

**UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT
For
PERMIT RENEWAL**

Andalex Resources, Inc.
Centennial Project
C/007/0019
Carbon County, Utah
November 22, 2016

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ADMINISTRATIVE OVERVIEW

Andalex Resources, Inc.
Centennial Project
C/007/0019
Carbon County, Utah
November 22, 2016

BACKGROUND

The Mining and Reclamation Plan (MRP) for the Centennial Project was approved by the Office of Surface Mining in November of 1981 and by the Division of Oil, Gas and Mining (DOG M) in January of 1982, consisting of private and federal coal leases. On May 20, 1986, ARI was issued a permit by DOGM for a 120-acre federal emergency lease. On March 2, 1987, a new five-year permanent program permit was issued incorporating the emergency lease.

In October of 1987, Federal lease numbers U-010581, SL-063058 and SL-027304 were modified by the Bureau of Land Management to include additional acreages. In March of 1988, ARI requested that these three lease modifications be incorporated into the permitted area. In August of 1988, ARI also requested that one additional 320 acre federal lease (U-05067) and one 240 acre fee lease be added to the permitted area - the permit was revised to include these leases on May 4, 1989. On April 8, 1991, a permit revision was approved which incorporated Federal Lease UTU-66060 also known as the Graves Lease into the permit area. On August 11, 1997 Andalex Resources, Inc. added only the Centennial seam of the AEP lease (UTU-69600) to the permitted area.

On July 7, 1994, the Aberdeen Seam of the AEP lease was permitted to do longwall mining. ARI operated the three mines, the Pinnacle, Apex and Aberdeen, in the Gilson, Lower Sunnyside and Aberdeen seams, respectively. The longwall ceased operations in the Aberdeen Mine on March 15, 2001 and was moved to the West Ridge Mine.

On October 25, 2004, another incidental boundary change was approved that added approximately 72.32 acres in the Summit Creek lease (UTU-79975) and approximately 20 acres in the Mathis fee lease to include longwall development mining by a continuous miner in the Aberdeen Mine in the Aberdeen (Castlegate A) seam.

The federal Summit Tract and Mathis fee lease were approved in September 2005.

UtahAmerican Energy, Inc. acquired Andalex Resources, Inc. on August 9, 2006, including the Centennial project. The Andalex operations are a subsidiary of UtahAmerican Energy, Inc. and therefore, no permit transfer was required although ownership and control of the operation changed with the acquisition by UtahAmerican Energy Inc.

On March 28, 2008, the Centennial Project consisting of the Pinnacle, Apex and Aberdeen mines, went into temporary cessation.

On December 12, 2013, Andalex applied for a revision of the approved MRP to add the

Kenilworth lease to the permit area and to reflect changes resulting from the BLM lease relinquishments. On March 11, 2014, Andalex Resources received approval for lease relinquishments that reduced the permitted acreage to 2,274.77 acres. The Kenilworth lease application was officially withdrawn on July 27, 2016.

The Centennial Project continues in temporary cessation status. The site is being maintained in hope of re-opening if market conditions improve.

RECOMMENDATION

On August 25, 2016 Andalex Resources, Inc. submitted a permit renewal application. The application was determined to be administratively complete on September 2, 2016. This permit renewal was advertised on September 8, 15, 22 and 29, 2016 in the Sun Advocate for four consecutive weeks and no comments were received.

Andalex Resources, Inc. has met the requirements for successive permit renewal. This permit should be renewed for the permit term effective January 4, 2017.

CHRONOLOGY

Andalex Resources, Inc.
Centennial Mine
C/007/0019
Carbon County, Utah
November 22, 2016

August 25, 2016	Application for permit renewal received at the Division.
September 2, 2016	Determination of Administrative Completeness for Centennial Mine permit renewal.
September 7, 2016	Agency Notification sent to applicable federal, state and local agencies.
September 8, 15, 22 And 29, 2016	Published in the <u>Sun Advocate</u> for four consecutive weeks.
October 31, 2016	No comments received.
November 22, 2016	Permit renewed effective January 4, 2017

FINDINGS

Andalex Resources, Inc.
Centennial Project
C/007/0019
Carbon County, Utah
November 22, 2016

