )
COUNTY OF Freeborn        )

On the 12th day of March, 2003, personally appeared before me
Greg Jensen, the member of Penta Creeks, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of Penta Creeks, L.L.C. and acknowledged to me that he executed the same.

My commission expires:

Jan 31, 2007

STATE OF Minnesota        )
COUNTY OF Freeborn        )

On the 12th day of March, 2003, personally appeared before me
Greg Jensen, the member of Magnificent Seven, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of Magnificent Seven, L.L.C., and acknowledged to me that he executed the same.

My commission expires:

Jan 31, 2007

Notary Public
Residing at: Hayward, Mn

APRIL LYNNE HABANA
NOTARY PUBLIC - MINNESOTA
MY COMMISSION EXPIRES JAN. 31, 2007

SaltLake-194536.1 0020261-00001

INCORPORATED
APR 02 2003
DIV OF OIL GAS & MINING
STATE OF UTAH  
COUNTY OF SALT LAKE

On the 11th day of March, 2003, personally appeared before me Douglas H. Smith, the President of ANDALEX Resources, Inc., who signed the foregoing instrument on behalf of ANDALEX Resources, Inc. and acknowledged to me that he executed the same.

My commission expires: 

16 July 2006

STATE OF UTAH  NEVADA  
COUNTY OF SALT LAKE  CLARK

On the 16th day of March, 2003, personally appeared before me Reed T. Searle, the General Manager of Intermountain Power Agency, who signed the foregoing instrument on behalf of Intermountain Power Agency and acknowledged to me that he executed the same.

My commission expires: 

5-15-05
APPENDIX 1-15

LEGAL DESCRIPTION OF GRASSY TRAIL RESERVOIR

INcorporated

APR 15 2005

DIV OF OIL GAS & MINING
EXHIBIT ‘A’

DEEDED LAND - INCLUDING THE AREA OF GRASSY TRAIL RESERVOIR UNDER ELEVATION 7620.9 FEET AND THE AREA ADJACENT TO THE DAM.

A PARCEL OF LAND LOCATED IN CARBON COUNTY, STATE OF UTAH, WHICH IS IN THE NORTHWEST QUARTER AND THE NORTH HALF OF THE SOUTHWEST QUARTER OF SECTION 7, TOWNSHIP 14 SOUTH, RANGE 14 EAST, SALT LAKE BASE AND MERIDIAN, BEING FURTHER DESCRIBED AS FOLLOWS WITH A BEARING OF NORTH 0°00′00″ EAST, BETWEEN THE WEST QUARTER CORNER AND THE NORTHWEST CORNER OF SAID SECTION 7 USED AS THE BASIS OF BEARING, AND BEING MORE PARTICULARLY DESCRIBED ACCORDING TO THE FOLLOWING COURSES AND DISTANCES, TO-WT:

BEGINNING AT A POINT WHICH IS LOCATED SOUTH 89°34′34″ WEST, 577.93 FEET ALONG THE SECTION LINE AND SOUTH 0°25′36″ EAST, 616.36 FEET FROM THE NORTH QUARTER CORNER OF SECTION 7, TOWNSHIP 14 SOUTH, RANGE 14 EAST, SALT LAKE BASE AND MERIDIAN; AND RUNNING THENCE SOUTH 02°41′16″ EAST, 167.59 FEET TO A POINT HAVING AN ELEVATION OF 7620.9 FEET; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES HAVING AN ELEVATION OF 7620.9 FEET, THENCE SOUTH 06°04′25″ WEST, 57.48 FEET; THENCE SOUTH 15°31′01″ WEST, 39.60 FEET; THENCE SOUTH 31°57′10″ WEST, 47.67 FEET; THENCE SOUTH 42°15′37″ EAST, 50.63 FEET; THENCE SOUTH 00°42′36″ EAST, 28.81 FEET; THENCE SOUTH 22°15′01″ WEST, 44.34 FEET; THENCE SOUTH 25°42′34″ WEST, 57.64 FEET; THENCE SOUTH 17°56′08″ WEST, 67.42 FEET; THENCE SOUTH 37°15′52″ WEST, 41.03 FEET; THENCE SOUTH 10°15′22″ WEST, 38.28 FEET; THENCE SOUTH 27°18′51″ WEST, 156.31 FEET; THENCE SOUTH 39°02′28″ WEST, 53.40 FEET; THENCE SOUTH 45°09′45″ WEST, 31.74 FEET; THENCE SOUTH 45°24′21″ WEST, 59.45 FEET; THENCE SOUTH 21°28′34″ WEST, 33.14 FEET; THENCE SOUTH 12°35′15″ WEST, 78.54 FEET; THENCE SOUTH 00°43′46″ WEST, 60.04 FEET; THENCE SOUTH 07°00′36″ WEST, 41.44 FEET; THENCE SOUTH 03°29′47″ EAST, 38.65 FEET; THENCE SOUTH 03°42′30″ WEST, 89.17 FEET; THENCE SOUTH 66°39′56″ WEST, 87.35 FEET; THENCE SOUTH 02°26′03″ WEST, 131.79 FEET; THENCE SOUTH 01°48′02″ WEST, 20.71 FEET; THENCE SOUTH 10°50′14″ EAST, 127.17 FEET; THENCE SOUTH 02′51′32″ EAST, 41.74 FEET; THENCE SOUTH 09°14′58″ EAST, 44.46 FEET; THENCE SOUTH 22°58′03″ EAST, 65.76 FEET; THENCE SOUTH 21°31′59″ EAST, 167.75 FEET; THENCE LEAVING ELEVATION 7620.9 FEET, THENCE NORTH 90°00′00″ EAST, 343.42 FEET; THENCE SOUTH 00′00″ WEST, 203.21 FEET; THENCE SOUTH 49°46′54″ WEST, 286.20 FEET; THENCE SOUTH 01°55′09″ EAST, 150.27 FEET; THENCE SOUTH 74°19′37″ WEST, 619.03 FEET TO THE EAST EDGE OF AN EXISTING ROAD; THENCE ALONG THE EAST EDGE OF AN EXISTING ROAD THE FOLLOWING FIVE CALLS; THENCE NORTH 33°21′35″ WEST, 24.04 FEET; THENCE NORTH 24°08′49″ WEST, 22.74 FEET; THENCE NORTH 16°21′28″ WEST, 105.80 FEET; THENCE NORTH 10°56′05″ WEST, 39.36 FEET; THENCE NORTH 45°59′47″ WEST, 3.33 FEET TO THE EAST LINE OF LOT 3 OF SAID SECTION 7; THENCE NORTH 0°12′18″ WEST, 403.37 FEET TO THE NORTHEAST CORNER OF SAID LOT 3; THENCE SOUTH 89°35′34″ WEST, 305.92 FEET ALONG THE NORTH LINE OF SAID LOT 3; THENCE ALONG THE FOLLOWING COURSES AND DISTANCES HAVING AN ELEVATION OF 7620.9 FEET; THENCE NORTH 42°18′31″ WEST, 10.05 FEET; THENCE NORTH 02′24′33″ EAST, 87.17 FEET; THENCE NORTH 11°58′06″ EAST, 63.67 FEET; THENCE NORTH 42°57′09″ EAST, 59.59 FEET; THENCE NORTH 15°37′12″ WEST, 51.20 FEET; THENCE NORTH 04′48′31″ WEST, 116.92 FEET; THENCE NORTH 04′56′17″ WEST, 58.68 FEET; THENCE NORTH 01′09′16″ WEST, 32.23 FEET; THENCE NORTH 01′27′35″ EAST, 239.53 FEET; THENCE NORTH 03′21′52″ EAST, 64.03 FEET; THENCE NORTH 01′16′56″ EAST, 79.58 FEET; THENCE NORTH 06′07′44″ EAST, 64.79 FEET; THENCE NORTH 05′44′08″ EAST, 67.38 FEET; THENCE NORTH 01′58′37″ EAST, 59.43 FEET; THENCE NORTH 02′51′15″ EAST, 41.86 FEET; THENCE NORTH 35°09′08″ EAST, 54.15 FEET; THENCE NORTH 31°17′30″ EAST, 77.72 FEET; THENCE NORTH 17°10′14″ EAST, 15.12 FEET; THENCE NORTH 25°19′34″ WEST, 74.24 FEET; THENCE NORTH 35°07′56″ EAST, 111.56 FEET; THENCE NORTH 26′10″10″ EAST, 55.50 FEET; THENCE NORTH 05′47′43″ EAST, 31.20 FEET; THENCE NORTH 27°33′55″ WEST, 14.64 FEET; THENCE NORTH 44′03′09″ WEST, 33.66 FEET; THENCE NORTH 34′27′47″ WEST, 15.32 FEET; THENCE NORTH 32′55′17″ WEST, 43.88 FEET; THENCE NORTH 30′4′37″ WEST, 56.62 FEET; THENCE NORTH 33′59′06″ WEST, 89.68 FEET; THENCE NORTH 48′39′14″ WEST, 142.33 FEET; THENCE NORTH 31′05′31″ WEST, 227.43 FEET; THENCE NORTH 21°04′32″ WEST, 308.51 FEET CROSSING AN EXISTING ROAD, THENCE NORTH 65°52′58″ EAST, 3.00 FEET; THENCE SOUTH 31°04′32″ EAST, 60.19 FEET CROSSING AN EXISTING ROAD; THENCE SOUTH 57′07′04″ EAST, 258.58 FEET; THENCE SOUTH 64′11′12″ EAST, 119.79 FEET; THENCE SOUTH 59′28′18″ EAST, 72.31 FEET; THENCE SOUTH 59′52′51″ EAST, 43.41 FEET; THENCE SOUTH 45′34′03″ EAST, 54.09 FEET; THENCE SOUTH 45′44′11″ EAST, 46.23 FEET; THENCE SOUTH 79′33′03″ EAST, 18.19 FEET; THENCE SOUTH 72′28′00″ EAST, 28.13 FEET; THENCE SOUTH 06′07′17″ EAST, 46.38 FEET; THENCE SOUTH 54′04′45″ EAST, 63.83 FEET; THENCE SOUTH 50′26′19″ EAST, 50.41 FEET; THENCE SOUTH 69′26′12″ EAST, 90.12 FEET; THENCE SOUTH 58′53′36″ EAST, 74.37 FEET; THENCE SOUTH 33′52′10″ EAST, 38.44 FEET; THENCE SOUTH 71′49′18″ EAST, 20.00 FEET; THENCE SOUTH 82′59′43″ EAST, 3.68 FEET; THENCE NORTH 88′40′41″ EAST, 55.22 FEET; THENCE NORTH 85′45′27″ EAST, 66.59 FEET; THENCE NORTH 68′23′56″ EAST, 30.93 FEET; THENCE NORTH 37′54′32″ EAST, 138.07 FEET; THENCE NORTH 49′36′45″ EAST, 133.26 FEET; THENCE LEAVING ELEVATION 7620.9 FEET GOING NORTH 48°56′09″ EAST, 289.71 FEET TO THE POINT OF BEGINNING.

