



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

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PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

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January 7, 2002

Michael Glasson, Environmental Coordinator
Andalex Resources, Inc.
P.O. Box 902
Price, Utah 84501

Re: Permit Renewal, Andalex Resources, Inc., Centennial Project, C/007/019-RN01,
Outgoing File

m lb

Dear Mr. Glasson:

The permit renewal for the Centennial Project is approved, effective January 5, 2002. Enclosed is the State Decision Document for this Permit Renewal, which includes two (2) copies of the renewed permanent program permit for the Centennial Project. Please read the permit to be sure you understand the requirements of the permit, then have both copies signed by the appropriate Andalex Resource, Inc. officer and return one to the Division.

If you have any questions, please call me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lowell P. Braxton".

Lowell P. Braxton
Director

Enclosure

cc: James Fulton, OSM
Larry Kline, OSM
Richard Manus, BLM
Mark Page, Water Rights w/o
Dave Ariotti, DEQ w/o
Derris Jones, DWR w/o
Price Field Office

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**UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT
For
PERMIT RENEWAL**

**Andalex Resources, Inc.
Centennial Project
C/007/019
January 5, 2002**

Contents

- * Administrative Overview
- * Permitting Chronology
- * Findings
- * Permit
- * Publication Notice
- * AVS Compliance Memo

ADMINISTRATIVE OVERVIEW

Andalex Resources, Inc.
Centennial Project
C/007/019
Carbon County, Utah
January 5, 2002

BACKGROUND

The Mining and Reclamation Plan (MRP) for the Centennial Project was approved by the Office of Surface Mining in November of 1981 and by the Division of Oil, Gas and Mining (DOG M) in January of 1982, consisting of private and federal coal leases. On May 20, 1986, ARI was issued a permit by DOGM for a 120-acre federal emergency lease. On March 2, 1987, a new five-year permanent program permit was issued incorporating the emergency lease.

In October of 1987, Federal lease numbers U-010581, SL-063058 and SL-027304 were modified by the Bureau of Land Management to include additional acreages. In March of 1988, ARI requested that these three lease modifications be incorporated into the permitted area. In August of 1988, ARI also requested that one additional 320 acre federal lease (U-05067) and one 240 acre fee lease be added to the permitted area - the permit was revised to include these leases on May 4, 1989. On April 8, 1991, a permit revision was approved which incorporated Federal Lease UTU-66060 also known as the Graves Lease into the permit area. On August 11, 1997 Andalex Resources, Inc. added only the Centennial seam of the AEP lease (UTU-69600) to the permitted area.

On July 7, 1994, the Aberdeen Seam of the AEP lease was permitted to do longwall mining. ARI operated the three mines, the Pinnacle, Apex and Aberdeen, in the Gilson, Lower Sunnyside and Aberdeen seams, respectively until recently. The longwall ceased operations in the Aberdeen Mine on March 15, 2001 and was moved to the West Ridge Mine.

Currently, there is only mining by continuous miners in the Pinnacle Mine in the Centennial and Gilson seams. Tonnage is expected to be at a rate of 750,000 tons per year for about the next ten years.

RECOMMENDATION

On October 9, 2001 Andalex Resources, Inc. submitted a permit renewal application. This permit renewal was advertised in the Sun Advocate for four consecutive weeks and no comments were received.

Andalex Resources, Inc. has met the requirements for successive permit renewal. This permit should be renewed for the permit term, effective January 5, 2002 to January 6, 2007.

CHRONOLOGY

FIVE-YEAR RENEWAL

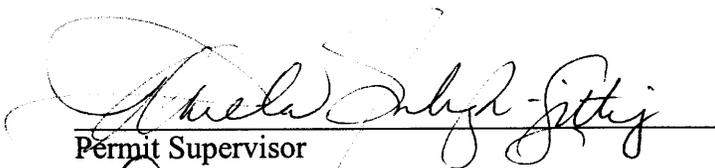
Andalex Resources, Inc.
Centennial Mine
C/007/019
Carbon County, Utah
January 5, 2002

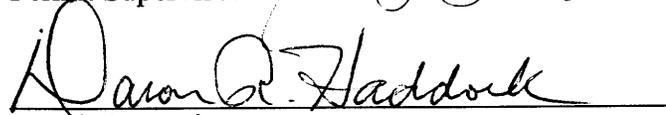
- October 9, 2001 Five-year permit renewal application submitted.
- October 31, 2001 Determination of Administrative Completeness for Centennial Mine permit renewal.
- November 13, 2001 Determination of Administrative Completeness sent to applicable federal, state and local agencies.
- November 27, 2001 Affidavit of publication for permit renewal. Published November 6, 13, 20 and 27, 2001 in the Sun Advocate.
- January 5, 2002 No adverse comments received. Permit renewed.