1. Application for a permit renewal was made on August 25, 2016. (R645-303-233.100)
2. The terms and conditions of the existing permit are being satisfactorily met. (R645-303-233.110)
3. The present operation and reclamation operations are in compliance with the environmental protection standards of the State Program. (R645-303.233.120)
4. The requested renewal does not substantially jeopardize the operator's continuing ability to comply with the State Program on the existing permit area. (R645-303-233.130)
5. The permittee has provided evidence of having liability insurance in full force and effect. (Federal Insurance Company #37115455) (R645-303-233.140)
6. The permittee has provided evidence that a performance bond is in effect for the operation and will continue in full force and effect for the proposed period of renewal for a total of \$1,520,000. 14 surety bonds are being held: two issued by Utica Mutual Insurance [SU34593 in the amount of \$381,839 and SU1354086 in the amount of \$699,000] 12 issued by Rockwood Casualty Insurance Company [ISM-2296 in the amount of \$28,000, ISM-2297 in the amount of \$28,000, ISM-2301 in the amount of \$65,000, ISM-2302 in the amount of \$3,000, ISB-2558 in the amount of \$28,000, ISB-2559 in the amount of \$28,000, ISB-2560 in the amount of \$28,000, ISB-2561 in the amount of \$28,000, ISB-2562 in the amount of \$28,000, ISB-2563 in the amount of \$28,000, ISB-2564 in the amount of \$28,000, ISB-2565 in the amount of \$28,000] and an irrevocable letter of credit in the amount of \$91,161. (R645-303-233.150)
7. For the most recent permit term, all approved permit changes have been incorporated into the permit.


Permit Supervisor


Associate Director, Mining


Director

FEDERAL

**PERMIT
C/007/0019**

January 4, 2017

**STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801**

This permit, C/007/0019, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

**Andalex Resources, Inc.
P. O. Box 910
East Carbon, Utah 84520-0910
(435) 888-4000**

for the Centennial Project. Performance bonds (sureties and an irrevocable letter of credit are filed with the DOGM in the amount of \$1,520,000, payable to the state of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation. DOGM must receive a copy of this permit signed and dated by the permittee.

- Sec. 1 STATUTES REGULATIONS** - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.
- Sec. 2 PERMIT AREA** - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Centennial Mines Complex situated in the state of Utah, Carbon County, and located:

Township 12 South, Range 10 East, SLBM

Section 36: All (less 1.64 acres associated with Oso pipeline)

Township 12 South, Range 11 East, SLBM

Section 31: Lots 2, 3, 4, 5, 7, 8, 10, 11, 12, 14, 15, 16, 21

Township 13 South, Range 10 East, SLBM

Section 1: W1/2, N1/2NE1/4

Section 12: Lots 3-7, 11, W1/2NW1/4

Section 13: Part of Lot 1 (BLM ROW64158)

Township 13 South, Range 11 East, SLBM

Section 7: SW1/4, S1/2NW1/4, W1/2SE1/4, SW1/4NE1/4

Section 18: N1/2NW1/4, W1/2NE1/4, a 1.45 acre portion of Lot 2 and NE1/4SW1/4, and a 1.5 acre portion of NE1/4NE1/4SE1/4NW1/4

This legal description is for the permit area of the Centennial Mines Complex. The permittee is authorized to conduct coal mining and reclamation operations connected with mining on the foregoing described property subject to the conditions of the leases, the approved mining plan, including all conditions and all other applicable conditions, laws and regulations.

- Sec. 3 COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.
- Sec. 4 PERMIT TERM** - This permit expires on January 4, 2022.
- Sec. 5 ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred assigned or sold without the approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13{e} and R645-303-300.
- Sec. 6 RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:
- (a) Have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;
 - (b) Be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200 when the inspection is in response to an alleged violation reported to the Division by the private person.
- Sec. 7 SCOPE OF OPERATIONS** - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.
- Sec. 8 ENVIRONMENTAL IMPACTS** - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:
- (a) Any accelerated or additional monitoring necessary to determine the nature and extent of noncompliance and the results of the noncompliance;
 - (b) Immediate implementation of measures necessary to comply; and

- (c) Warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

- (a) In accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- (b) utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

Sec. 12 RECLAMATION FEE PAYMENTS - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 AUTHORIZED AGENT - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 COMPLIANCE WITH OTHER LAWS - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

Sec. 15 PERMIT RENEWAL - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit area in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 16 CULTURAL RESOURCES - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division of Oil, Gas, and Mining. The Division, after coordination with OSM, shall inform the permittee of necessary actions

required. The permittee shall implement the mitigation measures required by the Division within the time frame specified by the Division.

Sec. 17 APPEALS - The permittee shall have the right to appeal as provided for under R645-300-200.

Sec. 18 SPECIAL CONDITIONS - There are special conditions associated with this permitting action as described in attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations.