CONTAINS 44.52 ACRES, MORE OR LESS.
EXHIBIT 'B'

BUFFER ZONE - THE AREA OF LAND EXTENDING 100 FEET BEYOND THE ELEVATION LINE OF 7620.9 FEET ON THE EASHERLY, NORTHERLY, AND WESTERLY SIDE OF GRASSY TRAIL RESERVOIR.

A PARCEL OF LAND LOCATED IN CARBON COUNTY, STATE OF UTAH, WHICH IS IN THE NORTHWEST QUARTER AND THE NORTH HALF OF THE SOUTHWEST QUARTER OF SECTION 7, TOWNSHIP 14 SOUTH, RANGE 14 EAST, SALT LAKE BASE AND MERIDIAN, BEING FURTHER DESCRIBED AS FOLLOWS WITH A BEARING OF NORTH 0°00'00" EAST, BETWEEN THE WEST QUARTER CORNER AND THE NORTHWEST CORNER OF SAID SECTION 7 USED AS THE BASIS OF BEARING, AND BEING MORE PARTICULARLY DESCRIBED ACCORDING TO THE FOLLOWING COURSES AND DISTANCES, TO-WIT:

BEGINNING AT A POINT WHICH IS LOCATED SOUTH 89°34'34" WEST, 577.93 FEET ALONG THE SECTION LINE AND SOUTH 0°25'26" EAST, 616.36 FEET FROM THE NORTH CORNER OF SECTION 7, TOWNSHIP 14 SOUTH, RANGE 14 EAST, SALT LAKE BASE AND MERIDIAN, AND RUNNING THENCE SOUTH 02°41'16" EAST, 167.59 FEET TO A POINT HAVING AN ELEVATION OF 7620.9 FEET, THENCE ALONG THE FOLLOWING COURSES AND DISTANCES HAVING AN ELEVATION OF 7620.9 FEET, THENCE SOUTH 06°04'29" WEST, 57.48 FEET; THENCE SOUTH 15°11'01" WEST, 39.60 FEET; THENCE SOUTH 31°57'10" WEST, 47.67 FEET; THENCE SOUTH 42°15'37" EAST, 50.63 FEET; THENCE SOUTH 00°42'36" EAST, 28.81 FEET; THENCE SOUTH 22°35'01" WEST, 44.34 FEET; THENCE SOUTH 25°42'34" WEST, 57.64 FEET; THENCE SOUTH 17°26'08" WEST, 67.42 FEET; THENCE SOUTH 37°19'52" WEST, 43.03 FEET; THENCE SOUTH 10°25'22" WEST, 38.28 FEET; THENCE SOUTH 27°18'31" WEST, 156.31 FEET; THENCE SOUTH 39°02'28" WEST, 53.40 FEET; THENCE SOUTH 45°00'45" WEST, 31.74 FEET; THENCE SOUTH 45°48'21" WEST, 99.45 FEET; THENCE SOUTH 21°28'34" WEST, 33.14 FEET; THENCE SOUTH 12°31'15" WEST, 78.54 FEET; THENCE SOUTH 06°45'46" WEST, 60.04 FEET; THENCE SOUTH 07°00'30" WEST, 41.44 FEET; THENCE SOUTH 03°29'47" EAST, 58.65 FEET; THENCE SOUTH 03°42'50" WEST, 89.17 FEET; THENCE SOUTH 06°39'56" WEST, 87.35 FEET; THENCE SOUTH 02°26'03" WEST, 134.79 FEET; THENCE SOUTH 01°48'20" EAST, 121.17 FEET; THENCE SOUTH 02°51'32" EAST, 43.74 FEET; THENCE SOUTH 09°14'58" EAST, 44.46 FEET; THENCE SOUTH 22°58'03" EAST, 65.76 FEET; THENCE SOUTH 21°31'59" EAST, 167.75 FEET; THENCE LEAVING ELEVATION 7620.9 FEET; THENCE NORTH 90°00'00" WEST, 100.68 FEET, THENCE ALONG A LINE EXTENDING 100 FEET BEYOND THE ELEVATION LINE OF 7620.9 FEET ON THE EASTERLY, NORTHERLY AND WESTERLY SIDE OF GRASSY TRAIL RESERVOIR; THENCE NORTH 06°40'16" WEST, 24.74 FEET; THENCE NORTH 21°31'59" WEST, 162.04 FEET; THENCE NORTH 22°58'03" WEST, 54.98 FEET; THENCE NORTH 09°14'58" WEST, 26.85 FEET; THENCE NORTH 02°51'32" WEST, 45.13 FEET; THENCE NORTH 10°50'14" WEST, 142.07 FEET; THENCE NORTH 01°48'20" EAST, 9.08 FEET; THENCE NORTH 02°26'03" EAST, 127.54 FEET; THENCE NORTH 06°39'56" EAST, 87.35 FEET; THENCE NORTH 03°42'50" EAST, 98.05 FEET; THENCE NORTH 03°29'47" WEST, 55.76 FEET; THENCE NORTH 07°00'30" EAST, 32.46 FEET; THENCE NORTH 06°45'46" WEST, 55.21 FEET; THENCE NORTH 12°31'15" EAST, 65.68 FEET; THENCE NORTH 21°28'34" EAST, 3.74 FEET; THENCE NORTH 45°48'21" WEST, 78.59 FEET; THENCE NORTH 45°00'45" EAST, 37.65 FEET; THENCE NORTH 09°02'28" EAST, 68.88 FEET; THENCE NORTH 17°18'51" EAST, 181.42 FEET; THENCE NORTH 10°25'22" EAST, 29.21 FEET; THENCE NORTH 37°19'52" EAST, 36.65 FEET; THENCE NORTH 17°26'08" EAST, 77.71 FEET; THENCE NORTH 25°43'34" EAST, 53.14 FEET; THENCE NORTH 22°59'01" EAST, 67.70 FEET; THENCE NORTH 00°42'36" WEST, 87.35 FEET; THENCE NORTH 42°15'37" WEST, 17.45 FEET; THENCE NORTH 15°11'01" EAST, 46.90 FEET; THENCE NORTH 06°04'29" EAST, 30.23 FEET; THENCE NORTH 04°45'26" EAST, 50.76 FEET; THENCE NORTH 02°41'16" WEST, 374.34 FEET; THENCE SOUTH 48°53'47" WEST, 491.50 FEET; THENCE SOUTH 49°36'46" WEST, 147.29 FEET; THENCE SOUTH 37°34'32" WEST, 116.64 FEET; THENCE SOUTH 85°45'27" WEST, 41.03 FEET; THENCE SOUTH 88°40'41" WEST, 15.77 FEET; THENCE NORTH 33°52'10" WEST, 14.40 FEET; THENCE NORTH 58°53'36" WEST, 105.79 FEET; THENCE NORTH 69°26'12" WEST, 82.62 FEET; THENCE NORTH 50°26'19" WEST, 38.11 FEET; THENCE NORTH 55°30'45" WEST, 77.55 FEET; THENCE NORTH 66°07'17" WEST, 61.21 FEET; THENCE NORTH 72°28'00" WEST, 32.62 FEET; THENCE NORTH 45°44'11" WEST, 17.98 FEET; THENCE NORTH 46°34'03" WEST, 66.48 FEET; THENCE NORTH 59°52'51" WEST, 54.73 FEET; THENCE NORTH 59°28'18" WEST, 76.07 FEET; THENCE NORTH 64°11'32" WEST, 117.73 FEET; THENCE NORTH 57°07'04" WEST, 219.87 FEET; THENCE NORTH 21°04'32" WEST, 127.66 FEET; THENCE SOUTH 68°55'28" WEST, 203.00 FEET; THENCE SOUTH 21°04'32" EAST, 417.30 FEET; THENCE SOUTH 31°05'31" EAST, 251.64 FEET; THENCE SOUTH 48°39'14" EAST, 146.54 FEET; THENCE SOUTH 35°50'20" EAST, 74.04 FEET; THENCE SOUTH 30°47'37" EAST, 54.05 FEET; THENCE SOUTH 32°53'17" EAST, 47.08 FEET; THENCE SOUTH 34°27'47" EAST, 20.57 FEET; THENCE SOUTH 26°10'10" WEST, 27.17 FEET; THENCE SOUTH 13°07'54" WEST, 220.34 FEET; THENCE SOUTH 75°19'34" EAST, 9.55 FEET; THENCE SOUTH 35°03'08" WEST, 5.45 FEET; THENCE SOUTH 20°51'15" WEST, 70.86 FEET; THENCE SOUTH 01°58'53" WEST, 72.78 FEET; THENCE SOUTH 05°44'08" WEST, 63.76 FEET; THENCE SOUTH 06°07'44" WEST, 68.68
FEET; THENCE SOUTH 01°16'56" WEST, 82.00 FEET; THENCE SOUTH 03°21'32" WEST, 63.87 FEET; THENCE SOUTH 01°27'55" WEST, 245.22 FEET; THENCE SOUTH 03°09'16" EAST, 38.13 FEET; THENCE SOUTH 05°16'17" EAST, 60.12 FEET; THENCE SOUTH 04°48'33" EAST, 123.83 FEET; THENCE SOUTH 13°37'12" WEST, 44.64 FEET; THENCE SOUTH 02°37'09" WEST, 165.88 FEET TO THE NORTH LINE OF LOT 3, OF SAID SECTION 7; THENCE NORTH 89°35'14" EAST, 106.85 FEET ALONG THE NORTH LINE OF LOT 3, OF SAID SECTION 7, THENCE ALONG THE FOLLOWING COURSES AND DISTANCES HAVING AN ELEVATION OF 7620.9 FEET; THENCE NORTH 42°28'33" EAST, 10.05 FEET; THENCE NORTH 02°37'09" EAST, 59.99 FEET; THENCE NORTH 13°37'12" WEST, 51.20 FEET; THENCE NORTH 04°48'33" WEST, 116.52 FEET; THENCE NORTH 03°16'17" WEST, 58.68 FEET; THENCE NORTH 03°09'16" WEST, 32.25 FEET; THENCE NORTH 01°27'55" EAST, 239.53 FEET; THENCE NORTH 01°16'56" EAST, 79.58 FEET; THENCE NORTH 06°07'44" EAST, 64.79 FEET; THENCE NORTH 05°44'08" EAST, 67.38 FEET; THENCE NORTH 01°58'53" EAST, 59.43 FEET; THENCE NORTH 20°51'15" EAST, 41.86 FEET; THENCE NORTH 35°05'08" EAST, 54.15 FEET; THENCE NORTH 51°13'30" EAST, 77.72 FEET; THENCE NORTH 17°16'59" EAST, 15.12 FEET; THENCE NORTH 75°19'34" WEST, 74.24 FEET; THENCE NORTH 13°07'54" EAST, 111.56 FEET; THENCE NORTH 26°10'10" EAST, 55.50 FEET; THENCE NORTH 05°47'47" EAST, 31.20 FEET; THENCE NORTH 27°33'55" WEST, 14.64 FEET; THENCE NORTH 44°03'09" WEST, 33.66 FEET; THENCE NORTH 34°27'47" WEST, 15.32 FEET; THENCE NORTH 32°53'17" WEST, 43.88 FEET; THENCE NORTH 30°47'37" WEST, 56.62 FEET; THENCE NORTH 35°50'20" WEST, 89.68 FEET; THENCE NORTH 48°59'14" WEST, 142.33 FEET; THENCE NORTH 21°04'32" WEST, 308.53 FEET CROSSING AN EXISTING ROAD; THENCE NORTH 68°55'28" EAST, 3.00 FEET; THENCE SOUTH 21°04'32" EAST, 60.19 FEET CROSSING AN EXISTING ROAD; THENCE SOUTH 57°07'04" EAST, 258.58 FEET; THENCE SOUTH 64°11'32" EAST, 119.79 FEET; THENCE SOUTH 59°28'18" EAST, 72.31 FEET; THENCE SOUTH 55°52'51" EAST, 43.41 FEET; THENCE SOUTH 46°34'03" EAST, 54.09 FEET; THENCE SOUTH 43°44'11" EAST, 46.23 FEET; THENCE SOUTH 39°53'05" EAST, 18.19 FEET; THENCE SOUTH 72°28'00" EAST, 28.13 FEET; THENCE SOUTH 66°07'47" EAST, 46.38 FEET; THENCE SOUTH 55°30'45" EAST, 63.71 FEET; THENCE SOUTH 50°29'18" EAST, 50.41 FEET; THENCE SOUTH 69°26'12" EAST, 90.12 FEET; THENCE SOUTH 58°53'56" EAST, 74.37 FEET; THENCE SOUTH 33°52'10" EAST, 38.44 FEET; THENCE SOUTH 71°49'18" EAST, 20.00 FEET; THENCE SOUTH 82°39'43" EAST, 3.68 FEET; THENCE NORTH 88°40'41" EAST, 55.22 FEET; THENCE NORTH 85°45'27" EAST, 66.99 FEET; THENCE NORTH 68°02'56" EAST, 30.83 FEET; THENCE NORTH 37°54'32" EAST, 138.07 FEET; THENCE NORTH 49°36'46" EAST, 133.26 FEET; THENCE LEAVING ELEVATION 7620.9 FEET GOING NORTH 48°56'09" EAST, 289.71 FEET TO THE POINT OF BEGINNING.

