

**ANDALEX**
RESOURCES, INC.

45 WEST 10000 SOUTH, STE 401
SANDY, UTAH 84070
PHONE (801) 568-8900
FAX (801) 568-8930
EMAIL jbradshaw@andalex.com

John Bradshaw, C.A.
Vice President of Finance

August 11, 2005

State of Utah
Division of Oil, Gas & Mining
Attn: Pamela Grubaugh-Littig
1504 West North Temple, Suite 1210
PO Box 145801
Salt Lake City UT 84114-5801

John Bradshaw
8/10/05

Re: Letter of Credit Reference No.

Please be advised that the bank holding your letter of credit from ANDALEX Resources, Inc. will be changing from PNC Bank to JP Morgan Chase Bank.

JP Morgan Chase Bank will be making some language changes on the letter of credit and the replacement letter of credit will be forwarded to the above address for signature. Should you have any questions regarding this change, please contact me at (801) 568-8913.

Sincerely,

John Bradshaw
V.P. - Finance

RECEIVED

AUG 16 2005

DIV. OF OIL, GAS & MINING

JUL-08-2005 13:37

412 705 0966 P.02/04

Trade Service Operations
3rd Floor
500 First Avenue
Pittsburgh, PA 15219
Mail Stop: P7-PFSC-03-T

wift: PNCCUS33
Answerback: Firstbank Pgh
Telephone: 1-800-682-4689



DATE: DECEMBER 9, 2003

BENEFICIARY: STATE OF UTAH
DIVISION OF OIL, GAS & MINING
SEE COMPLETE NAME AND ADDRESS BELOW
SALT LAKE CITY UT 84114-5801

APPLICANT: ANDALEX RESOURCES INC.
P.O. BOX 902
PRICE UT 84501

OUR REFERENCE: S262710PGH

IRREVOCABLE STANDBY LETTER OF CREDIT

STANDBY LETTER OF CREDIT NO.:

CURRENCY/AMOUNT: USD 651,000.00
NOT EXCEEDING USD SIX HUNDRED FIFTY ONE THOUSAND AND
00/100'S

ISSUE DATE: DECEMBER 9, 2003
EXPIRY DATE: DECEMBER 1, 2004
EXPIRY PLACE: PITTSBURGH, PA

BENEFICIARY'S COMPLETE NAME AND ADDRESS:

STATE OF UTAH
DIVISION OF OIL, GAS & MINING
ATTN: PAMELA GRUBAUGH-LITTIG
1504 WEST NORTH TEMPLE, SUITE 1210
PO BOX 145801
SALT LAKE CITY, UT 84114-5801

REF.: PERMIT NO. C/007/019

ON BEHALF OF ANDALEX RESOURCES, INC. (THE "PERMITTEE"), WE HEREBY ESTABLISH OUR IRREVOCABLE LETTER OF CREDIT IN YOUR FAVOR, PAYABLE IN PART OR FULL TO THE STATE OF UTAH, DIVISION OF OIL, GAS AND MINING, AVAILABLE BY YOUR DRAFT(S) AT SIGHT DRAWN ON PNC BANK, NATIONAL ASSOCIATION IN AN AMOUNT NOT TO EXCEED \$651,000.00, ACCOMPANIED BY A STATEMENT PURPORTEDLY SIGNED BY AN AUTHORIZED REPRESENTATIVE OF THE

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3rd Floor
500 First Avenue
Pittsburgh, PA 15219
Mail Stop: P7-PFSC-03-T

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Telephone: 1-800-682-4689



THIS IS AN INTEGRAL PART OF L/C NO. _____

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DIVISION OF OIL, GAS AND MINING ("DOGM") CERTIFYING THAT THE DRAWING IS PURSUANT TO R645-301-880-900, BECAUSE OF ONE OR MORE VIOLATIONS OF THE SURFACE MINING CONTROL AND RECLAMATION ACT, THE REGULATORY PROGRAM, THE PERMIT AND THE RECLAMATION PLAN.

THIS LETTER OF CREDIT WILL AUTOMATICALLY BE EXTENDED FOR PERIODS OF ONE YEAR FROM ANY SCHEDULED EXPIRATION DATE (AS ORIGINALLY SCHEDULED OR AUTOMATICALLY EXTENDED) UNLESS NINETY (90) DAYS PRIOR TO SUCH DATE WE NOTIFY YOU IN WRITING BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, THAT WE ELECT NOT TO EXTEND THIS LETTER OF CREDIT FOR SUCH ADDITIONAL PERIOD.

UPON RECEIPT BY YOU OF SUCH NOTICE, YOU MAY DRAW ON US AT SIGHT FOR THE AMOUNT OF THIS LETTER OF CREDIT BEGINNING 30 DAYS OR LESS PRIOR TO THE THEN APPLICABLE EXPIRATION DATE, BY YOUR DRAFT AS DESCRIBED ABOVE ACCOMPANIED BY A STATEMENT SIGNED BY DOGM'S BOND APPROVING OFFICER CERTIFYING THAT THE AMOUNT OF THE DRAWING REPRESENTS FUNDS DUE DOGM BECAUSE THE PERMITTEE HAS FAILED TO REPLACE THIS LETTER OF CREDIT BY OTHER SUITABLE BOND PURSUANT TO R645-301-860.222 AND R645-301-870.

WE CERTIFY THAT THE AMOUNT OF THE CREDIT HEREIN ESTABLISHED WILL NOT BE REDUCED FOR ANY REASON DURING THE PERIOD OF THIS INSTRUMENT WITHOUT THE WRITTEN CONSENT OF DOGM. WE WILL GIVE PROMPT NOTICE TO THE PERMITTEE AND TO DOGM'S BOND APPROVING OFFICER OF ANY NOTICE RECEIVED OR ACTION FIELD ALLEGING THE INSOLVENCY OR BANKRUPTCY OF THE BANK, OR ALLEGING ANY VIOLATIONS OF REGULATORY REQUIREMENTS WHICH COULD RESULT IN SUSPENSION OR REVOCATION OF THE BANKS CHARTER OR LICENSE TO DO BUSINESS.

IN THE EVENT THE BANK BECOMES UNABLE TO FULFILL OUR OBLIGATIONS UNDER THIS LETTER OF CREDIT FOR ANY REASON, NOTICE SHALL BE GIVEN IMMEDIATELY TO THE PERMITTEE AND TO DOGM'S BOND APPROVING OFFICER.

THIS LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS & PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500.

IN WITNESS WHEREOF, THE BANK HAS HEREUNTO SET ITS SIGNATURE THIS 9TH DAY OF DECEMBER, 2003.

AUTHORIZED SIGNATURE

JUL-08-2005 13:37

PNC Bank, National Association
Trade Service Operations
3rd Floor
500 First Avenue
Pittsburgh, PA 15219
Mail Stop: P7-PFSC-03-T

Answered
Telephone: 1-800-682-4600

412 705 0966 P.04/04



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THIS IS AN INTEGRAL PART OF L/C NO. [REDACTED]

PNC BANK, NATIONAL ASSOCIATION
TRADE SERVICES DEPARTMENT

THIS IS OPERATIVE DOCUMENT.