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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

Outgoing
C0070019
3886
OK

September 27, 2011

CERTIFIED RETURN RECEIPT
7009 3410 0001 4203 1942

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

Subject: Proposed Assessment for State Violation No. N 10090, Centennial Mine, C/007/0019,
Task ID #3886, Outgoing File

Dear Mr. Shaver:

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, April Abate, on August 4, 2011. 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.

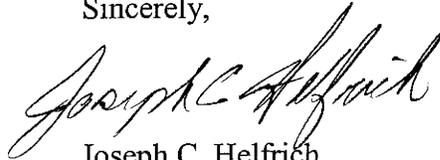
Under R645-401-700, there are two informal appeal options available to you:

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. 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 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 Suzanne Steab.

Sincerely,



Joseph C. Helfrich
Assessment Officer

Enclosure

cc: OSM Compliance Report
Suzanne Steab, DOGM
Vicki Bailey, DOGM
Price Field Office

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Dave Shaver
P.O. Box 910
East Carbon, UT 84520-0910

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

COMPANY / MINE Centennial Mine

PERMIT C/007/0019 NOV / CO # N 10090

VIOLATION 1 of 1

ASSESSMENT DATE September 27, 2011

ASSESSMENT OFFICER Joe Helfrich

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>10067</u>	<u>11/08/2010</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:

- 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?

*****According to the information in the inspector statement the events were "Loss of reclamation/revegetation potential and the Permittee did not meet the terms and conditions established within the approved Mining and Reclamation plan (MRP - Appendix X) for degasification wells permitted for methane ventilation purposes".**

Water Pollution

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 20

PROVIDE AN EXPLANATION OF POINTS:

*****According to the information in the inspector statement, "On August 2, 2011, the Division observed three gob gas vent well pad sites where sediment control practices were not being maintained. Erosional gullies and untreated runoff were observed at pad disturbance sites GVH-6, GVH-11, and GVH-12. Failure to maintain noxious weed controls were present at pad sites: GVH-6, GVH-11, GVH-13, GVH-3".**

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 12

PROVIDE AN EXPLANATION OF POINTS:

***** According to the information in the inspector statement, "Sediment laden runoff was observed off the disturbance areas and into undisturbed areas via numerous breached berms. Erosional gullies were present along several excavation cuts into the hill slopes. Excelsior logs were rendered ineffective because they were trampled by cattle. Noxious weeds were pervasive on several of the pad sites and along the road leading to pad locations".**

B. HINDRANCE VIOLATION (Max 25 pts.)

1. Is this a POTENTIAL or ACTUAL hindrance to enforcement? Actual
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) 32

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:

*** *According to the information in the inspector statement, "Lack of reasonable care. These gasification wells are not being used by the mine because the mine is currently in temporary cessation. The wells are operated on a part-time basis by a methane gas extraction company who leases the wells from Andalex. The wells are still considered to be within the permit area and therefore, Andalex is still responsible for the maintenance of the well pad sites. However, because the mine is idle, care and maintenance of these well pads, essentially fell into a state of neglect. Also NOV #10040 was issued by DOGM inspector Pete Hess on July 2, 2009 for failure to meet the terms and conditions of Appendix X of the approved MRP. As a result of that violation, abatement measures resulted in well pad sites GVH-1 and GVH-5 being fully reclaimed".*

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 | -11 to -20* |
| | (Immediately following the issuance of the NOV) | |
| X | Rapid Compliance | -1 to -10 |
| | (Permittee used diligence to abate the violation) | |
| X | 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

- | | | |
|---|---|-------------|
| 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? Difficult, plans were required

ASSIGN GOOD FAITH POINTS 0

PROVIDE AN EXPLANATION OF POINTS:

***** According to the information in the inspector statement, "The operator is in the process of conducting the necessary earthwork to perform contemporaneous reclamation on the well pad sites. The operator has also committed to full reclamation of pad-only sites GVH-15, GVH-16 and GVH-17 where wells were proposed but never installed. A final inspection is scheduled to occur once reclamation activities have been completed. This may or may not occur before the abatement date of September 30, 2011 established in NOV #10090. If the earthwork schedule experiences unforeseen delays, the abatement date will be extended at the discretion of the Division". Good faith will be evaluated upon termination of the violation.**

V. ASSESSMENT SUMMARY

NOTICE OF VIOLATION # N 10090

I.	TOTAL HISTORY POINTS	<u>1</u>
II.	TOTAL SERIOUSNESS POINTS	<u>32</u>
III.	TOTAL NEGLIGENCE POINTS	<u>16</u>
IV.	TOTAL GOOD FAITH POINTS	<u>0</u>
	TOTAL ASSESSED POINTS	<u>49</u>
	TOTAL ASSESSED FINE	<u>\$ 3,190</u>