CONTAINS 14.95 ACRES, MORE OR LESS.

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DIV OF OIL GAS & MINING
APPENDIX 1-16

PROOF OF STATE LEASE ASSIGNMENT
ML 47711
NL 49287
UTAH STATE LEASE FOR COAL
ML 47711-0BA

THIS COAL MINING LEASE AND AGREEMENT (the "Lease") is entered into and executed in triplicate as of April 1, 2003 (the "Effective Date") by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 ("Lessor"), and ANDALEX RESOURCES, INC., a Delaware corporation, with an address at 45 West 10000 South, Suite 401, Sandy, Utah 84070 (hereinafter "ANDALEX") and INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah, with an address at 480 East 6400 South, Murray, Utah 84107 (hereinafter "IPA"), each having an undivided 50% ownership interest in the leasehold estate created by this Lease as tenants in common and collectively referred to herein as "Lessee," having a single address c/o ANDALEX Resources, Inc., 45 West 10000 South, Suite 401, Sandy, Utah 84070.

WITNESSETH:

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration paid or required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, mine, remove, transport, convey, cross-haul, commingle, and sell the coal located within the boundaries of the following-described tract of land (the "Leased Premises") located in Carbon County, State of Utah:

T. 14S., R. 13 E., SLB&M
Sec. 2: LOTS 1 THRU 4, S2N2, S2

T. 13., R. 13 E., SLB&M
Sec. 36: SW4.

Containing 801.24 acres, more or less.

Together with the right and privilege to make use of the surface (but only to the extent owned by Lessor) and subsurface of the Leased Premises for uses incident to the mining of coal by Lessee on the Leased Premises or on other lands under the control of Lessee or mined in connection with operations on the Leased Premises, including, but not limited to, conveying, storing, loading, hauling, commingling, cross-hauling, and otherwise transporting coal; excavating; removing, stockpiling, depositing and redepositing of surface materials; and the subsidence, mitigation, restoration and reclamation of the surface.

This Coal Mining Lease and Agreement is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:
1. LEASED MINERALS.

1.1 Coal. This mineral lease covers coal, which shall mean and include black or brownish-black solid fossil fuels that have been subjected to the natural processes of coalification, and which fall within the classification of coal by rank as anthracitic, bituminous, sub-bituminous, or lignitic, together with closely associated substances which include, but are not limited to other hydrocarbon substances physically contained within the same geologic strata as the coal. In the event that minerals other than coal are discovered on or in the Leased Premises during lease operations, Lessee shall promptly notify the Lessor.

1.2 Coalbed Methane. To the extent that Lessor owns gas, coalbed methane or coal seam gas (collectively “coalbed methane”) within the Leased Premises, Lessee may remove, vent, flare or capture such coalbed methane from the mine workings and the coal strata being mined and any overlying or underlying formations if such removal is necessary for safety reasons in the reasonable discretion of Lessee. If Lessee captures or uses such coalbed methane, it shall pay Lessor royalties on the value of such coalbed methane at the prevailing state royalty rate for natural gas, unless such royalties are expressly waived by Lessor. Except as expressly granted herein, the right to extract gas, coalbed methane and coal seam gas is not granted by this Lease.

1.3 No Warranty of Title. Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure, except as provided in Utah Administrative Code R850-20-2100 (2002).

2. RESERVATIONS TO LESSOR. Subject to the exclusive rights and privileges granted to Lessee under this Lease, and further provided that Lessor shall refrain from taking actions with respect to the Leased Premises that may unreasonably interfere with Lessee’s operations, Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges (to the extent that Lessor has the right to grant such rights and privileges):

2.1 Rights-of-Way and Easements. Lessor reserves the right, following consultation with the Lessee, to establish rights-of-way and easements upon, through or over the Leased Premises, under terms and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, mineral access, and any other purpose deemed reasonably necessary by Lessor.

2.2 Other Mineral Leases. Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than coal, under terms and conditions that will not
unreasonably interfere with operations under this Lease in accordance with Lessor’s regulations, if any, governing multiple mineral development.

2.3 Use and Disposal of Surface. To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease, Lessor reserves the right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor shall notify Lessee of any such sale, lease, or other disposition of the surface estate.

2.4 Previously Authorized Improvements. If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessee shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences. Nothing in this paragraph shall authorize Lessee to remove surface improvements where Lessor does not own the surface estate.

2.5 Rights Not Expressly Granted. Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.

3. TERM OF LEASE; READJUSTMENT.

3.1 Primary Term. This Lease is granted for a “primary term” of ten (10) years commencing on the Effective Date and for a “secondary term” of an additional ten (10) years, subject to Lessee’s compliance with the requirements of paragraph 3.3, Diligent Operations; Minimum Royalty.

3.2 Extension Beyond Secondary Term. Subject to Lessee’s compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the secondary term and for as long thereafter as coal is produced in commercial quantities from the Leased Premises, or from lands constituting either (i) a logical mining unit approved by the Bureau of Land Management containing the Leased Premises, or (ii) a mining unit, in which the recoverable coal reserves can be developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of recoverable coal reserves. The second type of mining unit requires a determination by the Lessor that the criteria set forth in item (ii) have been satisfied. The satisfaction of either (i) or (ii) above shall mean that the Lease is contained within an “approved mining unit.” For the purposes of this Lease, production of coal in commercial quantities shall mean production during each lease year of at least one per cent (1%) of the recoverable coal reserves within the Leased Premises or within lands constituting an approved mining unit which includes the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee.

3.3 Diligent Operations; Minimum Royalty. In the absence of actual production in commercial quantities as set forth in paragraph 3.2, Extension Beyond Secondary Term, this Lease shall remain in effect beyond the primary term only if the Lessee is engaged in diligent operations, exploration, research, or development activity (which development activity shall include, but not
be limited to, pursuit of required permits and approvals) which in Lessor’s reasonable discretion is calculated to advance development or production of coal from the Leased Premises or lands constituting an approved mining unit which includes the Leased Premises, and Lessee pays an annual minimum royalty in advance on or before the anniversary date of the Effective Date. The minimum royalty shall be calculated by determining the production royalty that would be payable upon production of two and one-half per cent (2.5%) of the recoverable coal reserves within the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee. The unit value of the recoverable coal reserves for purposes of determining the minimum royalty shall be determined by Lessor using the methodology set forth in 43 Code of Federal Regulations §3483.4(c)(1)-(3) (1998). Minimum royalties paid by Lessee pursuant to this paragraph may be credited against production royalties accruing during the term of this Lease.

3.4 Expiration; Cessation of Production. This Lease may not be extended pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty, beyond the end of the twentieth year after the Effective Date except by the actual production of coal in commercial quantities from the Leased Premises or from lands constituting an approved mining unit which includes the Leased Premises. After expiration of the secondary term, this Lease will expire of its own terms, without the necessity of any notice or action by Lessor, if Lessee ceases production of coal in commercial quantities for an entire lease year, unless the Lease is suspended pursuant to paragraph 16.3, Suspension.

