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DENVER
LAS VEGAS
LOS ANGELES
LOS CABOS
ORANGE COUNTY
PHOENIX
RENO
SALT LAKE CITY
TUCSON

September 11, 2018

VIA E-MAIL; HAND DELIVERY

Dana Dean
Informal Conference Officer
Utah Division of Oil, Gas & Mining
1594 W. North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801

Re: Request for: i) Partial Reconsideration of Fact of Violation under the August 27, 2018 Order; ii) Consideration of Mitigating Factors for Any Penalty Assessment; and iii) Penalty Assessment Conference, In the Matter of Informal Conference, Cessation Order, Centennial Mine, Cause No C/007/0019.

Dear Conference Officer Dean:

On behalf of UtahAmerican Energy, Inc. (“UEI”) we request a meeting with you and counsel for the Division to clarify the August 27, 2018 Order in this matter and to schedule a further informal conference for partial reconsideration of the fact of violation and any penalty assessed under the Cessation Order issued on June 1, 2018 (“CO”). This request is made pursuant to R645-401-600 (proposed assessment of civil penalties) and R645-401-700 (informal assessment conference).

The Order appropriately vacated the CO as to those Gob Vent Holes (“GVHs”) located in the Mathis Fee Area within the boundary of the Centennial Mine Permit No. C/007/0019. Order, pgphs. 28, 29, 30. UEI requests the Division to reconsider the Order and apply the same reasoning regarding the Mathis Fee Area to vacate the CO as to the GVH wells located in Cave/Critchlow Area of the Mine Permit Area, including GVH wells 3, 4, 5A, 6, 7, 7A and 11. Order, pgphs. 21, 31, 32, 33, 34; see MRP, GVH Locations Map, Figure 1-1, attached at Tab A. This area is subject to that certain Drilling and Surface Use Agreement (Surface and Mineral Ownership) effective as of March 18, 2005, as amended, between Judson Dorse Critchlow and Cherie Chitchlow, as joint tenants and David R. Cave and Mildred Cave, as joint tenants, collectively “Grantor” and Andalex Resources, Inc., attached at Tab B. This Agreement includes oil, gas and surface estates in Section 31, T. 12 South, R. 11 East and T. 13 South, R. 11 East, Section 6 including GVH wells 3, 4, 5A, 6, 7, 7A and 11 (this area is referenced herein as the “Cave/Critchlow Area”). The Order fails to recognize that the GVH Project and the subject

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GVH wells are approved post-mining land uses under Centennial Mine's Mining and Reclamation Plan ("MRP"). The fact of violation should be vacated for the entire GVH Project, including GVH Wells in Cave/Critchlow Area. Further, the abatement specified by the Order is inconsistent with the MRP, the OSO Operating Agreement, the Cave/Critchlow Drilling and Surface Use Agreement, and the current approved land use under the MRP.

I. Request for Reconsideration of Fact of Violation

A. Factual Errors

1. The Order is in error by affirming the CO's abatement requirement of final reclamation of the Cave/Critchlow Area Well Locations contrary to the Order's findings of fact. These GVH Wells are currently operated pursuant to the OSO Operating Agreement with UEI, and exist with the permission of the land owner. Order, pgph. 3. Operation of the wells is permitted under the MRP for the life of the mine, and as an approved post mining land use. Order, pgph. 2; See MRP Section 412.100. The Order is arbitrary and capricious because it fails to acknowledge the terms of the approved MRP regarding the GVH Project and because it upholds required abatement action at odds with the MRP.

2. Paragraph 13 of the Order is in error, because it reaches an opposite conclusion in the e-mail from Liberty Pioneer presented as evidence cited in its support. The referenced e-mail cannot be fairly read as Liberty Pioneer's disclaimer of interest in any of the subject GVH wells. To the contrary, Liberty Pioneer stated in its email that "If Andalex resumes operations . . . we would produce and sell the gas." To the extent that the Order relies upon this false finding of fact to support its conclusion that the GVH wells must be reclaimed, the Order is arbitrary and capricious.

3. The Order incorrectly makes a factual finding of imminent public danger resulting from the leaking wells. Order, pgph. 7. The finding of imminence is unreasonable, and the finding of danger is unsupported. The finding of imminent danger in Paragraph 7 of the Order is contradicted by the finding in paragraph 6, observing that both DOGM and UEI had been aware of the leaking gas for some time. In fact, the Inspection Report noted that GVH well 5A "had drawn the attention of Division inspectors for two years." Inspection Report, pgph. 11. It is inconsistent to conclude that a "danger" that the Division (and UEI) allowed to persist for two years was "imminent" and required the urgent remedy of a CO. In fact, the Division's previous inspection reports mention the leaking gas only in passing, recommending nothing more than that UEI "should notify the gas company of the leaky valve at site 5A". Sep. 20, 2016 Insp. Rpt., p. 1; Oct. 4, 2017 Insp. Rpt., p. 3. The Division's inaction on two prior inspections contradicts the assertion of imminent public danger, and the findings in paragraphs 7 and 24 are incorrect.