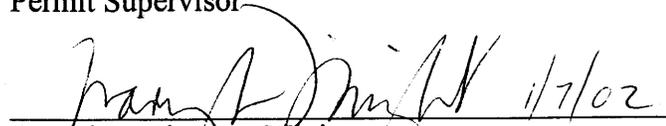
FINDINGS

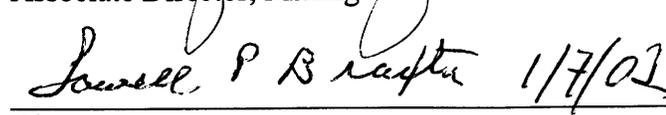
Andalex Resources, Inc.
Centennial Project
C/007/019
Carbon County, Utah
January 5, 2002

1. Application for a permit renewal was made on October 9, 2001. (R645-303-233.100)
2. The terms and conditions of the existing permit are being satisfactorily met. (R645-303-233.110)
3. The present operation and reclamation operations are in compliance with the environmental protection standards of the State Program. (R645-303.233.120)
4. The requested renewal does not substantially jeopardize the operator's continuing ability to comply with the State Program on the existing permit area. (R645-303-233.130)
5. The permittee has provided evidence of having liability insurance in full force and effect. (Federal Insurance Company, Policy #3710-25-94) (R645-303-233.140)
6. The permittee has provided evidence that a performance bond is in effect for the operation and will continue in full force and effect for the proposed period of renewal. (Two surety bonds issued by Utica Mutual Insurance, Bond No. SU34593 in the amount of \$381,839 and Bond No. SU1354086 in the amount of \$699,000 for a total of \$1,080,839.) (R645-303-233.150)
7. For the most recent permit term, all approved permit changes have been incorporated into the permit.


Permit Supervisor


Permit Supervisor

 1/7/02
Associate Director, Mining

 1/7/02
Director

FEDERAL

PERMIT
C/007/019

January 5, 2002

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

This permit, C/007/019, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

Andalex Resources, Inc.
P. O. Box 902
Price, Utah 84501
(801) 637-5385

for the Centennial Project. Andalex Resources Inc. is the lessee of federal coal leases SL-027304, SL-063058, U-010581, U-05067, U-52341, UTU-66060 and U-69600, and the lessee of fee-owned parcels, Zion's fee lease and the Sunedco fee lease. A performance bond is filed with the DOGM in the amount of \$1,080,839.00, payable to the state of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSMRE). DOGM must receive a copy of this permit signed and dated by the permittee.

Sec. 1 STATUTES REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 PERMIT AREA - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Centennial Mines Complex situated in the state of Utah, Carbon County, and located:

Township 13 South, Range 11 East, SLBM

- Section 4: S1/2;
- Section 5: All;
- Section 6: All;
- Section 7: All;
- Section 8: All;
- Section 9: All but SE1/4SE1/4;
- Section 17: N1/2, NE1/4SE1/4, N1/2NW1/4SE1/4, N1/2NE1/4 SW1/4, NE1/4NW1/4SW1/4, W1/2NW1/4SW1/4; and
- Section 18: N1/2N1/2, SW1/4NE1/4, NW1/4SE1/4NE1/4, E1/2 SE1/4NE1/4,

Section 18: N1/2N1/2, SW1/4NE1/4, NW1/4SE1/4NE1/4, E1/2 SE1/4NE1/4, E1/2NE1/4SE1/4 and Lot 2, NE1/4SW1/4 (a portion containing 1.45 acres, more or less.)

Township 13 South, Range 10 East, SLBM

Section 1: Lots 1-8, S1//2N1/2,SW1/4;
Section 12: Lot 1, Lots 2-11, W1/2W1/2, NE1/4SW1/4; and
Section 13: Lot 1 (Portions of BLM ROW64158).

Township 12 South, Range 11 East, SLBM

Section 31: Lots 3-6 and Lots 13-22; and
Section 32: W1/2SW1/4, SW1/4NW1/4.

This legal description is for the permit area of the Centennial Mines Complex. The permittee is authorized to conduct coal mining and reclamation operations connected with mining on the foregoing described property subject to the conditions of the leases, the approved mining plan, including all conditions and all other applicable conditions, laws and regulations.