3.5 Readjustment. At the end of the primary term and at the end of each period of ten (10) years thereafter, Lessor may reasonably readjust the terms and conditions of this Lease to reflect prevailing market conditions (including without limitation rental rates, minimum royalties, royalty rates and valuation methods, and provisions concerning reclamation). If within thirty (30) days after submission of the readjusted lease terms to the Lessee, the Lessee determines that any or all of the proposed readjusted terms and conditions are unacceptable, then Lessee shall so notify Lessor in writing and the parties shall attempt to resolve the objectionable term or condition. If the parties are unable to resolve the matter and agree upon the readjusted terms and conditions submitted by Lessor at the end of such ten (10) year period, Lessee shall forfeit any right to the continued extension of this lease, and the lease shall automatically terminate, provided that nothing herein shall be deemed to preclude Lessee from appealing any readjustment by Lessor pursuant to applicable law.

3.6 Relinquishment. Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor. Lessor may disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to the Lessor, if the lease is otherwise not in good standing, or if relinquishment would in Lessor’s reasonable determination cause waste of economically recoverable coal. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Upon approval, relinquishment shall relieve the Lessee of all future rental obligations as to the relinquished lands effective as of the

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date of filing of the relinquishment, but shall not relieve Lessee from other obligations to the extent provided in paragraph 15.2, Effect of Termination.

4. **BONUS BID.** Lessee agrees to pay Lessor an initial bonus bid in the sum of Two Million Four Hundred Twelve Thousand Nine Hundred Dollars ($2,412,900) as partial consideration for Lessor's issuance of this Lease, payable in twelve equal annual installments of $201,075 commencing on the Effective Date. The unpaid balance of the bonus bid shall not bear interest; provided, however, that if this Lease is relinquished or otherwise terminated prior to the payment in full of the bonus bid, or if Lessee fails to make any bonus bid payment when due, the entire unpaid balance of the bonus bid shall immediately become due without regard to such relinquishment or termination, and such balance shall thereafter bear interest as provided in paragraph 16.2, Interest. Lessor may require ANDALEX to submit and maintain a letter of credit or other sufficient surety to secure Lessee's obligation to pay the unpaid balance of the bonus bid. The initial bonus bid may not be credited against any other bonus payments, annual rentals or royalties accruing under this Lease.

5. **RENTALS.** Lessee agrees to pay Lessor an annual rental of three dollars ($3.00) for each acre and fractional part thereof within the Leased Premises. Lessee shall promptly pay annual rentals each year in advance on or before the anniversary date of the Effective Date. Lessee may not credit rentals against production royalties or against minimum royalties payable pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty.

6. **ROYALTIES.**

6.1 **Production Royalties.** Lessee shall pay Lessor a production royalty of eight per cent (8%) of the value of all coal severed, removed and sold, used or otherwise disposed of from the Leased Premises. For all coal sold pursuant to an arm's-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced. For any coal that is sold or disposed of other than by an arms-length contract, or for coal that is used within the mine permit area for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, the value of such coal shall be determined by Lessor with reference to (in order of priority): (i) comparable arms-length contracts or other dispositions of like-quality coal produced in the same coal field; (ii) prices reported for that coal to a public utility commission; (iii) prices reported to other governmental agencies; or (iv) other relevant information.

6.2 **Allowable Deductions.** It is expressly understood and agreed that none of Lessee's mining or production costs, including but not limited to costs for materials, labor, overhead, distribution, transportation within the mine permit area prior to the point of sale, loading, crushing, sizing, screening, or general and administrative activities, may be deducted in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty.
set forth in this Lease. In the event that the point of sale for coal produced from this Lease is located outside the mine permit area boundary, Lessee may deduct the reasonable, actual costs of transportation of such coal from the mine permit area boundary to the point of sale from gross proceeds in computing Lessor's royalty; provided, however, that transportation deductions for coal transported by Lessee, Lessee's affiliates, or by non-arm's-length contract are subject to review and modification by Lessor. Lessee shall be allowed to deduct its actual, reasonable washing and treatment costs from gross proceeds in computing Lessor's royalty; provided, however, that, upon Lessor's request Lessee shall provide to Lessor appropriate justification to demonstrate that Lessee's costs are reasonable.

6.3 Reference to Federal Regulations. It is the intent of Lessor and Lessee that the calculation of the value of coal for royalty purposes be consistent with federal coal regulations governing the valuation of coal, except where this Lease expressly provides otherwise. In no event shall the value of coal used for calculation of royalties under this Lease be less than the value which would be obtained were federal royalty valuation regulations applied.

6.4 Royalty Payment. For all coal severed and removed from the Leased Premises that is used, sold, or otherwise disposed of during a particular month, Lessee shall pay royalties to Lessor on or before the end of the next succeeding month. Royalty payments shall be accompanied by a verified statement, in a form approved by Lessor, stating the amount of coal sold or otherwise disposed of, the gross proceeds accruing to Lessee, the calculation of allowable deductions, and any other information reasonably required by Lessor to verify production and disposition of the coal or coal products. In the event that Lessee uses or disposes of coal pursuant to a non-arm's-length contract, or uses coal for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, Lessee shall notify Lessor of such use or disposal on or before the end of the next succeeding month following such use or disposal, and shall pay royalties upon Lessee's good faith estimate of the value of such coal, subject to Lessor's right to determine the value of such coal pursuant to paragraph 6.1, Production Royalties.

6.5 Suspension, Waiver or Reduction of Rents or Royalties. Lessor, to the extent not prohibited by applicable law, is authorized to waive, suspend, or reduce the rental or minimum royalty, or reduce the royalty applicable with respect to the entire Lease, whenever in Lessor's judgment it is necessary to do so in order to promote development, or whenever in the Lessor's judgment the Lease cannot be successfully operated under the terms provided herein.

7. RECORDKEEPING; INSPECTION; AUDITS.

7.1 Registered Agent; Records. Lessee shall maintain a registered agent within the State of Utah to whom any and all notices may be sent by Lessor and upon whom process may be served. Lessee shall also maintain an office within the State of Utah containing originals or copies of all maps, engineering data, permitting materials, books, records or contracts (whether such documents are
in paper or electronic form) generated by Lessee that pertain in any way to coal production, output and valuation; mine operations; coal sales and dispositions; transportation costs; and calculation of royalties from the Leased Premises. Lessee shall maintain such documents for at least seven years after the date of the coal production to which the documents pertain.

7.2 Inspection. Lessor's employees and authorized agents at Lessor's sole risk and expense shall have the right to enter the Leased Premises to check scales as to their accuracy, and to go on any part of the Leased Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor's employees and authorized agents shall further have the right to audit, examine and copy (at Lessor's expense) all documents described in paragraph 7.1, Registered Agent; Records, whether such documents are located at the mine site or elsewhere. Lessee shall furnish all conveniences necessary for said inspection, survey, or examination; provided, however, that such inspections shall be conducted in a manner that is in conformance with all applicable mine safety regulations and does not unreasonably interfere with Lessee's operations.

7.3 Geologic Information. In the event Lessee conducts core-drilling operations or other geologic evaluation of the Leased Premises, Lessor may inspect core samples, evaluations thereof, and proprietary geologic information concerning the Leased Premises.

7.4 Confidentiality. Any and all documents and geologic data obtained by Lessor through the exercise of its rights as set forth in paragraphs 7.2, Inspection., and 7.4, Geologic Information., may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute, and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease or the cessation of mining operations in the approved mining unit whichever is the last to occur.

8. USE OF SURFACE ESTATE.

8.1 Lessor-Owned Surface. If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease the Lessee has been granted the right to make use of such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold. Lessee's right to surface use of Lessor-owned surface estate shall include the right to subside the surface. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in paragraph 2, RESERVATIONS TO LESSOR, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.

8.2 Split-Estate Lands. If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee's access to and use of the surface of such lands shall be determined by applicable law governing mineral development on split-estate lands, including without limitation
applicable statutes governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney's fees and costs) arising out of or related to damage caused by Lessee's operations to surface lands or improvements owned by third parties.

9. APPLICABLE LAWS AND REGULATIONS: HAZARDOUS SUBSTANCES

9.1 Trust Lands Statute and Regulations. This Lease is issued pursuant to the provisions of Title 53C, Utah Code Annotated, 1953, as amended, and Lessee is subject to and shall comply with all current and future rules and regulations adopted by the School and Institutional Trust Lands Administration and its successor agencies.

9.2 Other Applicable Laws and Regulations. Lessee shall comply with all applicable federal, state and local statutes, regulations, and ordinances, including without limitation the Utah Coal Mining and Reclamation Act, applicable statutes and regulations relating to mine safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances and environmental protection.

9.3 Hazardous Substances. Lessee [or other occupant pursuant to any agreement authorizing mining] shall not keep on or about the premises any hazardous substances, as defined under 42 U.S.C. '9601(14) or any other Federal environmental law, any regulated substance contained in or released from any underground storage tank, as defined by the Resource Conservation and Recovery Act, 42 U.S.C. '6991, et seq, or any substances defined and regulated as "hazardous" by applicable State law, (hereinafter, for the purposes of this Lease, collectively referred to as "Hazardous Substances") unless such substances are reasonably necessary in Lessee's mining operations, and the use of such substances or tanks is noted and approved in the Lessee's mining plan, and unless Lessee fully complies with all Federal, State and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended, governing Hazardous Substances. Lessee shall immediately notify Lessor, the Bureau of Land Management, the surface management agency, and any other Federal, State and local agency with jurisdiction over the Leased Premises, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, (ii) all failures to comply with any applicable Federal, state or local law, regulation or ordinance governing Hazardous Substances, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, order, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private Party concerning the Leased Premises.

9.5 Hazardous Substances Indemnity. Lessee [or other occupant pursuant to any agreement authorizing mining] shall indemnify, defend, and hold harmless Lessor and its agencies,
employees, officers, and agents with respect to any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to Lessee's use, disposal, transportation, generation, sale or location upon or affecting the Leased Premises of Hazardous Substances, as defined in paragraph 9.4 of this Lease. This indemnity shall extend to the actions of Lessee's employees, assigns, sublessees, contractors, subcontractors, licensees and invitees. Lessee shall further indemnify, defend and hold harmless Lessor from any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to any breach of the provisions of this Lease concerning Hazardous Substances. This indemnity is in addition to, and in no way limits, the general indemnity contained in paragraph 16.1 of this Lease.

9.6 Waste Certification. The Lessee, or their operating agent, shall provide upon abandonment, transfer of operation, assignment of rights, sealing-off of a mined area, and prior to lease relinquishment, certification to the Lessor, based upon a complete search of all the operator's records for the Lease, and upon its knowledge of past operations, there have been no reportable quantities of hazardous substances as defined in 40 Code of Federal Regulations '302.4, or used oil as defined in Utah Administrative Code R315-15, discharged (as defined at 33 U.S.C. '1321(a)(2)), deposited or released within the Leased Premises, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to such substances. Lessee shall additionally provide to Lessor a complete list of all hazardous substances, hazardous materials, and their respective Chemical Abstracts Service Registry Numbers, and oil and petroleum products used or stored on, or delivered to, the Leased Premises. Such disclosure will be in addition to any other disclosure required by law or agreement.