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The fact of the violation in the CO cannot be upheld in the absence of an imminent danger to the public. And, leakage from GVH wells was the sole reason cited for finding that any of the wells posed a danger to the public, because the volume of leaking gas “could ignite and cause a loss of life or property.” Order, pgphs. 7, 24, 27. The Division bears the burden to show the basis for its enforcement action. The evidence was insufficient to support this conclusion. First, there was no evidence that the leaking gas was in a concentration that could ignite. Contrary to the finding of paragraph 7 that the volume of gas posed a danger, there was no evidence quantifying the volume of leaking gas. Instead, the Division’s Inspector incorrectly relied on Mr. Jones’s estimate that the pressure of the escaping gas was 20 pounds per square inch. May 31, 2018 Insp. Rep. p. 4. The Division’s inspector then inappropriately equated gas volume to gas pressure: “The volume of leaking gas from Degas well 5A was estimated to be 20 psi by a Division of Oil & Gas inspector.”) This statement is false, because without further data, it is impossible to calculate the volume of flowing gas using only its pressure. The finding in paragraph 7 of imminent public danger from the volume of escaping gas is unsupported.

4. The Order is in error by determining that the GVH Project is no longer authorized on private surface lands within Cave/Critchlow Area which are located above the relinquished federal coal leases. The Order improperly relied on incorrect conclusions in a BLM letter received by the conference officer on August 20, 2018, after the informal conference. Although the Order asserts that BLM’s ex parte communication was not relied upon, the BLM letter was quoted in the Order and may have influenced the conference officer’s decision. Findings 20 and 23 in the Order should be removed, or UEI should have a chance to respond to these allegations.

5. The Order makes the incorrect factual finding that GVH wells located over the mine workings but off the Mathis Lease are “no longer needed” for mine ventilation. See Order, pgphs. 33, 34. The Order incorrectly focuses on the bottom-hole locations of the GVHs when evaluating their future necessity. While federal coal leases have been relinquished in Cave/Critchlow Area, the Order reaches the incorrect factual conclusion that because the bottom locations are no longer within federal leased acreage, the GVH Wells in Cave/Critchlow Area will not be necessary for future mining. But the MRP explains, and UEI’s engineer’s report by David Canning confirms, that the GVHs are important because they are the sole means for ventilation engineers to reduce the methane back-pressure on the gate-leg seals where the gate entries to mined-out panels meet the main access entries,. See MRP Appendix X; Technical Report, p. 1 (Jul. 27, 2018). The importance of the seals was clearly explained by Mr. Canning: “To assure safety, every effort must be made to limit the leakage of methane and other hazardous gasses from the gob areas through and around the seals into the access entries. This is accomplished by lowering the pressure in the sealed area.” Technical Report, p. 1. The seals, which protect the mains entries from methane intrusion out of the gob, are located within the Mathis Fee coal reserves. See MRP, Fig. 1-1 (GVH Locations Map). Therefore, the GVH Wells within Cave/Critchlow Area will help to assure safety in mains entries located within the Mathis

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Fee by allowing ventilation engineers to minimize pressure behind the gob seals. Under these facts, it cannot be concluded that the GVH wells are no longer needed.

B. Legal Errors

1. The Division lacks legal authority to issue the Order under the Utah Coal Mining and Reclamation Act and implementing rules regarding temporary cessation. Notably, the Order correctly applies the law regarding temporary cessation as to the GVH Wells within the Mathis Fee. See Order, pgph. 29, stating, “The Coal Mining Reclamation Act and corresponding rules allow for temporary cessation of mining and do not give the Division authority to make judgments for a permittee regarding whether future mining will be technically rational or economical.” On this basis the CO was vacated as to GVH Wells located in the Mathis Fee. However, the Order should have applied these same legal principles to vacate the CO as to the Relinquished Lease Wells, i.e. the Cave/Critchlow Area well locations 3, 4, 5A, 6, 7, 7A and 11.

