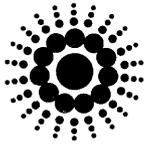


0010



ANDALEX
RESOURCES, INC.

P.O. BOX 902
PRICE, UTAH 84501
PHONE (435) 637-5385
FAX (435) 637-8860

Incoming C007/019

CC: Mary Ann

Daren

Vickie Southwick

February 27, 2006

BY CERTIFIED MAIL

Utah Division of Oil, Gas & Mining
Coal Program
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

Attn: Daron Haddock
Assessment Officer

Re: Proposed Assessment State Violation No. N06-49-1-1, Centennial, C007/019.

Dear Mr. Haddock,

ANDALEX Resources respectfully requests that an informal conference be held with respect to the above referenced violation. We believe the fact of the violation is partially in error and we would appreciate the opportunity to discuss our reasons. We also believe that due in part that the fact of the violation may be in error, and also in part that ANDALEX has made diligent efforts to correct the issues which could be corrected, that the proposed penalty assessment should be reviewed.

ANDALEX appreciates the opportunity to discuss both of these items with the Division at an informal conference to be scheduled by you. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael W. Glasson".

Michael W. Glasson
Senior Geologist

cc: Karl Houskeeper, UDOGM
Karla Knoop, JBR, w/encl.
Erik Petersen, Petersen Hydrologic, w/encl.
Dan Guy, Blackhawk, w/encl.

RECEIVED

MAR 01 2006

DIV. OF OIL, GAS & MINING



NO. N06-49-1-1

notice of violation

To the following Permittee or Operator:

Name Andalex Resources Inc.
 Mine Centennial Mine Surface Underground Other
 County Carbon State Utah Telephone (435) 637-5385
 Mailing Address P. O. Box 902, Price, Utah 84501
 State Permit No. C/007/0019
 Ownership Category State Federal Fee Mixed
 Date of inspection 01/18/06 *
 Time of inspection 9:30 a.m. p.m. to 11:30 a.m. p.m.
 Operator Name (other than Permittee) Same as above
 Mailing Address Same as above

Under authority of the Utah Coal Mining and Reclamation Act, Section 40-10-1 et seq., *Utah Code Annotated*, 1953, the undersigned authorized representative of the Division of Oil, Gas & Mining has conducted an inspection of above mine on above date and has found violation(s) of the act, regulations or required permit condition(s) listed in attachment(s). This notice constitutes a separate Notice of Violation for each violation listed.

You must abate each of these violations within the designated abatement time. You are responsible for doing all work in a safe and workmanlike manner.

The undersigned representative finds that **cessation of mining** is is not expressly or in practical effect required by this notice. For this purpose, "mining" means extracting coal from the earth or a waste pile, and transporting it within or from the mine site.

This notice shall remain in effect until it expires as provided on reverse side of this form, or is modified, terminated or vacated by written notice of an authorized representative of the director of the Division of Oil, Gas & Mining. Time for abatement may be extended by authorized representative for good cause, if a request is made within a reasonable time before the end of abatement period.

Date of service/mailling 01/18/2006 Time of service/mailling 9:40 a.m. p.m.

Mike Glasson
Permittee/Operator representative
Michael W. Glasson
Signature

Environmental Coordinator
Title

Karl R. Houskeeper
Division of Oil, Gas & Mining representative
Karl R. Houskeeper
Signature

Environmental Scientist III
Title
49
Identification Number

SEE REVERSE SIDE

WHITE-DOGM YELLOW-OPERATOR PINK-OSM GOLDENPOD-NOV FILE

DOGM/NOV.1

RECEIVED

MAR 01 2006

DIV. OF OIL, GAS & MINING

an equal opportunity employer

Rev. 5/92



NOTICE OF VIOLATION NO. NO6-49-1-1

Violation No. 1 of 1

Nature of violation

- #1 Failure to monitor Springs B261 & B362 for 3rd & 4th quarter 2005.
- #2 Failure to analyze and/or submit TSS, Total Alkalinity, Ammonia, settleable solids, Lab pH, Oil & Grease, Total Hardness, Arsenic, selenium, acidity, Boron, Nitrate, and Lab specific conductivity, for 2nd, 3rd & 4th quarter 2005 FOR AC-1, SC-1 and B263.

Provisions of act, regulations or permit violated

RC45-301-731.223.

Portion of operation to which notice applies

Surface Water Monitoring.

Remedial action required (including any interim steps)

In the future analyze, monitor and submit water monitoring information for B261, B362, AC-1, SC-1 and B263.

Abatement time (including interim steps)

NONE, violation occurred. Monitor sites, analyze for all required parameters and submit water quality information in the future as required by schedule in Mining & reclamation plan (MRP).