10. BONDING.

10.1 Lease Bond Required. Upon the request of Lessor, Lessee shall execute and file with the Lessor a good and sufficient bond or other financial guarantee acceptable to Lessor in order to: (a) guarantee Lessee's performance of all covenants and obligations under this Lease, including Lessee's obligation to pay production royalties; and (b) ensure compensation for damage, if any, to the surface estate and any surface improvements. The Lease Bond shall meet all federal mineral lease bond requirements as described in 43 Code of Federal Regulations Subpart 3474.

10.2 Reclamation Bonding. The bond filed with the Utah Division of Oil, Gas and Mining ("UDOGM") in connection with the issuance of a mine permit which includes the Leased Premises shall be deemed to satisfy Lessor's bonding requirements with respect to Lessee's reclamation obligations under this Lease; provided, however, upon notice to Lessee and a public hearing with respect to the basis for its decision, the Lessor may, in its reasonable discretion, determine that the bond filed with UDOGM is insufficient to protect Lessor's interests. In such an event the Lessor shall enter written findings as to the basis for its calculation of the perceived
insufficiency and enter an order establishing the amount of additional bonding required. Lessee shall file any required additional bond with Lessor within thirty (30) days after demand by Lessor. Lessor may increase or decrease the amount of any additional bond from time to time in accordance with the same procedure.

10.3 Release of Additional Bond. Any additional bond required by Lessor pursuant to 10.2, Reclamation Bonding, may be released by Lessor at any time and shall be released no later than the time of final bond release by UDOGM with respect to the Leased Premises.

11. WATER RIGHTS.

11.1 Water Rights in Name of Lessor. If Lessee files to appropriate water for coal mining operations on the Leased Premises, the filing for such water right shall be made by Lessee in the name of Lessor at no cost to Lessor, and such water right shall become an appurtenance to the Leased Premises, subject to Lessee’s right to use such water right at no cost during the term of this Lease.

11.2 Option to Purchase. If Lessee purchases or acquires an existing water right for coal mining operations on the Leased Premises, Lessor shall have the option to acquire that portion of such water right as was used on the Leased Premises upon expiration or termination of this Lease. The option price for such water right shall be the fair market value of the water right as of the date of expiration or termination of this Lease. Upon expiration or termination of this Lease, Lessee shall notify Lessor in writing of all water rights purchased or acquired by Lessee for coal mining operations on the Leased Premises and its estimate of the fair market value of such water right. Lessor shall then have forty-five (45) days to exercise its option to acquire the water by payment to Lessee of the estimated fair market value. If Lessor disagrees with Lessee’s estimate of fair market value, Lessor shall notify Lessee of its disagreement within the 45 day option exercise period. The fair market value of the water right shall then be appraised by a single appraiser mutually acceptable to both parties, which appraisal shall be final and not subject to review or appeal. If the parties cannot agree upon the choice of an appraiser, the fair market value of the water right shall be determined by a court of competent jurisdiction. Conveyance of any water right pursuant to this paragraph shall be by quit claim deed.

12. ASSIGNMENT OR SUBLEASE; OVERRIDING ROYALTIES.

12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, creation of overriding royalties or production payments, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.
12.2 Binding Effect. All of the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties respective successors, assigns, and sublessees.

12.3 Limitation on Overriding Royalties. Lessor reserves the right to disapprove the creation of an overriding royalty or production payment that would, in Lessor’s reasonable discretion, constitute an unreasonable economic burden upon operation of the Lease. In exercising its discretion to disapprove the creation of an overriding royalty, Lessor shall consult with Lessee and any third parties involved and shall prepare findings to evidence the basis of its decision. Cumulative overriding royalties of 2% or less shall be deemed presumptively reasonable unless special circumstances are shown by Lessor to exist.

13. OPERATIONS.

13.1 Permitting. Before Lessee commences exploration, drilling, or mining operations on the Leased Premises, it shall have obtained such permits and posted such bonds as may be required under applicable provisions of the Utah Coal Mining and Reclamation Act, the Surface Mining Control and Reclamation Act, and associated regulations, together with applicable regulations of the surface management agency. Lessee shall maintain any required permits in place for the duration of mining operations and reclamation. Upon request, Lessee shall provide Lessor with a copy of all regulatory filings relating to permitting matters.

13.2 Plan of Operations. Prior to the commencement of any underground mining operations on the Leased Premises, Lessee shall obtain Lessor’s approval of a plan of operations for the Leased Premises. The plan of operations shall contain all information required to be contained in a federal Resource Recovery and Protection Plan, as described in 43 Code of Federal Regulations § 3482.1(b) and (c) (1998). Lessor may modify the proposed plan of operations as is needed to insure that there is no waste of economically recoverable coal reserves contained on the Leased Premises. In this context “waste” shall mean the inefficient utilization of, or the excessive or improper loss of an otherwise economically recoverable coal resource. Lessor shall notify Lessee in writing of its approval or modifications of the plan of operations. The plan of operations submitted by Lessee shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within sixty (60) days of filing.

13.3 Plan of Operations - Modification. In the event that material changes are required to the plan of operations during the course of mining, Lessee shall submit a modification of the plan of operations to the Lessor. Routine adjustments to the plan of operations based upon geologic circumstances encountered during day-to-day mining operations do not require the submission of a modification. If the proposed changes require emergency action by Lessor, then the Lessee shall so notify the Lessor at the time of submission of the modification and the parties shall use their best efforts to meet the Lessee’s time schedule regarding implementation of the changes. Non-emergency modifications will be reviewed promptly by Lessor to insure that there is no waste of economically recoverable coal reserves pursuant to the plan of operations, as modified,
and Lessor shall notify lessee in writing of its approval or modification of the proposed modification. Modifications shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within thirty (30) days of filing.

13.4 **Mine Maps.** Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations prepared and maintained in the manner prescribed by 43 Code of Federal Regulations §3482.3 (1998). Lessee shall provide copies of such maps to Lessor upon request.

13.5 **Good Mining Practices.** Lessee shall conduct exploration and mining operations on the Leased Premises in accordance with standard industry operating practices, and shall avoid waste of economically recoverable coal. Lessee shall comply with all regulations and directives of the Mine Safety and Health Administration or successor agencies for the health and safety of employees and workers. Lessee shall further comply with the performance standards for underground resource recovery set forth at 43 Code of Federal Regulations § 484.1(c) (1998); provided, however, that Lessor may waive such standards from time to time in its reasonable discretion, upon request by Lessee. Coal shall be mined from this Lease by underground methods only.

13.6 **Mining Units.** Lessor may approve the inclusion of the Leased Premises in a mining unit with federal, private or other non-state lands upon terms and conditions that it deems necessary to protect the interests of the Lessor, including without limitation segregation of production, accounting for commingled coal production, and minimum production requirements or minimum royalties for the Leased Premises.

14. **EQUIPMENT; RESTORATION.**

14.1 **Equipment.** Upon termination of this Lease, Lessee shall remove, and shall have the right to remove, all improvements, equipment, stockpiles, and dumps from the Leased Premises within six (6) months; provided, however, that Lessor may, at Lessor's sole risk and expense, and subject to Lessee's compliance with requirements imposed by UDOGM and MSHA, require Lessee to retain in place underground timbering supports, shaft linings, rails, and other installations reasonably necessary for future mining of the Leased Premises. All improvements and equipment remaining on the Leased Premises after six (6) months may be deemed forfeited to Lessor upon written notice of such forfeiture to Lessee. Lessee may abandon underground improvements, equipment of any type, stockpiles and dumps in place if such abandonment is in compliance with applicable law, and further provided that Lessee provides Lessor with financial or other assurances sufficient in Lessor's reasonable discretion to protect Lessor from future environmental liability with respect to such abandonment or any associated hazardous waste spills or releases. Lessee shall identify and locate on the mine map the location of all equipment abandoned on the Lease Premises.
14.2 Restoration and Reclamation. Upon termination of this Lease, Lessee shall reclaim the Leased Premises in accordance with the requirements of applicable law, including mine permits and reclamation plans on file with UDOGM. Lessee shall further abate any hazardous condition on or associated with the Leased Premises. Lessee and representatives of all governmental agencies having jurisdiction shall have the right to re-enter the Leased Premises for reclamation purposes for a reasonable period after termination of the Lease.

15. DEFAULT

15.1 Notice of Default; Termination. Upon Lessee's violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor's files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor's administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee.

15.2 Effect of Termination. The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the Lessor to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination; however, the obligations of Lessee with respect to reclamation, indemnification and other continuing covenants imposed by this Lease shall survive the termination.

16. MISCELLANEOUS PROVISIONS.

16.1 Indemnity. Except as limited by paragraph 7.2, Inspection, Lessee shall indemnify and hold Lessor harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys' fees and court costs, arising in any way out of Lessee's occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee's obligations under this Lease, including without limitation attorneys' fees and court costs.

16.2 Interest. Except as set forth in paragraph 4, BONUS BID, interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule
enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the
date each such obligation shall arise.

16.3 **Suspension.** In the event that Lessor in its reasonable discretion determines that suspension is
necessary in the interests of conservation of the coal resource, or if Lessee has been prevented
from performing any of its obligations or responsibilities under this Lease or from conducting
mining operations by labor strikes, fires, floods, explosions, riots, adverse coal quality rendering
the coal unmarketable, any unusual mining casualties or conditions, Acts of God, government
restrictions or orders, severe weather conditions, or other extraordinary events beyond its control,
then the time for performance of this Lease by Lessee shall be suspended during the continuance
of such acts which prevent performance, excepting any payments due and owing to Lessor.

16.4 **Consent to Suit; Jurisdiction.** This Lease shall be governed by the laws of the State of Utah;
Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the
Third Judicial District Court for Salt Lake County, Utah; Lessee consents to the jurisdiction of
such court; and Lessee shall not bring any action against Lessor without exhaustion of available
administrative remedies and compliance with applicable requirements of the Utah Governmental
Immunity Act.

16.5 **No Waiver.** No waiver of the breach of any provision of this Lease shall be construed as a waiver
of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall
the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in
default be deemed to be a waiver of such default.

16.6 **Severability.** The invalidity of any provision of this Lease, as determined by a court of competent
jurisdiction, shall in no way affect the validity of any other provision hereof.

