



U. S. DEPT. OF THE INTERIOR

OFFICE OF SURFACE MINING

Mine Site Evaluation State Program



MAY 31 2006
DIV. OF OIL, GAS & MINING

<p>1. Permittee/Person ANDALEX RESOURCES, INC.</p> <p>2. Address P. O. BOX 902</p> <p>3. City PRICE</p> <p>4. State UT</p> <p>5. Zip Code 84501</p> <p>6. Phone Number (801) 637-5385</p> <p>7. Operator Name, if Different than Permittee CENTENNIAL PROJECT</p> <p>8. Mine Name CENTENNIAL PROJECT</p>	<p>9. Permit Number UT-007-019</p> <p>10. Permit Type PP</p> <p>11. Field Visit Date 05/09/2006 <small>mm - dd - yyyy</small></p> <p>12. Purpose O</p> <p>13. SRA Present Y</p> <p>14. Permit Status A</p> <p>15. Site Status AP</p> <p>16. Facility Type B</p> <p>17. OSM Office # 140</p> <p>18. CCID #</p> <p>19. Land Code SF</p> <p>20. M.S.H.A ID # 42-01474</p> <p>21. State Abrev. UT</p> <p>22. County Name CARBON</p> <p>23. AVS Permittee Entity ID Number 123355</p> <p>24. State Office</p>
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<p>25. Hours</p> <p>4.0 a. Permit Review</p> <p>6.0 b. Site Visit Time</p> <p>10.0 c. Travel Time</p> <p>2.0 d. Report Writing</p>	<p>26. Signature Block</p> <p style="text-align: center;"><i>Henry Austin</i> Signature: 5/24/06</p> <p style="text-align: center;">HENRY AUSTIN ID # 116</p> <p>Printed Name:</p> <p>Date: 05/24/2006</p>	<p>27. Reviewing Official <i>Acting</i></p> <p style="text-align: center;"><i>Joseph Wilcox</i> Signature:</p> <p>Review Date: 5/24/2006 <small>mm - dd - yyyy</small></p> <p>Is Supplemental MSE Page Used Y/N Y</p>
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Permit Type — Item 10 IP = Interim Program, PP = Permanent Program, NP = No Permit

Purpose Type Codes Item 12

Oxx.... Oversight	RFx.... Reclamation Fees	CCR.... Citizen Complaint Referral (non site visit)
Axx.... Assistance	Fxx.... Federal Actions	CC.... Citizen Complaint (initial site visit)
		CCF.... Citizen Complaint Follow-up

Joint Inspection — Item 13 A joint inspection is when a state inspector accompanies an OSM inspector any time during the review of the mine site.

Permit Status — Item 14

<p>A.... Active: Coal mining and reclamation activities occurring or permitted but not yet disturbed.</p> <p>IN.... Inactive (Permanent Program Permit): Phase II completed or Temporary Cessation of Operations. (Interim Program Permit) Coal mining completed and reclamation activities initiated.</p> <p>BR.... Bond Release: Reclamation completed and State Regulatory Authority (RA) has released all of the bond (Phase III Release.)</p>	<p>AB.... Abandoned: All surface and underground coal mining activities have ceased and operator has left the site without completing reclamation as defined in 30 CFR 840.11(g)</p> <p>AB1... Bond Forfeiture: Bond forfeiture officially in process or completed, and reclamation in progress or not yet commenced.</p> <p>AB2... Partially Reclaimed Forfeiture: Forfeited site where all bonds have been used to reclaim site, but site not reclaimed to Program standards.</p> <p>AB3... Reclaimed Forfeiture: Forfeited site that has been reclaimed to Program standards.</p> <p>NA.... Not Applicable: When site is unpermitted.</p>	
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Site Status Codes — Item 15

