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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

January 5, 2010

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

Subject: Extension Granted for Midterm Permit Review, Task #3409, Andalex Resources Inc., Centennial Project, C007/0019

Dear Mr. Shaver:

The Division received your request for an extension to respond to the midterm deficiency letter dated November 30, 2009 (see attached letter). Your request is hereby granted. You now have until January 31, 2010 to address these issues. Please make every effort to complete this requirement.

If you have any questions, please call me at (801) 538-5325 or April Abate at (801) 538-5214.

Sincerely,

Daron R. Haddock
Coal Program Supervisor

DRH/AA/sqs
Attachment
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1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*

UTAH DNR OIL, GAS & MINING

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November 30, 2009

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

Subject: Midterm Permit Review, Andelex Resources, Centennial Project, C007/0019, Task #3409, Outgoing File

Dear Mr. Shaver:

The Division has reviewed the deficiency response document submitted on October 1, 2009 as part of the midterm review.

The Division has determined that there are some outstanding deficiencies remaining that must be addressed as part of the midterm review in order for the MRP to comply with the R645 Coal Mining Rules. Those deficiencies are listed as an attachment to this letter. Please respond to these deficiencies by no later than December 30, 2009.

Each deficiency identifies its author by that author's initials in parentheses, such that your staff can directly communicate with that individual should any questions arise relative to the preparation of Centennial Mine's response to that particular deficiency. If you have any questions please call me at (801) 538-5325 or April Abate at (801) 538-5214.

Sincerely,

Daron R. Haddock
Permit Supervisor

DRH/AAA/sqs
Attachment
O:\007019.CEN\FINAL\WG3409\3409 DEF LTR.DOC

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Deficiency List

Task No. 3409
Task Name: Midterm Review Deficiency Response

The members of the review team include the following individuals:

April A. Abate (AAA)
Ingrid Weiser (IW)
Peter H. Hess (PHH)
Priscilla Burton (PWB)

[R645-301-112.500]: New information provided in Appendix X, Attachment 1-1 indicates that Oso Energy Resources Corp. is a mineral lease owner whose name and address should be included in the MRP Section 112.500. [PWB]

[R645-301-121.100]: During a site visit on November 10, 2009, there was some discussion of the seed mix used on gas vent hole (GVH) wells 1 and 5 being a slight modification of that shown in Table 3-3. Please provide a listing of the modification made to Table 3-3 seed mix at these well sites. Also note that germination success may be limited on GVH sites 1 and 5 where old seed was used. [PWB]

[R645-301-244.100 and R645-301-352]: The Division observed that the following developed well sites are no longer producing gas and have proven to be no value to Oso: GVH 1, 5, 5A, and 6. Well sites GVH 1 and 5 were reclaimed during the fall 2009. Well sites GVH 5A and 6 also have been plugged and venting equipment has been removed. Provide a timetable for the reclamation of GVH 5A and 6 during the next field season or an explanation for the delay. [PWB]

[R645.301.515.320-322]: Temporary Cessation Status Update to the MRP. Although the operator submitted various correspondences between the Federal agencies and the mine company clarifying the status of the mine as being in a temporary cessation, there were no changes to the pertinent section of the MRP submitted. Section R645-301-515.300 (page 5-122) should be updated and detail all temporary closure measures undertaken at the Aberdeen mine. The Notice-of-Intent to the Division must include:

a) A statement of the exact number of surface disturbance acreage;
b) Horizontal and vertical extent of subsurface strata which have been in the permit area prior to idling;
c) The extent and kind of accomplished reclamation;
d) Extent of accomplished backfilling, grading, revegetation
e) Environmental monitoring to be continued (including subsidence monitoring)
f) Any water treatment activities that will continue during temporary cessation. [AAA & PHH]

[R645-301.400 & 412 thru 414]: Appendix X, Section 4, Page 4-2 of the MRP designates the post-mining land use for the gob gas vent wells as "livestock and wildlife grazing and other uses indicated by the landowner i.e. hunting". Page 4-3 of Appendix X states that no alternative land use was proposed. A post mining land use change to the MRP, along with the minimal reclamation required for such a land use change, followed by a bond release application for wells currently being utilized by Oso Energy is requested such that the well sites and collection pipeline utilized by Oso would be permitted by the Division's Oil & Gas program. **[Deficiency repeated from Task 3276]**. [AAA & PWB]

[R645-301-420]: The Division of Air Quality should be notified of the temporary cessation of the Centennial mine. **[Deficiency repeated from Task 3276].** [PWB]

[R645-301-551]: Please provide a commitment to update the Division annually as to the status of the degasification wells that are to remain under the jurisdiction of the Coal Regulatory Program as far as future venting and / or future development of the pads never developed as degasification wells. The Division needs this information to make a determination that any well which has the "final gas (has been) collected" as determined by OSO, should be monitored by the Division to ensure that reclamation of each disturbance is accomplished. See **Exhibit "B", Aberdeen Surface Use Plan for Gathering Mine Gob Gas 2006, Page 12 of 13,** paragraph two of the OSO Energy Resources Corporation Operating Agreement. The Division needs to know if the well pads which were developed as GVH-15, GVH-16 and GVH-17 will be drilled in the future to vent methane, or if the agency should require the Permittee to reclaim those developed well pads. [PHH]

[R645-301-731]: In consideration of the fact that Andalex Resources, Inc., has received a status of temporary idling from the Bureau of Land Management / Salt Lake Office, and that the Mines are no longer capable of de-watering through either the Pinnacle Mine water outfall (UPDES 002) or the Aberdeen Mine water outfall (UPDES 004) the Permittee will conduct a one time evaluation for the flood potential of both mines to determine the potential for discharge of mine water from the mine openings and provide that information to the Division. The information must include a potential date for water to discharge from any of the Mine openings at Centennial. When the Mine was in operation, outfall 004 discharged up to 830 gallons per minute. [PHH]