16.7 **Entire Lease.** This Lease, together with any attached stipulations, sets forth the entire agreement
between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent
alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing
and signed by each of them.
IN WITNESS WHEREOF, the parties have executed this Lease as of the date hereinabove first written.

APPROVED AS TO FORM:
Mark L. Shurtleff
ATTORNEY GENERAL

Form Approved: 3/26/03

THE STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR

By

LESSEE:

ANDALEX Resources, Inc.
a Delaware corporation

By:
Douglas H. Smith
President

INTERMOUNTAIN POWER AGENCY,
a political subdivision of the State of Utah

By:
Reed T. Searle
General Manager

INCORPORATED
APR 15 2005
DIV OF OIL GAD 3/31/03
On the 26th day of March, 2003, personally appeared before me Kevin S. Carter, who being by me duly sworn did say that he is Director of the School and Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 26th day of March, 2003.

Lynda Belnap
Notary Public
Residing at: Salt Lake City, UT
My commission expires: 4-1-06

On the 28th day of March, 2003, personally appeared before me Douglas H. Smith, who being duly sworn did say that he is the President of ANDALEX Resources, Inc., and the signer of the above instrument, who duly acknowledged to me that said corporation executed the same.

Given under my hand and seal this 28th day of March, 2003.

Wayne L. Crouch
Notary Public
Residing at: Salt Lake County, Utah
My commission expires: 10 July 2006
COUNTY OF SALT LAKE

On the 28th day of March, 2003, personally appeared before me Reed T. Searle, who being duly sworn did say that he is the General Manager of Intermountain Power Agency, who duly acknowledged to me that said political subdivision executed the same.

Given under my hand and seal this 28th day of March, 2003.

Notary Public
Residing at: South Jordan, Utah

My commission expires: 2/16/04
UTAH STATE LEASE FOR COAL INCORPORATED ML 49287-OBA

THIS COAL MINING LEASE AND AGREEMENT (the "Lease") is entered into and executed in duplicate as of APRIL 1, 2004 (the "Effective Date") by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 ("Lessor"), and

ANDALEX Resources, Inc.  INTERMOUNTAIN POWER AGENCY
45 West 10000 South, Suite 401 & c/o Department of Water & Power of the City of Los Angeles
Sandy, UT 84070          Attention: Coal Business Manager

Room 1263
111 North Hope Street
Los Angeles, California 90012

having business addresses as shown above (collectively "Lessee"). each with a 50% undivided interest.

WITNESSETH:

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration paid or required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, mine, remove, transport, convey, cross-haul, commingle, and sell the coal located within the boundaries of the following-described tract of land (the "Leased Premises") located in Carbon County, State of Utah:

T14S, R13E, SLB&M
Sec. 3: Lots 1, 2, 3, S2N2, S2
Sec. 10: W2NW4, SW4, SW4SE4

Containing 881.10 acres, more or less.

Together with the right and privilege to make use of the surface (but only to the extent owned by Lessor) and subsurface of the Leased Premises for uses incident to the mining of coal by Lessee on the Leased Premises or on other lands under the control of Lessee or mined in connection with operations on the Leased Premises, including, but not limited to, conveying, storing, loading, hauling, commingling, cross-hauling, and otherwise transporting coal; excavating; removing, stockpiling, depositing and redepositing of surface materials; and the subsidence, mitigation, restoration and reclamation of the surface.

This Coal Mining Lease and Agreement is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:

LEASED MINERALS.

1.1 Coal. This mineral lease covers coal, which shall mean and include black or brownish-black solid fossil fuels that have been subjected to the natural processes of coalification, and which fall
within the classification of coal by rank as anthracitic, bituminous, sub-bituminous, or lignitic, together with closely associated substances which include, but are not limited to other hydrocarbon substances physically contained within the same geologic strata as the coal. In the event that minerals other than coal are discovered during lease operations, Lessee shall promptly notify the Lessor.

1.2 Coalbed Methane. To the extent that Lessor owns gas, coalbed methane or coal seam gas (collectively "coalbed methane") within the Leased Premises, Lessee may remove, vent, flare or capture such coalbed methane from the coal strata being mined and any overlying formations if such removal is necessary for safety reasons in the reasonable discretion of Lessee. If Lessee captures or uses such coalbed methane, it shall pay Lessor royalties on the value of such coalbed methane at the prevailing state royalty rate for natural gas, unless such royalties are expressly waived by Lessor. In the event that Lessor does not own coalbed methane within the Leased Premises, Lessee must obtain the consent of the owner of such coalbed methane prior to removal or capture of such gas. Except as expressly granted herein, the right to extract gas, coalbed methane and coal seam gas is not granted by this Lease.

1.3 No Warranty of Title. Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure.

2. RESERVATIONS TO LESSOR. Subject to the exclusive rights and privileges granted to Lessee under this Lease, and further provided that Lessor shall refrain from taking actions with respect to the Leased Premises that may unreasonably interfere with Lessee's operations, Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges (to the extent that Lessor has the right to grant such rights and privileges):

2.1 Rights-of-Way and Easements. Lessor reserves the right, following consultation with the Lessee, to establish rights-of-way and easements upon, through or over the Leased Premises, under terms and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, mineral access, and any other purpose deemed reasonably necessary by Lessor.

2.2 Other Mineral Leases. Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than coal, under terms and conditions that will not unreasonably interfere with operations under this Lease in accordance with Lessor's regulations, if any, governing multiple mineral development.

2.3 Use and Disposal of Surface. To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease, Lessor reserves the
right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor shall notify Lessee of any such sale, lease, or other disposition of the surface estate.

2.4 Previously Authorized Improvements. If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessee shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences. Nothing in this paragraph shall authorize Lessee to remove surface improvements where Lessor does not own the surface estate.

2.5 Rights Not Expressly Granted. Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.

3. TERM OF LEASE; READJUSTMENT.

3.1 Primary Term. This Lease is granted for a "primary term" of ten (10) years commencing on the Effective Date and for a "secondary term" of an additional ten (10) years, subject to Lessee's compliance with the requirements of paragraph 3.3, Diligent Operations; Minimum Royalty.

3.2 Extension Beyond Secondary Term. Subject to Lessee's compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the secondary term and for as long thereafter as coal is produced in commercial quantities from the Leased Premises, or from lands constituting either (i) a logical mining unit approved by the Bureau of Land Management containing the Leased Premises, or (ii) a mining unit, in which the recoverable coal reserves can be developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of recoverable coal reserves. The second type of mining unit requires a determination by the Lessor that the criteria set forth in item (ii) have been satisfied. The satisfaction of either (i) or (ii) above shall mean that the Lease is contained within an "approved mining unit." For the purposes of this Lease, production of coal in commercial quantities shall mean production during each lease year of at least one per cent (1%) of the recoverable coal reserves within the Leased Premises or within lands constituting an approved mining unit which includes the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee.

3.3 Diligent Operations; Minimum Royalty. In the absence of actual production in commercial quantities as set forth in paragraph 3.2, Extension Beyond Secondary Term, this Lease shall remain in effect beyond the primary term only if the Lessee is engaged in diligent operations, exploration, research, or development activity (which development activity shall include, but not be limited to, pursuit of required permits and approvals) which in Lessor's reasonable discretion is calculated to advance development or production of coal from the Leased Premises or lands constituting an approved mining unit which includes the Leased Premises, and Lessee pays an annual minimum royalty in advance on or before the anniversary date of the Effective Date. The minimum royalty shall be calculated by determining the production royalty that would be payable.
upon production of one per cent (1%) of the recoverable coal reserves within the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee. The unit value of the recoverable coal reserves for purposes of determining the minimum royalty shall be determined by Lessor using the methodology set forth in 43 Code of Federal Regulations §3483.4(c)(1)-(3) (1998). Minimum royalties paid by Lessee pursuant to this paragraph may be credited against production royalties accruing during the term of this Lease.

3.4 Expiration; Cessation of Production. This Lease may not be extended pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty, beyond the end of the twentieth year after the Effective Date except by the actual production of coal in commercial quantities from the Leased Premises or from lands constituting an approved mining unit which includes the Leased Premises. After expiration of the secondary term, this Lease will expire of its own terms, without the necessity of any notice or action by Lessor, if Lessee ceases production of coal in commercial quantities for an entire lease year, unless the Lease is suspended pursuant to paragraph 16.3, Suspension.

3.5 Readjustment. At the end of the primary term and at the end of each period of ten (10) years thereafter, Lessor may readjust the terms and conditions of this Lease (including without limitation rental rates, minimum royalties, royalty rates and valuation methods, and provisions concerning reclamation). If within thirty (30) days after submission of the readjusted lease terms to the Lessee, the Lessee determines that any or all of the proposed readjusted terms and conditions are unacceptable, then Lessee shall so notify Lessor in writing and the parties shall attempt to resolve the objectionable term or condition. If the parties are unable to resolve the matter and agree upon the readjusted terms and conditions submitted by Lessor at the end of such ten (10) year period, Lessee shall forfeit any right to the continued extension of this lease, and the lease shall automatically terminate, provided that nothing herein shall be deemed to preclude Lessee from appealing any readjustment by Lessor pursuant to applicable law.

3.6 Relinquishment. Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor. Lessor may disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to the Lessor, if the lease is otherwise not in good standing, or if relinquishment would in Lessor's reasonable determination cause waste of economically recoverable coal. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Upon approval, relinquishment shall relieve the Lessee of all future rental obligations as to the relinquished lands effective as of the date of filing of the relinquishment, but shall not relieve Lessee from other obligations to the extent provided in paragraph 15.2, Effect of Termination.

4. BONUS BID. Lessee agrees to pay Lessor, an initial bonus bid in the sum of $1,400,000.00 as partial consideration for Lessor's issuance of this Lease, payable in not more than five equal annual installments of $280,000.00. The first annual installment is due and payable upon submission of the bonus bid. Each subsequent annual installment shall be paid on or before each anniversary date of the effective date of the
lease until the total bonus bid has been paid in full. The unpaid balance of the bonus bid shall not bear interest; provided, however, that if this Lease is relinquished or otherwise terminated prior to the payment in full of the bonus bid, or if Lessee fails to make any bonus bid payment when due, the entire unpaid balance of the bonus bid shall immediately become due without regard to such relinquishment or termination, and such balance shall thereafter bear interest as provided in paragraph 16.2, Interest. Lessor may require Lessee to submit a bond or other sufficient surety to secure Lessee's obligation to pay the unpaid balance of the bonus bid. The initial bonus bid may not be credited against any other bonus payments, annual rentals or royalties accruing under the lease.