<p>ND... No Disturbance: No coal mining and reclamation operations have been started.</p> <p>EX... Coal Exploration: Coal exploration operations have started and where coal mining operations have not begun.</p> <p>AP... Active Coal Producing: Coal surface mining activities are occurring.</p> <p>AN... Active Non-Producing: Active non-producing facility such as tipple or preparation plant.</p> <p>NM... No Mining: The Permit Status is active, site is not in Temporary Cessation, no surface coal mining activity, and site not regraded.</p>	<p>MC... Mining Complete: No mining activity on site, site regraded and awaiting phase bond release.</p> <p>TC... Temporary Cessation: The RA has granted cessation of mining pursuant to 30 CFR 816/817.131(b).</p> <p>P1... Phase I Release: At least Phase I bond release granted for entire permitted area. For interim permits, partial bond release.</p> <p>P2... Phase II Release: At least Phase II bond release for the entire permitted area.</p> <p>P3... Phase III Release: Reclamation completed and the RA has released all bond.</p>	<p>NS... Non-Site Visit: Status of site not determined.</p> <p>FP... Forfeiture Pending: The RA is pursuing actions to revoke the permit, collect the performance bond(s), and/or reclamation of forfeited site is in progress.</p> <p>FR... Forfeited and Reclaimed: Forfeiture reclamation completed.</p> <p>FO... Abandoned Site: Abandoned site that is permitted but there is no bond.</p> <p>WC... Wildcat: Coal mining and reclamation operations have or are taking place and the activity is not covered by the required permits from the RA.</p>
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Facility Type Codes — Item 16

<p>A... Surface</p> <p>B... Underground</p> <p>C... Preparation Plant</p>	<p>D... Ancillary (Haulroad, Conveyor, and/or Rails)</p> <p>E... Refuse and/or Impoundment</p> <p>F... Loading Facility and/or Tipple</p> <p>G... Stockpiles</p>	<p>H... Exploration Permits</p> <p>I... Notice of Intent to Explore</p> <p>J... Exempt 16 and 2/3</p> <p>K... Government Financed Construction Exemption</p> <p>L... Remaining site permitted under 30 CFR 785.25</p>
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Small Business Regulatory Enforcement Fairness Act (SBREFA)

Your Comments Are Important

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about Federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you are a small business (a business with 500 or fewer employees including those of affiliates) and wish to comment on the enforcement or compliance activities of OSM, call 1-888-REG-FAIR (1-888-734-3247).

U. S. DEPT. OF THE INTERIOR OFFICE OF SURFACE MINING

Mine Site Evaluation

State Program

Permittee/ Person **ANDALEX RESOURCES,**

Permit Number **UT-007-019**

Field Visit Date **05/09/2006**

Continuation Page

28. Performance Standard Categories

Codes: 1=Compliance, 2=Noncompliance, 3=Not Planned, 4=Not Started, 5=Noncompliance Identified Elsewhere, 6=Previously Cited