THE STATE OF UTAH

By: John R. Byr
Date: 11/22/10

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

Authorized Representative of Permittee

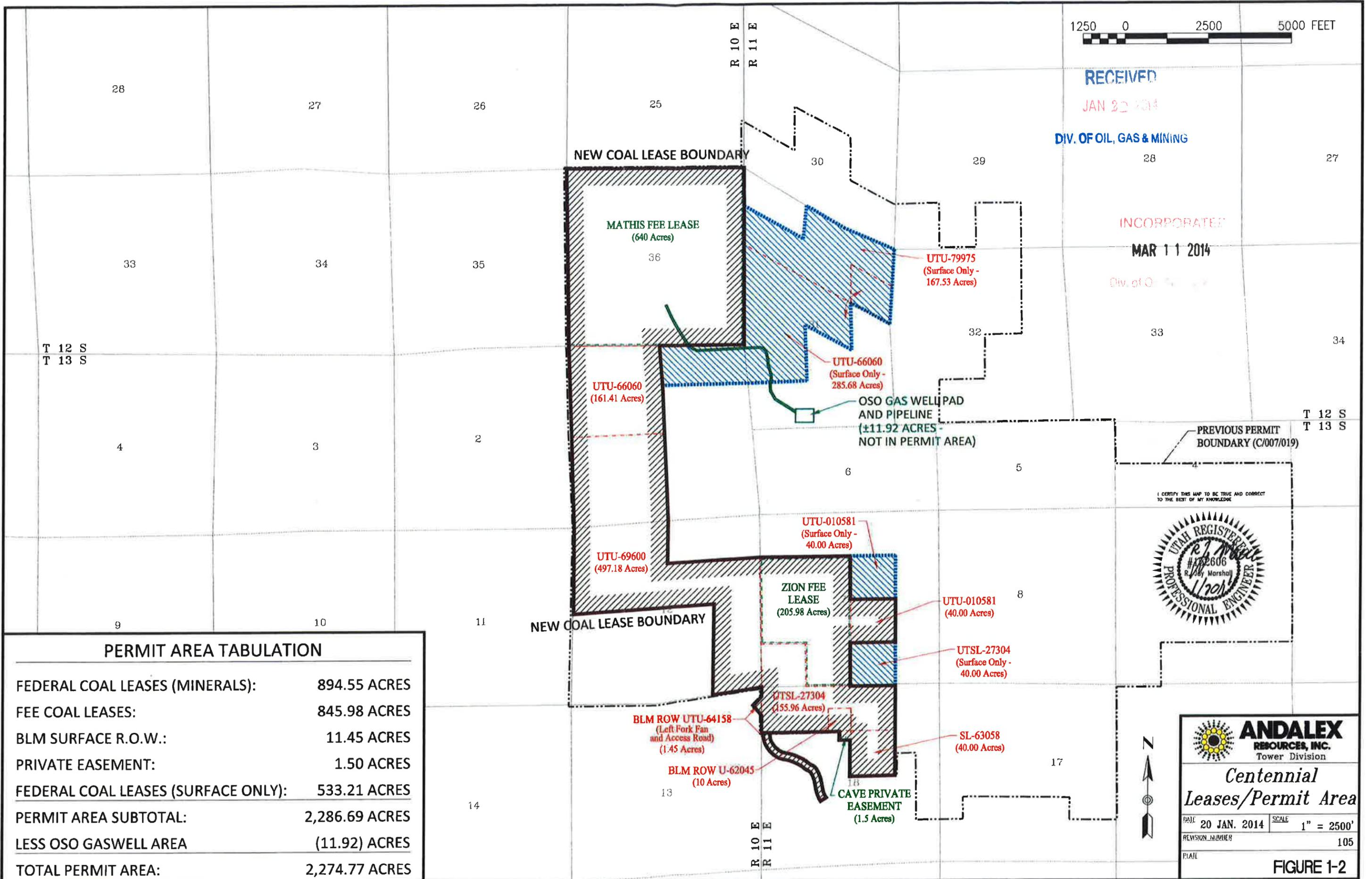
Date: _____

Attachment A

SPECIAL CONDITIONS

1. Andalex Resources, Inc. will submit water quality data for the Centennial Project in an electronic format through the Electronic Data Input web site, <http://linux3.ogm.utah.gov/cgi-bin/appx-ogm.cgi>

G:\Current Drawings\MRP Maps\Tower Mine\Current 1-20-14\Figure 1-2 1-20-14.dwg, Letter Size, 1/20/2014 9:16:39 AM