5. RENTALS. Lessee agrees to pay Lessor an annual rental of three dollars ($3.00) for each acre and fractional part thereof within the Leased Premises. Lessee shall promptly pay annual rentals each year in advance on or before the anniversary date of the Effective Date. Lessee may not credit rentals against production royalties or against minimum royalties payable pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty.

6. ROYALTIES.

6.1 Production Royalties. Lessee shall pay Lessor a production royalty of eight per cent (8%) of the value of all coal severed and removed from the Leased Premises. For all coal sold pursuant to an arm's-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced. For any coal that is sold or disposed of other than by an arm's-length contract, or for coal that is used within the mine permit area containing the Leased Premises for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, the value of such coal shall be determined by Lessor with reference to (in order of priority): (i) comparable arms-length contracts or other dispositions of like-quality coal produced in the same coal field; (ii) prices reported for that coal to a public utility commission; (iii) prices reported to other governmental agencies; or (iv) other relevant information.

6.2 Allowable Deductions. It is expressly understood and agreed that none of Lessee's mining or production costs, including but not limited to costs for materials, labor, overhead, distribution, transportation within the mine permit area prior to the point of sale, loading, crushing, sizing, screening, or general and administrative activities, may be deducted in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty set forth in this Lease. In the event that the point of sale for coal produced from this Lease is located outside the mine permit area boundary, Lessee may deduct the reasonable, actual costs of transportation of such coal from the mine permit area boundary to the point of sale from gross proceeds in computing Lessor's royalty; provided, however, that transportation deductions for coal transported by Lessee, Lessee's affiliates, or by non-arm's-length contract are subject to review and modification by Lessor. Lessee shall be allowed to deduct its actual, reasonable washing and treatment costs from gross proceeds in computing Lessor's royalty; provided,
however, that, upon Lessor's request Lessee shall provide to Lessor appropriate justification to
demonstrate that Lessee's costs are reasonable.

6.3 Reference to Federal Regulations. It is the intent of Lessor and Lessee that the calculation of the
value of coal for royalty purposes be consistent with federal coal regulations governing the
valuation of coal, except where this Lease expressly provides otherwise. In no event shall the
value of coal used for calculation of royalties under this Lease be less than the value which would
be obtained were federal royalty valuation regulations applied.

6.4 Royalty Payment. For all coal severed and removed from the Leased Premises that is used, sold,
transported or otherwise disposed of during a particular month, Lessee shall pay royalties to
Lessor on or before the end of the next succeeding month. Royalty payments shall be
accompanied by a verified statement, in a form approved by Lessor, stating the amount of coal
sold or otherwise disposed of, the gross proceeds accruing to Lessee, the calculation of allowable
deductions, and any other information reasonably required by Lessor to verify production and
disposition of the coal or coal products. In the event that Lessee uses or disposes of coal pursuant
to a non-arm's-length contract, or uses coal for generation of electricity or for gasification,
liquefaction, in situ processing, or other method of extracting energy from such coal, Lessee shall
notify Lessor of such use or disposal on or before the end of the next succeeding month following
such use or disposal, and shall pay royalties upon Lessee's good faith estimate of the value of such
c coal, subject to Lessor's right to determine the value of such coal pursuant to paragraph 6.1,
Production Royalties.

6.5 Suspension, Waiver or Reduction of Rents or Royalties. Lessor, to the extent not prohibited by
applicable law, is authorized to waive, suspend, or reduce the rental or minimum royalty, or
reduce the royalty applicable with respect to the entire Lease, whenever in Lessor's judgment it is
necessary to do so in order to promote development, or whenever in the Lessor's judgment the
Lease cannot be successfully operated under the terms provided herein.

7. RECORDKEEPING; INSPECTION; AUDITS.

7.1 Registered Agent; Records. Lessee shall maintain a registered agent within the State of Utah to
whom any and all notices may be sent by Lessor and upon whom process may be served. Lessee
shall also maintain an office within the State of Utah containing originals or copies of all maps,
engineering data, permitting materials, books, records or contracts (whether such documents are
in paper or electronic form) generated by Lessee that pertain in any way to coal production, output
and valuation; mine operations; coal sales and dispositions; transportation costs; and calculation
of royalties from the Leased Premises. Lessee shall maintain such documents for at least seven
years after the date of the coal production to which the documents pertain.

7.2 Inspection. Lessor's employees and authorized agents at Lessor's sole risk and expense shall have
the right to enter the Leased Premises to check scales as to their accuracy, and to go on any part of
the Leased Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor's employees and authorized agents shall further have the right to audit, examine and copy (at Lessor's expense) all documents described in paragraph 7.1, Registered Agent; Records, whether such documents are located at the mine site or elsewhere. Lessee shall furnish all conveniences necessary for said inspection, survey, or examination; provided, however, that such inspections shall be conducted in a manner that is in conformance with all applicable mine safety regulations and does not unreasonably interfere with Lessee's operations.

7.3 Federal Inspections. Lessee agrees that Bureau of Land Management ("BLM") agents authorized by the Lessor may conduct underground inspections of the Leased Premises.

7.4 Geologic Information. In the event Lessee conducts core-drilling operations or other geologic evaluation of the Leased Premises, Lessor may inspect core samples, evaluations thereof, and proprietary geologic information concerning the Leased Premises.

7.5 Confidentiality. Any and all documents and geologic data obtained by Lessor through the exercise of its rights as set forth in paragraphs 7.2, Inspection., and 7.4, Geologic Information., may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease.

8. USE OF SURFACE ESTATE.

8.1 Lessor-Owned Surface. If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease the Lessee has been granted the right to make use of such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold. Lessee's right to surface use of Lessor-owned surface estate shall include the right to subside the surface. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in paragraph 2, RESERVATIONS TO LESSOR, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.

8.2 Split-Estate Lands. If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee's access to and use of the surface of such lands shall be determined by applicable law governing mineral development on split-estate lands, including without limitation applicable statutes governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney's fees and costs) arising out of or related to damage caused by Lessee's operations to surface lands or improvements owned by third parties.
9. APPLICABLE LAWS AND REGULATIONS: HAZARDOUS SUBSTANCES

9.1 Trust Lands Statute and Regulations. This Lease is issued pursuant to the provisions of Title 53C, Utah Code Annotated, 1953, as amended, and Lessee is subject to and shall comply with all current and future rules and regulations adopted by the School and Institutional Trust Lands Administration.

9.2 Other Applicable Laws and Regulations. Lessee shall comply with all applicable federal, state and local statutes, regulations, and ordinances, including without limitation the Utah Coal Mining and Reclamation Act, applicable statutes and regulations relating to mine safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances and environmental protection.

9.3 Hazardous Substances. Lessee (or other occupant pursuant to any agreement authorizing mining) shall not keep on or about the premises any hazardous substances, as defined under 42 U.S.C. § 9601(14) or any other Federal environmental law, any regulated substance contained in or released from any underground storage tank, as defined by the Resource Conservation and Recovery Act, 42 U.S.C. § 6991, et seq, or any substances defined and regulated as “hazardous” by applicable State law, (hereinafter, for the purposes of this Lease, collectively referred to as “Hazardous Substances”) unless such substances are reasonably necessary in Lessee's mining operations, and the use of such substances or tanks is noted and approved in the Lessee's mining plan, and unless Lessee fully complies with all Federal, State and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended, governing Hazardous Substances. Lessee shall immediately notify Lessor, the Trust Lands Administration, the surface management agency, and any other Federal, State and local agency with jurisdiction over the Leased Premises, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, (ii) all failures to comply with any applicable Federal, state or local law, regulation or ordinance governing Hazardous Substances, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, order, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private Party concerning the Leased Premises.

9.4 Hazardous Substances Indemnity. Lessee (or other occupant pursuant to any agreement authorizing mining) shall indemnify, defend, and hold harmless Lessor its agencies, employees, officers, and agents with respect to any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to Lessee's use, disposal, transportation, generation, sale or location upon or affecting the Leased Premises of Hazardous Substances, as defined in paragraph 9.4 of this Lease. This
indemnity shall extend to the actions of Lessee's employees, agents, assigns, sublessees, contractors, subcontractors, licensees and invitees. Lessee shall further indemnify, defend and hold harmless Lessor from any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to any breach of the provisions of this Lease concerning Hazardous Substances. This indemnity is in addition to, and in no way limits, the general indemnity contained in paragraph 16.1 of this Lease.

9.5 Waste Certification. The Lessee shall provide upon abandonment, transfer of operation, assignment of rights, sealing-off of a mined area, and prior to lease relinquishment, certification to the Lessor and the Trust Lands Administration that, based upon a complete search of all the operator's records for the Lease, and upon its knowledge of past operations, there have been no reportable quantities of hazardous substances as defined in 40 Code of Federal Regulations §302.4, or used oil as defined in Utah Administrative Code R315-15, discharged (as defined at 33 U.S.C. §1321(a)(2)), deposited or released within the Leased Premises, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to such substances. Lessee shall additionally provide to Lessor a complete list of all hazardous substances, hazardous materials, and their respective Chemical Abstracts Service Registry Numbers, and oil and petroleum products used or stored on, or delivered to, the Leased Premises. Such disclosure will be in addition to any other disclosure required by law or agreement.

BONDING.

10.1 Lease Bond Required. At the time this Lease is executed, Lessee shall execute and file with the Lessor a good and sufficient bond or other financial guarantee acceptable to the Lessor in order to: (a) guarantee Lessee's performance of all covenants and obligations under this Lease, including Lessee's obligation to pay royalties; and (b) ensure compensation for damage, if any, to the surface estate and any surface improvements. The Lease Bond shall meet all federal mineral lease bond requirements as described in 43 Code of Federal Regulations Subpart 3474. The Lease Bond shall further provide that upon forfeiture of the Leased Premises to the State of Utah, the Lease Bond shall be payable to the Trust Lands Administration.

10.2 Reclamation Bonding. The bond filed with the Utah Division of Oil, Gas and Mining ("UDOGM") in connection with the issuance of a mine permit which includes the Leased Premises shall be deemed to satisfy Lessor's bonding requirements with respect to Lessee's reclamation obligations under this Lease; provided, however, upon notice to Lessee and a public hearing with respect to the basis for its decision, the Lessor may, in its reasonable discretion, determine that the bond filed with UDOGM is insufficient to protect Lessor's interests. In such an event the Lessor shall enter written findings as to the basis for its calculation of the perceived insufficiency and enter an order establishing the amount of additional bonding required. Lessee shall file any required additional bond with Lessor within thirty (30) days after demand by Lessor.
Lessor may increase or decrease the amount of any additional bond from time to time in accordance with the same procedure.