RECEIVED

WHITE-DOGM YELLOW-OSM PINK-PERMITTEE/OPERATOR GOLDENROD-NOV FILE

MAR 01 2006



VACATION/TERMINATION OF NOTICE OF VIOLATION/CESSATION ORDER

To the following Permittee or Operator:

Name Andalex Resources Inc. Centennial mine

Mailing Address P.O. Box 902, Price, Utah 84501

State Permit No. C/007/0019

Utah Coal Mining & Reclamation Act, Section 40-10-1 et seq., Utah Code Annotated (1953):

Notice of Violation No. N 06-49-1-1 dated 0/18/2006

Cessation Order No. C _____ dated _____, 19__

Part 1 of 1 is vacated terminated because the violation occurred.
The operator has an approved monitoring schedule.

Part _____ of _____ is vacated terminated because _____

Part _____ of _____ is vacated terminated because _____

Date of service/ mailing 0/18/2006 Time of service/ mailing 9:45 a.m. p.m.

Mike Glasson
Permittee/Operator representative

Michael W. Blum
Signature

Environmental Coordinator
Title

Karl R. Houskeeper
Division of Oil, Gas & Mining

Karl R. Houskeeper
Signature

Environmental Scientist III
Title

#49

RECEIVED

MAR 01 2006



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

February 3, 2006

CERTIFIED RETURN RECEIPT
7099 3400 0016 8895 6696

Michael Glasson, Environmental Coordinator
Andalex Resources, Inc.
6750 Airport Road
P.O. Box 902
Price, Utah 84501

Subject: Proposed Assessment for State Violation No. N06-49-1-1, Andalex Resources, Inc., Centennial Mine, C/007/0019, Outgoing File

Dear Mr. Glasson:

The undersigned has been appointed by the Division of Oil, Gas & Mining as the Assessment Officer for assessing penalties under R645-401.

Enclosed is the proposed civil penalty assessment for the above referenced violation. The violation was issued by Division Inspector, Karl R. Houskeeper, on January 18, 2006. Rule R645-401-600 et. seq. has been utilized to formulate the proposed penalty. By these rules, any written information that was submitted by you or your agent within fifteen (15) days of receipt of this Notice of Violation has been considered in determining the facts surrounding the violation and the amount of penalty.

Under R645-401-700, there are two informal appeal options available to you:

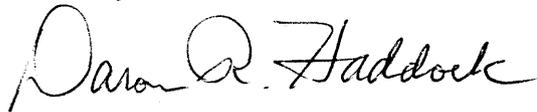
1. If you wish to informally appeal the fact of this violation, you should file a written request for an Informal Conference within thirty (30) days of receipt of this letter. This conference will be conducted by the Division Director. This Informal Conference is distinct from the Assessment Conference regarding the proposed penalty.
2. If you wish to review the proposed penalty assessment, you should file a written request for an Assessment Conference within thirty (30) days of receipt of this letter. If you are also requesting a review of the fact

Page 2
Mike Glasson
N06-49-1-1
C/007/019
February 3, 2006

of violation, as noted in paragraph 1, the Assessment Conference will be scheduled immediately following that review.

If a timely request for review is not made, the fact of violation will stand, the proposed penalty will become final, and the penalty will be due and payable within thirty (30) days of the proposed assessment. Please remit payment to the Division, mail c/o Vickie Southwick.

Sincerely,



Daron R. Haddock
Assessment Officer

DRH/vs
Enclosure
cc: OSM Compliance Report
Vickie Southwick, DOGM
Price Field Office
O:\007019.CEN\Compliance\ASSESMNT\N05-49-1-1proltr.doc

**WORKSHEET FOR ASSESSMENT OF PENALTIES
DIVISION OF OIL, GAS & MINING**

COMPANY / MINE Andalex Resources, Inc. – Centennial Mine PERMIT C/007/0019
NOV/CO # N06-49-1-1 VIOLATION 1 of 1

ASSESSMENT DATE February 2, 2006

ASSESSMENT OFFICER Daron R. Haddock

I. HISTORY (Max. 25 pts.)

- A. Are there previous violations, which are not pending or vacated, which fall one (1) year of today's date?

PREVIOUS VIOLATIONS	EFFECTIVE DATE	POINTS
<u>N05-49-1-1</u>	<u>4/22/05</u>	<u>1</u>

1 point for each past violation, up to one (1) year
5 points for each past violation in a CO, up to one (1) year
No pending notices shall be counted

TOTAL HISTORY POINTS 1

II. SERIOUSNESS (Either A or B)

NOTE: For assignment of points in Parts II and III, the following apply:

1. Based on facts supplied by the inspector, the Assessment Officer will determine within each category where the violation falls.
2. Beginning at the mid-point of the category, the Assessment Officer will adjust the points up or down, utilizing the inspector's and operator's statements as guiding documents.

Is this an EVENT (A) or HINDRANCE (B) violation? Hindrance (B)

A. EVENT VIOLATION (Max 45 pts.)

1. What is the event which the violated standard was designed to prevent?
2. What is the probability of the occurrence of the event which a violated standard was designed to prevent?