2. The Order makes a legal error by finding that R645-301-551, regarding the casing and sealing of underground openings, is a proper basis for the CO. Order, pgphs. 32-33. The cited rule is not a performance standard that imposes an obligation on the Operator independent of the MRP, but rather a design criterion that applies to preparation of the permit application package and MRP. See Utah Admin. Code R645-301-550 (“Each permit application will include site specific plans that incorporate the following design criteria for reclamation activities.”) The events or conditions that would mandate final reclamation of the GVH wells are set forth, clearly, in the MRP, and should not be substituted ad hoc. Rule 645-301-551 cannot provide a basis for a violation in the absence of showing inconsistency with the approved MRP. The Division did not meet this burden.

3. The Order makes a legal error by improperly shifting the burden of proof to UEI to establish that the GVH wells will be necessary in the future. The Division must produce its own evidence, and cannot meet its burden of “finding” and “determining” the fact(s) of the violation by relying upon purported inadequacies in UEI’s evidence. See Utah Admin. Code R645-400-311, -321. But this is what the Order allowed the Division to do. While UEI correctly stated the burden of proof, as acknowledged in paragraph 12 of the Order, paragraphs 15 and 33 show that the Conference Officer inverted and shifted the burden of proof: rather than requiring the Division to show that the wells were unnecessary, as required by the MRP and the rules, she ordered UEI to produce a report showing that the wells “would be necessary.” Order, pgph. 15. This error unlawfully took the benefit of uncertainty away from UEI and gave it to the Division. When UEI’s technical report showed that the wells could be necessary, taking into account the uncertainties of future operations, the Division complained of “insufficient detail,” but did not refute the assertion that the wells could be necessary in the future. Order, pgph. 19. Ultimately, the Division did not attempt to prove that the wells were unnecessary. The Conference Officer erred by not demanding that proof from the Division. Paragraph 33 of the

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Order, basing its conclusion on the uncertainty of future usage (rather than the certainty of future non-use) is improper.

4. The Order (pgph. 27) makes a legal error by imposing on UEI an affirmative obligation to perform final reclamation operations at a time when the Mine is in temporary cessation of operations. The Inspection Report indicates that the violation with respect to GVH wells 3, 4, 6, 7A, 8, 8A, 9, 11, 13, 15, 16, and 17 was solely with respect to a purported failure to perform “contemporaneous reclamation.” Inspection Report pgph. 11 (May 31, 2018). This is wrong, because a temporary cessation excuses the operator from performing mining or reclamation operations (except as set forth in the operator’s notice of temporary cessation). The Order makes a legal error by upholding a CO for failing to perform reclamation operations that are deferred under a temporary cessation.

5. The Order makes a legal error by failing to allow UEI an opportunity to respond to the BLM’s Letter provided to the Conference Officer after the informal conference and prior to issuance of the Order. BLM’s letter was solicited by the Division in a letter dated August 14, 2018, and provided incorrect factual allegations regarding the GVH Project, improperly asserted that UEI’s future mining plans are speculative, and unfairly characterized UEI’s arguments in the informal conference. The Division’s letter request to BLM was made after the post-conference briefs were filed while the Conference Officer was deliberating. Even so, BLM’s response stopped short of providing the response the Division was fishing for. BLM’s letter asserts, in general terms, that a GVH hole “that penetrates non-leased federal coal resources has no authorization from the BLM and the hole is in trespass. . . .” Letter, R. Bankert to D. Haddock (no date). UEI had no opportunity to refute this letter, which was obtained and submitted *ex parte*. In UEI’s view, if the Conference Officer did not consider the correspondence, then it has no place in the record, and there is no reason to cite it in the Order. The letter presents clear procedural grounds for reconsideration of the fact of violation at an informal conference to allow UEI an opportunity to respond.

6. The Order makes a legal error that “no evidence” was provided to show that Liberty Pioneer would have the right to collect methane from the GVH wells above the relinquished leases. Order, pgph. 33. It is undisputed that the wells produce methane that is vented from the Centennial coal mine, and it is undisputed that UEI has the right to vent methane from its mine according to its approved ventilation plan, regardless of the methane’s ownership. See Amoco Prod. Co. v. Southern Ute Indian Tribe, 526 U.S. 865, 875-76 (1999) (indicating the common law of nuisance support the right to ventilate methane, even if the rights of another party to the methane are infringed.) The Order errs further by basing part of its decision on the lack of proof that Liberty Pioneer would have the right to produce the wells. Order, pgph. 33. Such proof is unnecessary, however, because BLM has no authority to lease the gob gas to another party so long as the Centennial Mine is operating. See Vessels Coal Gas, Inc., 175 I.B.L.A. 8 (Jun. 26, 2008) (“The methane mixture released by coal mining into the environment, which the EPA contends should be captured, from vents drilled by the coal mine operator, at the

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direction of MSHA for protection of coal miners, is not the oil and gas deposit addressed by leasing under the [Mineral Leasing Act.]”) Notably, the Vessels Coal Gas decision adjudicated rights to methane vented from the same GVH wells that are at issue in this matter. The decision found that, so long as methane is being vented from the mine, BLM cannot lease that methane to another party, and BLM is in no position to complain if UEI’s contractor, Liberty Pioneer, captures it, rather than letting it vent into the atmosphere.