10.3 Release of Additional Bond. Any additional bond required by Lessor pursuant to 10.2, Reclamation Bonding, may be released by Lessor at any time and shall be released no later than the time of final bond release by UDOGM with respect to the Leased Premises.

11. WATER RIGHTS.

11.1 Water Rights in Name of Lessor. If Lessee files to appropriate water for coal mining operations on the Leased Premises, the filing for such water right shall be made by Lessee in the name of Lessor at no cost to Lessor, and such water right shall become an appurtenance to the Leased Premises, subject to Lessee's right to use such water right at no cost during the term of this Lease.

11.2 Option to Purchase. If Lessee purchases or acquires an existing water right for coal mining operations on the Leased Premises, Lessor shall have the option to acquire that portion of such water right as was used on the Leased Premises upon expiration or termination of this Lease. The option price for such water right shall be the fair market value of the water right as of the date of expiration or termination of this Lease. Upon expiration or termination of this Lease, Lessee shall notify Lessor in writing of all water rights purchased or acquired by Lessee for coal mining operations on the Leased Premises and its estimate of the fair market value of such water right. Lessor shall then have forty-five (45) days to exercise its option to acquire the water by payment to Lessee of the estimated fair market value. If Lessor disagrees with Lessee's estimate of fair market value, Lessor shall notify Lessee of its disagreement within the 45 day option exercise period. The fair market value of the water right shall then be appraised by a single appraiser mutually acceptable to both parties, which appraisal shall be final and not subject to review or appeal. If the parties cannot agree upon the choice of an appraiser, the fair market value of the water right shall be determined by a court of competent jurisdiction. Conveyance of any water right pursuant to this paragraph shall be by quit claim deed.

12. ASSIGNMENT OR SUBLEASE; OVERRIDING ROYALTIES.

12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, creation of overriding royalties or production payments, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.

12.2 Binding Effect. All of the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of their respective successors, assigns, and sublessees.
12.3 Limitation on Overriding Royalties. Lessor reserves the right to disapprove the creation of an overriding royalty or production payment that would, in Lessor's reasonable discretion, constitute an unreasonable economic burden upon operation of the Lease. In exercising its discretion to disapprove the creation of an overriding royalty, Lessor shall consult with Lessee and any third parties involved and shall prepare findings to evidence the basis of its decision. Cumulative overriding royalties of 2% or less shall be deemed presumptively reasonable unless special circumstances are shown by Lessor to exist.

13. OPERATIONS.

13.1 Permitting. Before Lessee commences exploration, drilling, or mining operations on the Leased Premises, it shall have obtained such permits and posted such bonds as may be required under applicable provisions of the Utah Coal Mining and Reclamation Act, the Surface Mining Control and Reclamation Act, and associated regulations, together with applicable regulations of the surface management agency. Lessee shall maintain any required permits in place for the duration of mining operations and reclamation. Upon request, Lessee shall provide Lessor with a copy of all regulatory filings relating to permitting matters.

13.2 Plan of Operations. Prior to the commencement of any underground mining operations on the Leased Premises, Lessee shall obtain Lessor's approval of a plan of operations for the Leased Premises. The plan of operations shall contain all information required to be contained in a federal Resource Recovery and Protection Plan, as described in 43 Code of Federal Regulations § 3482.1(b) and (c) (1998). Lessor may modify the proposed plan of operations as is needed to insure that there is no waste of economically recoverable coal reserves contained on the Leased Premises. In this context "waste" shall mean the inefficient utilization of, or the excessive or improper loss of an otherwise economically recoverable coal resource. Lessor shall notify Lessee in writing of its approval or modifications of the plan of operations. The plan of operations submitted by Lessee shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within sixty (60) days of filing.

13.3 Plan of Operations - Modification. In the event that material changes are required to the plan of operations during the course of mining, Lessee shall submit a modification of the plan of operations to the Lessor. Routine adjustments to the plan of operations based upon geologic circumstances encountered during day-to-day mining operations do not require the submission of a modification. If the proposed changes require emergency action by Lessor, then the Lessee shall so notify the Lessor at the time of submission of the modification and the parties shall use their best efforts to meet the Lessee's time schedule regarding implementation of the changes. Non-emergency modifications will be reviewed promptly by Lessor to insure that there is no waste of economically recoverable coal reserves pursuant to the plan of operations, as modified, and Lessor shall notify Lessee in writing of its approval or modification of the proposed modification.
13.4 **Mine Maps.** Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations prepared and maintained in the manner prescribed by 43 Code of Federal Regulations § 3482.3 (1998). Lessee shall provide copies of such maps to Lessor upon request.

13.5 **Good Mining Practices.** Lessee shall conduct exploration and mining operations on the Leased Premises in accordance with standard industry operating practices, and shall avoid waste of economically recoverable coal. Lessee shall comply with all regulations and directives of the Mine Safety and Health Administration or successor agencies for the health and safety of employees and workers. Lessee shall further comply with the performance standards for underground resource recovery set forth at 43 Code of Federal Regulations § 3484.1(c) (1998); provided, however, that Lessor may waive such standards from time to time in its reasonable discretion, upon request by Lessee. Coal shall be mined from this Lease by underground methods only.

13.6 **Mining Units.** Lessor may approve the inclusion of the Leased Premises in a mining unit with federal, private or other non-state lands upon terms and conditions that it deems necessary to protect the interests of the Lessor, including without limitation segregation of production, accounting for commingled coal production, and minimum production requirements or minimum royalties for the Leased Premises.

### 14. EQUIPMENT; RESTORATION.

14.1 **Equipment.** Upon termination of this Lease, Lessee shall remove, and shall have the right to remove, all improvements, equipment, stockpiles, and dumps from the Leased Premises within six (6) months; provided, however, that Lessor may, at Lessor's sole risk and expense, and subject to Lessee's compliance with requirements imposed by UDOGM and MSHA, require Lessee to retain in place underground timbering supports, shaft linings, rails, and other installations reasonably necessary for future mining of the Leased Premises. All improvements and equipment remaining on the Leased Premises after six (6) months may be deemed forfeited to Lessor upon written notice of such forfeiture to Lessee. Lessee may abandon underground improvements, equipment of any type, stockpiles and dumps in place if such abandonment is in compliance with applicable law, and further provided that Lessee provides Lessor with financial or other assurances sufficient in Lessor's reasonable discretion to protect Lessor from future environmental liability with respect to such abandonment or any associated hazardous waste spills or releases. Lessee shall identify and locate on the mine map the location of all equipment abandoned on the Lease Premises.

14.2 **Restoration and Reclamation.** Upon termination of this Lease, Lessee shall reclaim the Leased Premises in accordance with the requirements of applicable law, including mine permits and reclamation plans on file with UDOGM. Lessee shall further abate any hazardous condition on or
associated with the Leased Premises. Lessee and representatives of all governmental agencies having jurisdiction shall have the right to re-enter the Leased Premises for reclamation purposes for a reasonable period after termination of the Lease.

15. DEFAULT

15.1 Notice of Default; Termination. Upon Lessee's violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor's files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor's administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee.

15.2 Effect of Termination. The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the Lessor to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination; however, the obligations of Lessee with respect to reclamation, indemnification and other continuing covenants imposed by this Lease shall survive the termination.

16. MISCELLANEOUS PROVISIONS.

16.1 Indemnity. Except as limited by paragraph 7.2, Inspection, Lessee shall indemnify and hold Lessor harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys' fees and court costs, arising in any way out of Lessee's occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee's obligations under this Lease, including without limitation attorneys' fees and court costs.

16.2 Interest. Except as set forth in paragraph 4, BONUS BID, interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.
16.3 Suspension. In the event that Lessor in its reasonable discretion determines that suspension is necessary in the interests of conservation of the coal resource, or if Lessee has been prevented from performing any of its obligations or responsibilities under this Lease or from conducting mining operations by labor strikes, fires, floods, explosions, riots, any unusual mining casualties or conditions, Acts of God, government restrictions or orders, severe weather conditions, or other extraordinary events beyond its control, then the time for performance of this Lease by Lessee shall be suspended during the continuance of such acts which prevent performance, excepting any payments due and owing to Lessor.

16.4 Consent to Suit; Jurisdiction. This Lease shall be governed by the laws of the State of Utah. Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the Third Judicial District Court for Salt Lake County, Utah. Lessee consents to the jurisdiction of such court. Lessee shall not bring any action against Lessor without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act.

16.5 No Waiver. No waiver of the breach of any provision of this Lease shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in default be deemed to be a waiver of such default.

16.6 Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

16.7 Special Stipulations. The special stipulations set forth in Exhibit "A" to this Lease are hereby incorporated into and made an integral part of this Lease.

16.8 Entire Lease. This Lease, together with any attached stipulations, sets forth the entire agreement between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing and signed by each of them.
IN WITNESS WHEREOF, the parties have executed this Lease as of the date hereinabove first written.

THE STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR

By

Thomas B. Faddies, Assistant Director/Minerals

School & Institutional Trust Lands Administration - LESSOR

ANDALEX RESOURCES, INC.
LESSEE

By: __________________________

Its: Douglas H. Smith, President

&

INTERMOUNTAIN POWER AGENCY
LESSEE

By: __________________________

Its: Gen. Manager

INCORPORATED

APR 15 2005

DIV OF OIL, GAS & MIN.

-15-
STATE OF UTAH )
COUNTY OF SALT LAKE )

On the 22 day of March, 2004, personally appeared before me THOMAS B. FADDIESE who duly sworn did say that he is Assistant Director of the School & Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 22 day of March, 2004.


THOMAS B. FADDIES

STATE OF UTAH )
COUNTY OF SALT LAKE )

On the 17th day of March, 2004, personally appeared before me

DOUGLAS H. SMITH, who being duly sworn did say that he is an officer of

ANDALEX Resources, Inc. and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said DOUGLAS H. SMITH acknowledged to me that said corporation executed the same.

Given under my hand and seal this 17th day of March, 2004.


DOUGLAS H. SMITH

STATE OF UTAH )
COUNTY OF SALT LAKE )

On the 19th day of March, 2004, personally appeared before me

REED T. SCARLE, who being duly sworn did say that he is an officer of

INTERMOUNTAIN POWER AGENCY and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said REED T. SCARLE acknowledged to me that said corporation executed the same.

Given under my hand and seal this 19 day of March, 2004.


REED T. SCARLE

My Commission Expires:

KIRSTA R PAULL

NOTARY PUBLIC, residing at: Salt Lake County, UT.