<u>PROBABILITY</u>	<u>RANGE</u>
None	0
Unlikely	1-9
Likely	10-19
Occurred	20

ASSIGN PROBABILITY OF OCCURRENCE POINTS 0

PROVIDE AN EXPLANATION OF POINTS:

*****Not Applicable**

3. What is the extent of actual or potential damage? RANGE 0-25

In assigning points, consider the duration and extent of said damage or impact, in terms of area and impact on the public or environment.

ASSIGN DAMAGE POINTS 0

PROVIDE AN EXPLANATION OF POINTS:

*****Not Applicable**

- B. HINDRANCE VIOLATION (Max 25 pts.)

1. Is this a POTENTIAL or ACTUAL hindrance to enforcement? 15
RANGE 0-25

Assign points based on the extent to which enforcement is actually or potentially hindered by the violation.

ASSIGN HINDRANCE POINTS 15

PROVIDE AN EXPLANATION OF POINTS:

*****The Permittee failed to collect 3rd and 4th quarter water quality samples from sites B261 and B362. The Permittee also failed to submit a variety of required data for sites AC-1, SC-1 and B263 to have been collected during the 2nd, 3rd and 4th quarter of 2005. This action prevented/hindered the Division's assigned hydrologist and inspector from reviewing the information in a timely manner. Without this information being collected and submitted, it is impossible to determine what impact mining may have had on the hydrologic balance at these sites.**

TOTAL SERIOUSNESS POINTS (A or B) 15

III. NEGLIGENCE (Max 30 pts.)

- A. Was this an inadvertent violation, which was unavoidable by the exercise of reasonable care? IF SO--NO NEGLIGENCE; or, was this a failure of a permittee

to prevent the occurrence of a violation due to indifference lack of diligence, or lack of reasonable care, or the failure to abate any violation due to the same? IF SO--GREATER DEGREE OF FAULT THAN NEGLIGENCE.

No Negligence	0
Negligence	1-15
Greater Degree of Fault	16-30

STATE DEGREE OF NEGLIGENCE Greater Degree of Fault

ASSIGN NEGLIGENCE POINTS 16

PROVIDE AN EXPLANATION OF POINTS:

******The Permittee should have been aware that these sites were part of their monitoring program. The water monitoring plan found in the approved MRP describes the parameters to be analyzed. A violation was issued on April 22, 2005 for failing to monitor 3 different sites. It should have been evident after this last violation that the water monitoring plan needed to be strictly adhered to. Because this is the second violation of this nature within a year, I view this as lack of diligence to the point that it is a greater degree of fault. Thus 16 points are assigned.***

IV. GOOD FAITH (Max 20 pts.)

(Either A or B)

(Does not apply to violations requiring no abatement measures)

- A. Did the operator have onsite, the resources necessary to achieve compliance of the violated standard within the permit area?

IF SO--EASY ABATEMENT

Easy Abatement Situation

- Immediate Compliance -11 to -20*
(Immediately following the issuance of the NOV)
- Rapid Compliance -1 to -10
(Permittee used diligence to abate the violation)
- Normal Compliance 0
(Operator complied within the abatement period required)
(Operator complied with condition and/or terms of approved Mining and Reclamation Plan)

*Assign in upper of lower half of range depending on abatement occurring the 1st or 2nd half of abatement period.

- B. Did the permittee not have the resources at hand to achieve compliance, or does the situation require the submission of plans prior to physical activity to achieve compliance?

IF SO--DIFFICULT ABATEMENT

Difficult Abatement Situation

- Rapid Compliance -11 to -20*
(Permittee used diligence to abate the violation)
- Normal Compliance -1 to -10*
(Operator complied within the abatement period required)
- Extended Compliance 0
(Permittee took minimal actions for abatement to stay within the limits of the NOV or the violated standard of the plan submitted for abatement was incomplete)
(Permittee complied with conditions and/or terms of approved Mining and Reclamation Plan)

EASY OR DIFFICULT ABATEMENT? Not Applicable

ASSIGN GOOD FAITH POINTS 0

PROVIDE AN EXPLANATION OF POINTS:

******There was no abatement period assigned under this NOV. The operator could not go back and collect the water samples after the fact. The Permittee is required to monitor and sample the sites in the future as required under their approved water-monitoring plan.***

V. ASSESSMENT SUMMARY

NOTICE OF VIOLATION # <u>N 06-49-1-1</u>	
I. TOTAL HISTORY POINTS	<u>1</u>
II. TOTAL SERIOUSNESS POINTS	<u>15</u>
III. TOTAL NEGLIGENCE POINTS	<u>16</u>
IV. TOTAL GOOD FAITH POINTS	<u>0</u>
TOTAL ASSESSED POINTS	<u>32</u>
TOTAL ASSESSED FINE	<u>\$ 1320</u>