II. **Penalty Assessment: Mitigating Factors**

UEI requests that the Division consider several mitigating factors prior to determining whether to issue any penalty in this matter. Specifically, we request that the Division take into account the fact that UEI was acting within its approved MRP, because the GVH Project was permitted while the mine operates, and is allowed by the MRP after the mine is closed as an approved post-mining land use. See, discussion above, at §I A.1. The Centennial Mine is not in final reclamation but is in “temporary cessation” status. Final reclamation obligations are excused during the cessation period, unless the operator’s notice indicates otherwise. See above, §I B. 1, 2, and 4. The degree of public danger is low, if not non-existent. Even accepting the Division’s unproved assertion that the leaking gas might ignite, the photos accompanying the Inspection report show no nearby structures that might be burned. The area is also remote, and members of the public are only rarely present. See above, §I A.5. In addition, without the GVH Project, and prior to final reclamation, the Mine would be venting gob gas naturally, or flaring. Venting is allowed and indeed mandated by the MSHA ventilation plan upon recommencement of operations. The venting of gob gas, alone, does not therefore result in “imminent danger to the health or safety of the public”. Despite this, when the CO was issued on June 1, 2018, UEI responded rapidly and in good faith to flag the area and repair the three leaking GVH well locations cited in the CO. On June 25, 2018, UEI notified the Division that these repairs were completed, provided the Division with photographs of the repairs and asked that the CO be terminated. At that time, Daron Haddock confirmed that the photographs would be provided to the assessment officer and informed UEI that “termination” of the CO would be determined after the informal conference. See June 25-26, 2018 e-mail exchange, attached as Tab C.

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We appreciate your consideration in this matter.