PERMIT AREA TABULATION	
FEDERAL COAL LEASES (MINERALS):	894.55 ACRES
FEE COAL LEASES:	845.98 ACRES
BLM SURFACE R.O.W.:	11.45 ACRES
PRIVATE EASEMENT:	1.50 ACRES
FEDERAL COAL LEASES (SURFACE ONLY):	533.21 ACRES
PERMIT AREA SUBTOTAL:	2,286.69 ACRES
LESS OSO GASWELL AREA	(11.92) ACRES
TOTAL PERMIT AREA:	2,274.77 ACRES

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Jenni Fasselin, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State of Utah a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and on the Utah legals.com website, the first publication was on the 8th day of September, 2016, and that the last publication of such notice was in the issue of such newspaper dated the 29th day of September 2016

Jenni Fasselin

Jenni Fasselin – Publisher

Subscribed and sworn to before me this 29th day of September, 2016.

Linda Thayne

Notary Public My commission expires January 10, 2019 Residing at Price, Utah

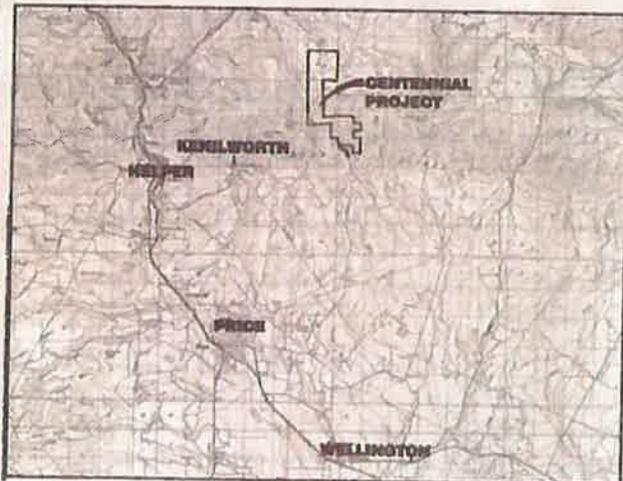
Publication fee, \$ 504.00



**PUBLIC NOTICE
APPLICATION FOR PERMIT RENEWAL
ANDALEX RESOURCES, INC.
BOX 910
EAST CARBON, UTAH 84520
TOWER MINE**

Notice is hereby given that Andalex Resources, Inc. submitted an "Application for Permit Renewal" under 645-303-230 for Permit C/007/019 for the Tower Mine to the State of Utah, Department of Natural Resources Division of Oil, Gas, and Mining.

The lands involving activities are located in Carbon County. The site is located in Dead Man Canyon, on Airport Road in Price Utah. The Permit area encompasses approximately 895 acres in the Tower Permit. The permit area is shown on the area map below.



A copy of the permit renewal application may be examined at the office of the Division of Oil, gas, and Mining: 1594 West North temple, Suite 12310, Salt Lake City, Utah 84114-5810 and also at the Recorder's office located in the Carbon County Courthouse in Price, Utah.

Written comments, objections, or requests for an informal conference may be submitted to the Salt Lake City address. Said comments must be submitted no later than thirty (30) days from the date of the last publication of this notice. This notice is being published to comply with the surface mining and reclamation act of 1977, and State and Federal regulations promulgated pursuant to said Act.

Published In the Sun Advocate September 8, 15, 22 and 29, 2016.



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

November 17, 2016

TO: Internal File

FROM: Daron R. Haddock, Permit Supervisor 

RE: Compliance Review for Section 510 (c) Findings

As of the writing of this memo, there are no NOVS or COs which are not corrected or in the process of being corrected. There are no finalized Civil Penalties, which are outstanding and overdue in the name of Andalex Resources, Inc. Andalex Resources, Inc. does not demonstrate a pattern of willful violations, nor have they been subject to any bond forfeitures for any operation in the state of Utah.

The recommendation from the Applicant Violator System (AVS) denotes that all connected entities either do not have any civil penalties or are under a settlement agreement (attached).

O:\007019.CEN\PERMIT\2017\510C.DOC

Application Evaluation

Application Number	C0070019 SEQ:6
Applicant Name	112234 Andalex Resources Inc
Date Of Narrative	11/17/2016 3:13:15 PM
Requestor	suzanne.steab

CAUTION: The Applicant/Violator System (AVS) is an informational database. Permit eligibility determinations are made by the regulatory authority with jurisdiction over the permit application not by the AVS. Results which display outstanding violations may not include critical information about settlements or other conditions that affect permit eligibility. Consult the AVS Office at 800-643-9748 for verification of information prior to making decisions on these results.

