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DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil Gas and Mining

JOHN R. BAZA
Division Director

August 1, 2007

CERTIFIED RETURN RECEIPT
7005 2570 0000 4801 8052

Michael Glasson, Environmental Coordinator
Andalex Resources, Inc.
P.O. Box 1077
Price, Utah 84501

Subject: Proposed Assessment for Notice of Violation #10007, 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 Houskeeper, on July 6, 2007. Rule R645-401-600 et. seq. has been utilized to formulate the proposed penalty. By these rules, any written information which 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, Associate Director or assigned conference officer. 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.

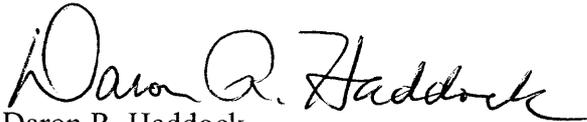


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If you are also requesting a review of the fact of violation, as noted in paragraph 1, the Assessment Conference will be scheduled immediately following that review.

If a timely request for review is not made, the fact of violation will stand, the proposed penalty(ies) will become final, and the penalty(ies) 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

Enclosure

cc: OSM Compliance Report
Vickie Southwick, DOGM
Price Field Office

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

COMPANY / MINE Andalex Resources Inc.
 PERMIT C/007/019 NOV / CO # 10007
 ASSESSMENT DATE August 1, 2007

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>NOV#10000</u>	<u>9/27/2006</u>	<u>1</u>
<u>NOV#10002</u>	<u>10/6/2006</u>	<u>1</u>
<u>NOV#10003</u>	<u>2/8/2007</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 3

II. SERIOUSNESS (Either A or B)

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

- Based on facts supplied by the inspector, the Assessment Officer will determine within each category where the violation falls.
- 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? Event

A. EVENT VIOLATION (Max 45 pts.)

- What is the event which the violated standard was designed to prevent?
Water Pollution
- 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 5

PROVIDE AN EXPLANATION OF POINTS:

*** *The permittee is responsible for maintaining diversions on the site. A pick-up truck has been allowed to be parked in disturbed diversion DD-7. This has occurred on a number of occasions and the inspector has issued several warnings about this practice. Having the truck in the diversion creates a situation where water pollution or erosion could occur because the ditch would be unable to function properly. No water was flowing at the time of the inspection so there is only potential for the event to occur. The event would occur only during a rainfall or storm event, so I view it as unlikely to occur. I have assigned 5 points since there is some likelihood of water pollution to occur as a result of this practice.*

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:

*** *The inspector indicates that there is no damage as a result of the truck in the diversion (only potential).*

B. HINDRANCE VIOLATION (Max 25 pts.)

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

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

ASSIGN HINDRANCE POINTS _____

PROVIDE AN EXPLANATION OF POINTS:

TOTAL SERIOUSNESS POINTS (A or B) 5

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 negligence

ASSIGN NEGLIGENCE POINTS 15

PROVIDE AN EXPLANATION OF POINTS:

**** This violation was the result of indifference to the DOGM regulations or the lack of reasonable care. A prudent operator would understand the need to keep diversion ditches clear and maintained. In this case, the operator had been warned on several occasions that vehicles needed to be parked out of the ditch. A final warning was given on June 5, 2007, which was ignored. I view this as ordinary negligence and I am assigning the maximum points in the negligence category because of the number of prior warnings given. 15 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

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

*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

- X Rapid Compliance -11 to -20*
(Permittee used diligence to abate the violation)
- X Normal Compliance -1 to -10*
(Operator complied within the abatement period required)
- X 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? Easy

ASSIGN GOOD FAITH POINTS -18

PROVIDE AN EXPLANATION OF POINTS:

*** *The abatement was considered to be easy since no paper work was needed and it only required the removal of the vehicle. The Operator was given one day to comply. The abatement was actually completed the same day as the violation issuance. This was considered to be almost immediately. 15 good faith points are assigned because of the immediate compliance of an easy abatement.*

V. ASSESSMENT SUMMARY

NOTICE OF VIOLATION # <u>N 10007</u>	
I. TOTAL HISTORY POINTS	<u>3</u>
II. TOTAL SERIOUSNESS POINTS	<u>5</u>
III. TOTAL NEGLIGENCE POINTS	<u>15</u>
IV. TOTAL GOOD FAITH POINTS	<u>-18</u>
TOTAL ASSESSED POINTS	<u>5</u>
TOTAL ASSESSED FINE	<u>\$ 110</u>

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MICHAEL GLASSON,
P O BOX 1077
PRICE UTAH 84501

PS Form 3800, June 2002

See Reverse for Instructions