Very truly yours,

Snell & Wilmer



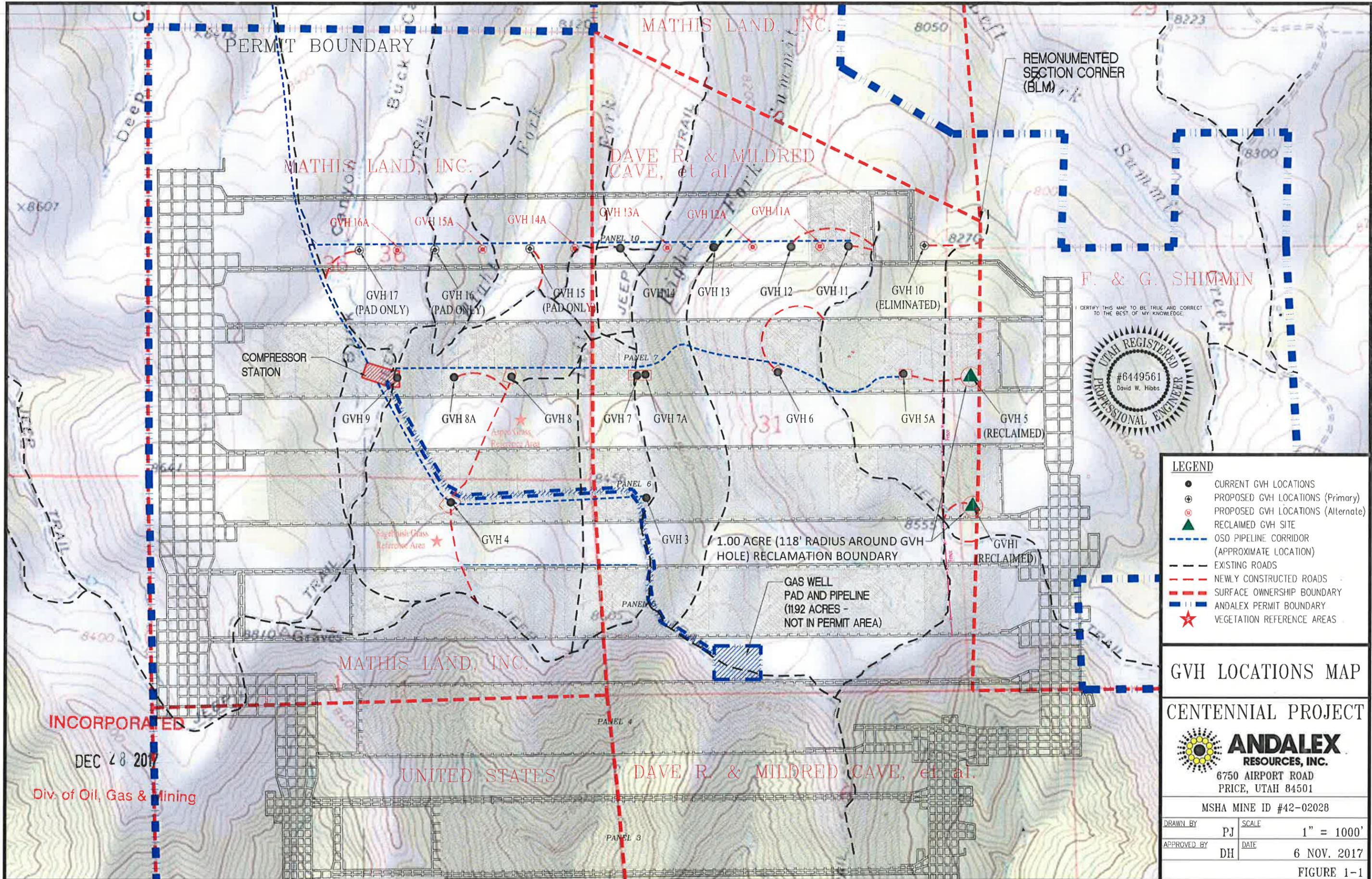
Denise A. Dragoo

DAD:mkm

cc: Steve Alder, Esq.
Megan Osswald, Esq.

Encl.

TAB A



LEGEND

- CURRENT GVH LOCATIONS
- ⊕ PROPOSED GVH LOCATIONS (Primary)
- ⊕ PROPOSED GVH LOCATIONS (Alternate)
- ▲ RECLAIMED GVH SITE (APPROXIMATE LOCATION)
- OSO PIPELINE CORRIDOR (APPROXIMATE LOCATION)
- - - EXISTING ROADS
- - - NEWLY CONSTRUCTED ROADS
- - - SURFACE OWNERSHIP BOUNDARY
- - - ANDALEX PERMIT BOUNDARY
- ★ VEGETATION REFERENCE AREAS

GVH LOCATIONS MAP

CENTENNIAL PROJECT



MSHA MINE ID #42-02028

DRAWN BY	PJ	SCALE	1" = 1000'
APPROVED BY	DH	DATE	6 NOV. 2017

G:\Current Drawings\Buildings & Construction\Tower Mine\GVH Drawings\Figure 1-9-22-09 Rev1.dwg, 11/17, 11/6/2017 2:21:36 PM

INCORPORATED
DEC 28 2017
Div. of Oil, Gas & Mining

TAB B

Date 7-APR-2005 12:43pm
Fee 20.00 Cash
SH IRDOCK, Recorder
Filed AP
For SAMUEL QUIGLEY
CARBON COUNTY CORPORATION

MEMORANDUM OF DRILLING AND SURFACE USE AGREEMENT

THIS MEMORANDUM OF DRILLING AND SURFACE USE AGREEMENT (hereinafter "Agreement") made and entered into effective as of the 18th day of March, 2005, by and between Judson Dorse Critchlow and Cherie Critchlow, husband and wife, as joint tenants as to an undivided one-half interest in the surface estate and an undivided one-fourth interest in the mineral estate (except coal) and David R. Cave and Mildred Cave (also known as Mildred Jean Cave), husband and wife, as joint tenants as to an undivided one-half interest in the surface estate and an undivided one-fourth interest in the mineral estate (except coal) whose address is c/o David R. and Mildred Cave, 3379 East Highway 6, Price, Utah 84501 (hereinafter collectively called "Grantor"), and ANDALEX Resources, Inc., a Delaware corporation, whose address is 45 West 10000 South, #401, Sandy, Utah 84070 (hereinafter called "ANDALEX").

WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Drilling and Surface Use Agreement (hereinafter "Agreement"), effective of even date herewith, all of which are hereby incorporated herein as if set forth in full, Grantor does hereby consent to the use of the Premises by ANDALEX for underground coal mining operations and grants and conveys to ANDALEX and its affiliates as well as its employees agents, contractors, successors and assigns the rights and privileges as more fully set forth in said Drilling and Surface Use Agreement. The Premises subject to the Agreement are those certain land situated in Carbon County, State of Utah, more particularly described to wit:

Township 12 South, Range 11 East, SLB&M
Section 31: All (Lots 1 through 22, inclusive).