3 Violations Found.

1: State Cessation Order	<u>163059</u>	PA	Permit:32940105	Conditional	10/12/2016
Violator 1:	254801 CONSOL Mining Company LLC				
2: State Notice Of Violation	<u>163053</u>	PA	Permit:32940105	Conditional	8/23/2016
Violator 1:	254801 CONSOL Mining Company LLC				
3: State Civil Penalty	<u>65-N</u>	WV	Permit:U003383	Conditional	10/8/2008
Violator 1:	091871 Mcelroy Coal Co				

Evaluation OFT

Entities: 23

249974 Fifth Third Bank of NE Ohio Trustee (Murray 2003 Trust) - ()
 -----159562 Murray Energy Holdings Co - (Subsidiary Company)
 -----107933 Michael O McKown - (Director)
 -----107933 Michael O McKown - (Secretary)
 -----108943 Robert Eugene Murray - (Chairman of the Board)
 -----108943 Robert Eugene Murray - (Chief Executive Officer)
 -----108943 Robert Eugene Murray - (Director)
 -----108943 Robert Eugene Murray - (President)
 -----112675 Michael D Loiacono - (Treasurer)
 -----151206 Robert D Moore - (Chief Financial Officer)
 -----151206 Robert D Moore - (Director)
 -----152552 Murray Energy Corporation - (Subsidiary Company)
 -----107933 Michael O McKown - (Secretary)
 -----107933 Michael O McKown - (Senior Vice President)
 -----108943 Robert Eugene Murray - (Chairman of the Board)
 -----108943 Robert Eugene Murray - (Chief Executive Officer)
 -----108943 Robert Eugene Murray - (Director)
 -----108943 Robert Eugene Murray - (President)
 -----112675 Michael D Loiacono - (Treasurer)
 -----132376 Henry W Fayne - (Director)
 -----144388 B J Cornelius - (Senior Vice President)
 -----146487 Utahamerican Energy Inc - (Subsidiary Company)
 -----107933 Michael O McKown - (Secretary)
 -----108943 Robert Eugene Murray - (Director)
 -----112234 Andalex Resources Inc - (Subsidiary Company)
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 -----108943 Robert Eugene Murray - (Director)
 -----151206 Robert D Moore - (Treasurer)
 -----153542 David W Hibbs - (Director)
 -----153542 David W Hibbs - (President)
 -----144388 B J Cornelius - (Senior Vice President)
 -----151206 Robert D Moore - (Treasurer)
 -----153542 David W Hibbs - (Director)
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 -----151206 Robert D Moore - (Chief Financial Officer)
 -----151206 Robert D Moore - (Chief Operations Officer)
 -----151206 Robert D Moore - (Director)
 -----151206 Robert D Moore - (Executive Vice President)
 -----156388 James R Turner Jr - (Senior Vice President)
 -----156726 Richard L Lawson - (Director)
 -----157762 Roy A Heidelbach - (Vice President)
 -----158587 Paul B Piccolini - (Vice President)
 -----159563 Robert Edward Murray - (Executive Vice President)
 -----159564 Ryan Michael Murray - (Vice President)
 -----249957 Jason D Witt - (Assistant Secretary)
 -----253490 Michael T W Carey - (Vice President)

-----255049 Anthony C Vcelka II - (Assistant Treasurer)
 -----159563 Robert Edward Murray - (Shareholder)
 -----159564 Ryan Michael Murray - (Shareholder)
 -----159565 Jonathan Robert Murray - (Shareholder)
 250292 Murray, Robert Eugene Trustee, (REM Family Trust) - ()
 ---108943 Robert Eugene Murray - (Chief Executive Officer)
 ---108943 Robert Eugene Murray - (Director)
 ---108943 Robert Eugene Murray - (President)
 ---108943 Robert Eugene Murray - (Shareholder)
 ---108943 Robert Eugene Murray - (Trustee)
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 -----159564 Ryan Michael Murray - (Shareholder)
 -----159565 Jonathan Robert Murray - (Shareholder)

Narrative

11/17/2016 - All violations are coded "conditional," indicating a settlement, payment plan, or pending challenge. Linking entities are Fifth Third Bank of NE Ohio Trustee (Murray 2003 Trust), etc. Any state evaluating an entity with conditional state violations, particularly for the purpose of a permitting action, is reminded that they should contact the state(s) that entered the violations to confirm the conditional status of those state violations. DB