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State of Utah
DEPARTMENT OF NATURAL RESOURCES

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Division of Oil, Gas and Mining

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May 7, 2009

Dave Shaver, Manager
Andalex Resources, Inc.
P.O. Box 910
East Carbon, Utah 84520-0910

Subject: Commencement of Midterm Review, Task ID # 3276, Andalex Resources, Inc., Centennial Project, C\007\0019

Dear Mr. Shaver:

The Division is required to review each active permit during its term, in accordance with R645-303-211. This review is to take place at the midpoint of the permit term (July 4, 2009 for the Centennial Project) and will cover pertinent elements that have been selected for review. The Midterm Review for the Centennial Project is now being conducted and the items chosen for review encompass the following:

1. A review of the mine plan to ensure that the requirements of all permit conditions, division orders, notice of violation abatement plans, and permittee initiated plan changes are appropriately incorporated into the mine plan document.

2. A review to ensure that the mine plan has been updated to reflect changes in the Utah Coal Regulatory Program that have occurred subsequent to permit approval (example: compliance with U.S. Fish and Wildlife Department - Colorado River Endangered Fish Recovery Program).

3. A review of the applicable portions of the permit to ensure that the mine plan contains commitments for application of the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area.

4. An AVS check to insure that Ownership and Control information is current and correct, verify compliance status of unabated enforcement actions, determine status of any outstanding finalized penalties, and verify that there are no demonstrated patterns of violation.

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5. A review of the bond to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate current-year dollars.

6. A review of the mining and reclamation plan for compliance with operator commitments related to variances or special permit conditions (including but not limited to subsidence control/monitoring plans and reporting requirements, variances to AOC, experimental practices, electronic database water monitoring reporting, raptor surveys, revegetation test plots, etc.).

7. The Division may conduct a technical site visit, in conjunction with the assigned compliance inspector, to document the status and effectiveness of operational, reclamation, and contemporaneous reclamation practices.

Once the review has been conducted, you will be notified of any outstanding issues that need to be corrected.

If you have any questions regarding these requirements or the Midterm Review please don't hesitate to call.

Sincerely,

James D. Smith
Permit Supervisor

JDS/sqs
cc: Price Field Office
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