Township 13 South, Range 11 East, SLB&M
Section 6: All (Lots 1 through 8, inclusive)

Said lands are herein referred to as the "Premises"

2. The Drilling and Surface Use Agreement grants to ANDALEX a non-exclusive right to make use of the surface in connection with its underground mining operations including, but not limited to, the construction and maintenance of access roads and the siting and location of drill holes and the use of the surface and mineral estates for any and all purposes associated with the drilling maintenance, operation, refurbishment, sealing and reclamation of gob gas ventilation wells associated with underground mining operations.

3. The term of this Agreement terminates on March 17, 2011 subject to the right of ANDALEX to extend said term on a year-to-year basis in the event the Premises are needed in connection with ANDALEX's mining operations for no more than four additional one year periods.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Drilling and Surface Use Agreement and the Drilling and Surface Use Agreement to be signed effective as of the day and the year first above written.

GRANTOR:



Judson Dorse Critchlow



Cherie Critchlow



David R. Cave



Mildred Cave

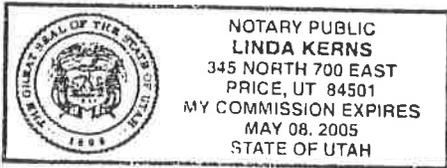
ANDALEX Resources, Inc.
a Delaware Corporation

BY Samuel D. Quiley
Its: V.P. Operations

STATE OF UTAH)
COUNTY OF CARBON)ss.

On this day personally appeared before me Judson Dorse Critchlow, to me known to be the individual or individuals described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes mentioned.

Given under my hand and official seal this 7TH day of April, 2005.



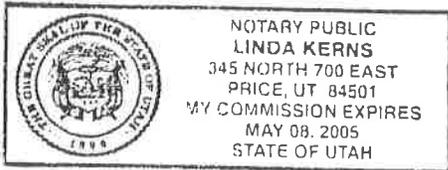
Signature: Linda Kerns
Name (Print): LINDA KERNS

NOTARY PUBLIC in and for the State of Utah, residing at 345 N. 700 E., PRICE, UT.
My appointment expires: 05-08-05

STATE OF UTAH)
COUNTY OF CARBON)ss.

On this day personally appeared before me Cherie Critchlow, to me known to be the individual or individuals described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes mentioned.

Given under my hand and official seal this 7TH day of April, 2005.



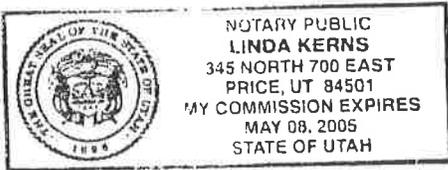
Signature: Linda Kerns
Name (Print): LINDA KERNS

NOTARY PUBLIC in and for the State of Utah, residing at 345 N. 700 E. PRICE, UT.
My appointment expires: 05-08-05

STATE OF UTAH)
COUNTY OF CARBON)ss.

On this day personally appeared before me David R. Cave, to me known to be the individual or individuals described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes mentioned.

Given under my hand and official seal this 7th day of April, 2005.



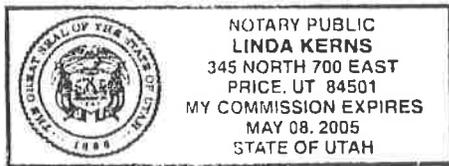
Signature: Linda Kerns
Name (Print): LINDA KERNS

NOTARY PUBLIC in and for the State of Utah, residing at 345 N. 700 E., Price, ut.
My appointment expires: 05.08.05

STATE OF UTAH)
COUNTY OF CARBON)ss.

On this day personally appeared before me Mildred Cave, to me known to be the individual or individuals described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes mentioned.

Given under my hand and official seal this 7th day of April, 2005.



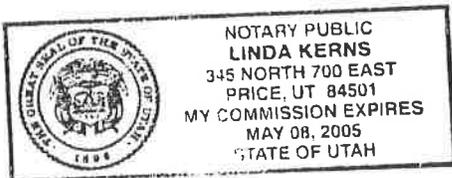
Signature: Linda Kerns
Name (Print): LINDA KERNS

NOTARY PUBLIC in and for the State of Utah, residing at 345 N. 700 E., Price, ut.
My appointment expires: 05.08.05

STATE OF UTAH)
COUNTY OF CARBON)ss.

On this 7th day of April, 2005, before me personally appeared Samuel C Quigley, to me known to be the V.P. Operations of, ANDALEX Resources, Inc. the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that Samuel C. Quigley was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.