A. Administrative 1. <u>1</u> Mining within Valid Permit 2. <u>1</u> Mining within Bonded Area 3. <u>1</u> Terms & Conditions of Permit 4. <u>1</u> Liability Insurance 5. <u>1</u> Ownership and Control 6. <u>1</u> Temporary Cessation 7. <u>1</u> AML Rec. Fees -- Non-Respondent 8. <u>1</u> AML Rec. Fees -- Failure to Pay	D. Backfilling & Grading 1. <u>1</u> Exposed Openings 2. <u>1</u> Contemporaneous Reclamation 3. <u>1</u> Approximate Original Contour 4. <u>1</u> Highwall Elimination 5. <u>1</u> Steep Slopes (includes downslope) 6. <u>1</u> Handling of Acid & Toxic Materials 7. <u>1</u> Stabilization (rills and gullies)	H. <u>1</u> Subsidence Control Plan I. Roads 1. <u>1</u> Road Construction 2. <u>1</u> Certification 3. <u>1</u> Drainage 4. <u>1</u> Surfacing and Maintenance 5. <u>1</u> Reclamation	J. Signs & Markers 1. <u>1</u> Signs 2. <u>1</u> Markers
B. Hydrologic Balance 1. <u>1</u> Drainage Control 2. <u>1</u> Inspections & Certifications 3. <u>1</u> Siltation Structures 4. <u>1</u> Discharge Structures 5. <u>1</u> Diversions 6. <u>1</u> Effluent Limits 7. <u>1</u> Ground Water Monitoring 8. <u>1</u> Surface Water Monitoring 9. <u>1</u> Drainage -- Acid-Toxic Materials 10. <u>1</u> Impoundments 11. <u>1</u> Stream Buffer Zones	E. Excess Spoil Disposal 1. <u>3</u> Placement 2. <u>3</u> Drainage Control 3. <u>3</u> Surface Stabilization 4. <u>3</u> Inspections & Certifications	K. <u>1</u> Distance Prohibitions L. Revegetation 1. <u>1</u> Vegetative Cover 2. <u>1</u> Timing	M. <u>1</u> Postmining Land Use N. Other General _____ Performance _____ Category _____
C. Topsoil & Subsoil 1. <u>1</u> Removal 2. <u>1</u> Substitute Materials 3. <u>1</u> Storage and Protection 4. <u>1</u> Redistribution	F. Coal Mine Waste (Refuse Piles/Impoundments) 1. <u>3</u> Drainage Control 2. <u>3</u> Surface Stabilization 3. <u>3</u> Placement 4. <u>3</u> Inspections and Certifications 5. <u>3</u> Impounding Structures	_____ 1) _____ _____ 2) _____ _____ 3) _____	

Performance Standard Categories 30 CFR Counterpart

A. Administrative.....(816/817.71-74) 1. Valid Permit.....773.11 2. Mining within Bonded Area.....773.11 3. Terms & Conditions of Permit.....773.17 4. Liability Insurance.....800.60 5. Ownership and Control.....778.13 6. Temporary Cessation.....842.11(e) & 816/817.131 7. AML Rec. Fees -- Non-Respondant.....870.15(b) 8. AML Rec. Fees -- Failure to Pay.....870.15(a)	E. Excess Spoil Disposal.....(816/817.71-74) 1. Placement.....71(e) 2. Drainage Control.....71(f) 3. Surface Stabilization.....71(g) 4. Inspections & Certifications.....71(h)
B. Hydrologic Balance.....(816/817.41-57) 1. Drainage Control.....45 2. Inspections & Certifications.....49(a)(10) 3. Siltation Structures.....46 4. Discharge Structures.....47 5. Diversions.....43 6. Effluent Limits.....42 7. Ground Water Monitoring.....41(c) 8. Surface Water Monitoring.....41(e) 9. Drainage-- Acid - Toxic Materials.....41(f) 10. Impoundments.....49 11. Stream Buffer Zones.....57	F. Coal Mine Waste (Refuse Piles/Impoundments)(816/817.81-84) 1. Drainage Control.....83(a) 2. Surface Stabilization.....83(b) 3. Placement.....83(c) 4. Inspections and Certifications.....83(d) 5. Impounding Structures.....84
C. Topsoil & Subsoil.....(816/817.22) 1. Removal.....22(a) 2. Substitute Materials.....22(c) 3. Storage and Protection.....22(c) 4. Redistribution.....22(d)	G. Use of Explosives.....(816/817.61-68) 1. Blaster Certification.....61(c) 2. Distance Prohibitions.....61(d) 3. Blast Survey/Schedule.....62-64 4. Warnings & Records.....66 & 68 5. Control of Adverse Effects.....67
D. Backfilling & Grading.....(816/817.95-107) 1. Exposed Openings.....816/817.13, 14, 15, & 823.11 & 21 2. Contemporaneous Reclamation.....100 3. Approximate Original Contour.....102(a)(1) 4. Highwall Elimination.....102(a)(2) 5. Steep Slopes (includes downslope).....107 6. Handling of Acid & Toxic Materials.....102(c) 7. Stabilization (rills and gullies).....95(b)	H. Subsidence Control Plan.....(817.121-122) I. Roads.....(816/817.150-151) 1. Road Construction.....150(c) 2. Certification.....151(a) 3. Drainage.....150(b)-151(d) 4. Surfacing and Maintenance.....150(e)-151(d) 5. Reclamation.....150(f)
	J. Signs & Markers(816/817.11) 1. Signs.....11(a),(b),&(c) 2. Markers.....11(a),(b),(d),(e),&(f)
	K. Distance Prohibitions.....(761.11) L. Revegetation.....(816/817.111-116) 1. Vegetative Cover.....111 & 116 2. Timing.....113
	M. Postmining Land Use.....(816/817.133)