- Sec. 3 COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.
- Sec. 4 PERMIT TERM** - This permit is effective January 5, 2002, and expires on January 6, 2007.
- Sec. 5 ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred assigned or sold without the approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13 {e} and R645-303-300.
- Sec. 6 RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:
- (a) Have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;

- (b) Be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200 when the inspection is in response to an alleged violation reported to the Division by the private person.

Sec. 7 SCOPE OF OPERATIONS - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.

Sec. 8 ENVIRONMENTAL IMPACTS - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:

- (a) Any accelerated or additional monitoring necessary to determine the nature and extent of noncompliance and the results of the noncompliance;
- (b) Immediate implementation of measures necessary to comply; and
- (c) Warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

- (a) In accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- (b) utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

- Sec. 11 EXISTING STRUCTURES** - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.
- Sec. 12 RECLAMATION FEE PAYMENTS** - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.
- Sec. 13 AUTHORIZED AGENT** - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.
- Sec. 14 COMPLIANCE WITH OTHER LAWS** - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.
- Sec. 15 PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit area in accordance with the Act, the approved Utah State Program and the Federal Lands Program.
- Sec. 16 CULTURAL RESOURCES** - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division of Oil, Gas, and Mining. The Division, after coordination with OSM, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by the Division within the time frame specified by the Division.
- Sec. 17 APPEALS** - The permittee shall have the right to appeal as provided for under R645-300-200.

Sec. 18 SPECIAL CONDITIONS - There are special conditions associated with this permitting action as described in attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations.

THE STATE OF UTAH

By: Jawell P Branta

Date: 1/7/02

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

**Authorized Representative of
Permittee**

Date: _____

Attachment A

Andalex Resources, Inc. will submit water quality data for the Centennial Project in an electronic format through the Electronic Data Input web site,
<http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi>.

page
a/007/019

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

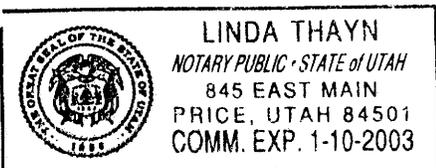
I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 6th day of November, 2001, and that the last publication of such notice was in the issue of such newspaper dated the 27th day of November, 2001.

Kevin Ashby
Kevin Ashby - Publisher

Subscribed and sworn to before me this 27th day of November, 2001.

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

Publication fee, \$ 273.96



NOTICE

Andalex Resources Inc., P.O. Box 902, Price, Utah has filed an application for a five-year permit renewal (ACT/007/019) for its Centennial Mines with the Utah Division of Oil, Gas and Mining. The permit area is located on U.S. Geological Survey 7.5 minute quadrangle maps, Deadman Canyon and Helper, and is further described as follows:

Township 13 South, Range 11 East, SLBM, Section 4: S1/2; Section 5: All; Section 6: All; Section 7: All; Section 8: All; Section 9: All but SE 1/4 SE1/4; Section 17: N1/2, NE1/4 SE 1/4, N1/2 NW1/4 SE1/4, N1/2 NE1/4SW1/4, NE1/4NW1/4 SW1/4, W1/3 NW1/4 SW 1/4; Section 18: N1/2N1/2, SW1/4 NE1/4, NW1/4SE1/4NE1/4, E1/2 SE1/4 NE1/4, E1/2 NE1/4 SE1/4, and Lot 2, NE1/4 SW1/4 (a portion containing 1.45 acres, more or less), and a portion of NE1/4 NE1/4 SE1/4NW1/4 containing 1.5 acres, more or less.

Township 14 South, Range 10 East, SLBM, Section 1: All, Section 12; All, Section 13: Lot 1 (Portions of BLM ROW UTU-64158).

Township 12 South, Range 11 East, SLBM, Section 31: Lots 3-6 and Lots 12-22; Section 32: W1/2 SW1/4, SW1/4 NW1/4.

Copies of this application and the permit are available for inspection at the Utah Division of Oil, Gas and Mining office in Salt Lake City, 1594 West North Temple, Suite 1210, Salt Lake City, Utah and at the Carbon County Courthouse, 120 East Main, Price, Utah.

Written comments, objections or requests for informal conferences on the application should be addressed: Utah Coal Program, Department of Natural Resources, Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, P.O. Box 145801, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate November 6, 13, 20 and 27, 2001