Signature: Linda Kerns
Name (Print): LINDA KERNS

NOTARY PUBLIC in and for the State
of Utah, residing at 345 N. 700 E., Price, UT 84501
My appointment expires: 05.08.05

COPY

AMENDMENT NO. 1 TO DRILLING AND SURFACE USE AGREEMENT

THIS AMENDMENT NO. 1 TO DRILLING AND SURFACE USE AGREEMENT ("Amendment No. 1") is made and entered into as of the 18 day of April, 2011, but to be effective as of the 16th day of March, 2011 ("Effective Date") by and between Judson Dorse Critchlow and Cherie Critchlow, husband and wife, as joint tenants as to an undivided one-half interest in the surface estate and an undivided one-fourth interest in the mineral estate (except coal) and David R. Cave and Mildred Cave (also known as Mildred Jean Cave), husband and wife, as joint tenants as to an undivided one-half interest in the surface estate and an undivided one-fourth interest in the mineral estate (except coal) whose address is c/o David R. and Mildred Cave, 3379 East Highway 6, Price, Utah 84501 (hereinafter collectively called "Grantor"), and ANDALEX Resources, Inc., a Delaware corporation, whose address is 794 North "C" Canyon Road, East Carbon, Utah 84520 (hereinafter called "ANDALEX").

WHEREAS, Grantor and ANDALEX have previously entered into that certain Drilling and Surface Use Agreement dated the 18th day of March, 2005 (the "Agreement");

WHEREAS, Grantor and ANDALEX now desire to amend the Agreement in accordance with the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein, Grantor and ANDALEX do now hereby agree as follows:

1.0 GENERAL

The Agreement heretofore entered into by the parties is hereby amended as follows:

2.0 AMENDMENTS

2.1 The Grantor and ANDALEX agree that the term of the Agreement shall be extended for a period of one (1) year through and including March 17, 2012. Beginning not later than November 1, 2011, Grantor and ANDALEX agree to confer in good faith for purposes of reaching mutual agreement concerning a further extension of the term. In the event that the Grantor and ANDALEX are unable to reach mutual agreement concerning the extension of the term as contemplated in the foregoing sentence, the term of this Agreement shall terminate at 11:59 p.m. on March 17, 2012.

2.2 In full consideration for the extension of the term of the Agreement and other agreements set forth herein, ANDALEX shall pay Grantor a total amount of Thirty Thousand Dollars (\$30,000.00). Such amount shall be paid by ANDALEX to Grantor upon full execution of this Amendment No. 1 in accordance with the following instructions of Grantor:

- Grantor shall make one payment of Fifteen Thousand Dollars (\$15,000.00) by bank check to "Judson Dorse Critchlow and Cherie Critchlow", and
- Grantor shall make one payment of Fifteen Thousand Dollars (\$15,000.00) by bank check to "David R. Cave and Mildred Cave".

3.0 STATUS OF AGREEMENT

As amended herein, the Agreement is hereby ratified and confirmed and shall continue in full force and effect. Unless hereby amended, all terms and conditions of the Agreement shall apply to this Amendment No. 1. This Amendment No. 1 is the final and complete agreement of the parties hereto respecting the subject matter hereof and hereby supersedes all prior or contemporaneous oral or written statements, understandings and promises of the parties relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties have caused this Amendment No. 1 to be executed as of the day and year first above written, but to be effective as of the Effective Date.

Grantor

ANDALEX Resources, Inc.

By: Judson Dorse Critchlow
Judson Dorse Critchlow

By: David W. Hibbs
David W. Hibbs, President

By: Cherie Critchlow
Cherie Critchlow

By: David R. Cave
David R. Cave

By: Mildred Cave
Mildred Cave

AMENDMENT NO. 2 TO DRILLING AND SURFACE USE AGREEMENT

THIS AMENDMENT NO. 1 TO DRILLING AND SURFACE USE AGREEMENT ("Amendment No. 2") is made and entered into as of the ___ day of August, 2012, but to be effective as of the 16th day of March, 2012 ("Effective Date") by and between Judson Dorse Critchlow and Cherie Critchlow, husband and wife, as joint tenants as to an undivided one-half interest in the surface estate and an undivided one-fourth interest in the mineral estate (except coal) and David R. Cave and Mildred Cave (also known as Mildred Jean Cave), husband and wife, as joint tenants as to an undivided one-half interest in the surface estate and an undivided one-fourth interest in the mineral estate (except coal) whose address is c/o David R. and Mildred Cave, 3379 East Highway 6, Price, Utah 84501 (hereinafter collectively called "Grantor"), and ANDALEX Resources, Inc., a Delaware corporation, whose address is 794 North "C" Canyon Road, East Carbon, Utah 84520 (hereinafter called "ANDALEX").