May 22, 2006

Andalex Resources, Inc.
P.O. Box 902
Price, UT 84501

Centennial Project, Utah permit # C/007/019

Complete, joint, oversight inspection
May 9, 2006

Participants:

Michael Glasson, Andalex
Karl Houskeeper, Utah Division of Oil, Gas, and Mining (OGM)
Henry Austin, Office of Surface Mining (OSM)

I participated in a complete, joint, oversight inspection of the Centennial Project with the above. This site was selected by the joint OGM / OSM Evaluation Team for inspection during 2006. Weather conditions were fair and ground conditions were dry.

We began by inspecting the sediment ponds and topsoil stockpile areas. The multiple cell sediment pond has 2 of 3 sediment cells filling with sediment as designed, and Mr. Glasson estimated approximately one year until maintenance would be necessary for this pond. Topsoil stockpiles are vegetated and protected. The facilities area, coal stockpiles and loadout area, roads, road ditches, and material storage areas at the facilities are all well maintained.

We drove above the facilities area and observed the de-gas well development roads and drill pads. Most of the roads being utilized were in existence already. All roads, particularly the main road from the facilities area are well maintained, and ditches and water turn outs are working as installed. Silt fencing is being used as appropriate. Wells 1, 3 & 4 have been developed in panel 6, and wells 5 & 6 developed in panel 7 to date. The well on pad 5 was operational during the inspection. The drilling pad for well 7 has been completed and the well will be drilled soon. There are 4 additional wells (after # 7) permitted for development during 2006. The December 2005 OGM bonding recalculation includes all 9 de-gas wells permitted for development. All disturbed area associated with each well pad inspected was reclaimed to the extent possible, and surface water runoff from the disturbed drill pads does not appear to be a problem. These wells are at approximately 8,500 ft. in elevation in privately held rangeland.

We conducted a review of permitting and environmental monitoring records in the mine offices. Our review included the following: The current permit term expires January 6, 2007, so a permit renewal request will be due from the permittee soon. The only permit stipulation requires electronic submittal of water monitoring data from the permittee to OGM and this requirement is current through the first quarter of 2006. The total bond amount held with Utica Mutual is \$1,080,839 and a December 2005 OGM bond liability recalculation was \$1,048,000. Liability insurance expires July 1, 2006. Reviewed SPCC plan dated August 3, 2003. The UPDES permit expires April 30, 2008 and discharges are from 2 sediment ponds and 2 mine water pumped discharges. The permittee has been exceeding TDS limits (2 tons per day) recently, and have applied to Utah UPDES for an individual mine permit to address the TDS exceedences. It appears from what we reviewed that the permittee is in compliance with their UPDES sampling and reporting requirements.

Centennial Mine; pg. 2

The annual sediment pond recertifications were dated November 10, 2005, and quarterly sediment pond inspections were current through March 31, 2006. The 2005 subsidence survey is dated August 22, 2005, and there has not been measurable subsidence to date at the Centennial Mine according to the permittee. The most recent OGM annual report from the mine is dated March 16, 2006. This concluded the inspection. No offsite impacts were noted during the inspection.

Please address any questions concerning this report to Henry Austin at haustin@osmre.gov or to (303) 670-5475.