WHEREAS, Grantor and ANDALEX have previously entered into that certain Drilling and Surface Use Agreement dated the 18th day of March, 2005, as amended by that certain Amendment No. 1 to Drilling and Surface Use Agreement dated the 18th day of April, 2011 (collectively, the "Agreement");

WHEREAS, Grantor and ANDALEX now desire to further amend the Agreement in accordance with the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein, Grantor and ANDALEX do now hereby agree as follows:

1.0 GENERAL

The Agreement heretofore entered into by the parties is hereby amended as follows:

2.0 AMENDMENTS

2.1 The Grantor and ANDALEX agree that the term of the Agreement shall be extended for a period of one (1) year through and including March 17, 2013. The term of the Agreement shall thereafter renew automatically for ten (10) successive one (1) year terms subject to payment by ANDALEX of the annual consideration described in Section 2.2 below. Provided however, ANDALEX may terminate this Agreement at any time during the term, or any one (1) year extended term, by providing Grantor not less than sixty (60) days prior written notice of such termination.

2.2 Upon execution of this Amendment No. 2 by Grantor and ANDALEX and in full consideration for the extension of the term of the Agreement through March 17, 2013, ANDALEX shall pay Grantor a total amount of Thirty Thousand Dollars (\$30,000.00). Such amount shall be paid by ANDALEX to Grantor in accordance with the following instructions of Grantor:

- Grantor shall make one payment of Fifteen Thousand Dollars (\$15,000.00) by bank check to "Judson Dorse Critchlow and Cherie Critchlow", and

• Grantor shall make one payment of Fifteen Thousand Dollars (\$15,000.00) by bank check to "David R. Cave and Mildred Cave".

Beginning on March 1, 2013 and continuing thereafter on each March 1 during any one (1) extended term of this Agreement, ANDALEX shall pay Grantor a total amount of Thirty Thousand Dollars (\$30,000.00) as full consideration for the next succeeding one (1) year extended term. Such payment shall be made in accordance with the instructions set forth in the foregoing paragraph. ANDALEX's obligation for such annual payments shall cease and terminate in the event that ANDALEX terminates this Agreement as provided for in Section 2.1 above.

3.0 STATUS OF AGREEMENT

As amended herein, the Agreement is hereby ratified and confirmed and shall continue in full force and effect. Unless hereby amended, all terms and conditions of the Agreement shall apply to this Amendment No. 2. This Amendment No. 2 is the final and complete agreement of the parties hereto respecting the subject matter hereof and hereby supersedes all prior or contemporaneous oral or written statements, understandings and promises of the parties relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties have caused this Amendment No. 2 to be executed as of the day and year first above written, but to be effective as of the Effective Date.

Grantor

ANDALEX Resources, Inc.

By: Judson Dorse Critchlow
Judson Dorse Critchlow

By: David W. Hibbs
David W. Hibbs, President

By: Cherie Critchlow
Cherie Critchlow

By: David R. Cave
David R. Cave

By: Mildred Cave
Mildred Cave

TAB C

From: Daron Haddock <daronhaddock@utah.gov>
Sent: Tuesday, June 26, 2018 3:02 PM
To: Dragoo, Denise; Priscilla Burton
Cc: Efaw, Matt; Madsen, Karin; Rowell, Andrew
Subject: Re: Termination of CO: Centennial Mine: GVH Repair

Hi Denise,

Thank you for the information regarding the work done on the wells. I have passed this on to our assessment officer. While it appears that the hazard associated with the leaking wells may be mitigated, there are other abatement measures that were required by the CO. As stated in our letter to you dated June 7, 2018, the abatement measures would be suspended until the Informal Conference could be held. It was stated that new abatement dates would be provided through a conference order as determined based on facts in evidence. I believe "termination" of the CO will best be determined at or after the conference. We will see you Thursday. Thanks. Daron

On Mon, Jun 25, 2018 at 10:25 PM, Dragoo, Denise <ddragoo@swlaw.com> wrote:

Daron, on behalf of UtahAmerican Energy/ Andalex Resources, we request that the Division terminate the CO issued on June 1, 2018 at the Centennial Mine Complex. The CO required "complete closure" of leaking wells 5A, 8, and 9 by June 29, 2018. As confirmed in the attached photographs provided by Karin Madsen, the three wells have been repaired. The CO should be terminated.

Please provide this information to the Division's assessment officer.

Thanks, Denise

Denise A. Dragoo

Snell & Wilmer L.L.P.

[15 West South Temple](#)

[Suite 1200](#)

[SLC, UT 84101](#)

Phone: 801-257-1998

Fax: 801-257-1800

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--

Daron R. Haddock

Coal Program Manager
Utah Division of Oil, Gas & Mining
(801) 538-5325