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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

December 31, 2018

CERTIFIED RETURN RECEIPT
9590 6402 1618 6053 1298 40

Karin Madsen
Andalex Resources
P.O. Box 910
East Carbon, UT 84520-0910

Subject: Proposed Assessment for State Cessation Order #21214, Andalex Resources, Inc.,
C/007/0019, Task #5688

Dear Ms. Madsen:

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, Priscilla Burton, on June 1, 2018. 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:

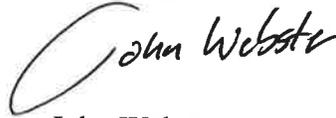
1. If you wish to informally appeal the fact of this violation, you should file a written request for an Informal Conference within thirty (30) days of receipt of this letter. This conference will be conducted by the Division Director. This Informal Conference is distinct from the Assessment Conference 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,

A handwritten signature in black ink that reads "John Webster". The signature is written in a cursive style with a large, sweeping initial "J".

John Webster
Assessment Officer

Enclosure

cc: Suzanne Steab, DOGM
Sheri Sasaki, DOGM

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

COMPANY / MINE Centennial Mine

PERMIT C/007/0019 NOV / CO # CO21214 VIOLATION 1 of 1

ASSESSMENT DATE June 1, 2018

ASSESSMENT OFFICER: John Webster

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
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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 0

II. SERIOUSNESS (Either A or B)

NOTE: For assignment of points in Parts II and III, the following apply:

1. Based on facts supplied by the inspector, the Assessment Officer will determine within each category where the violation falls.
2. 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.)

1. What is the event which the violated standard was designed to prevent?

Injury to public safety, Damage to property, Environmental harm

2. What is the probability of the occurrence of the event which a violated standard was designed to prevent? Likely

<u>PROBABILITY</u>	<u>RANGE</u>
None	0
Unlikely	1-9
Likely	10-19
Occurred	20

ASSIGN PROBABILITY OF OCCURRENCE POINTS: 10

PROVIDE AN EXPLANATION OF POINTS:

***** The wells in question are 5A, 7 and 9. According to the information in the inspector statement, "A public safety event could occur if there was a lightning strike or a wildfire or a careless person". The inspector also indicated that explosion of methane gas could cause harm to the cabins located about a tenth of mile away. The probability of the occurrence of the event which a violated standard was designed to prevent is "likely". Therefore the points were assigned to or near the midlevel of likely.**

3. What is the extent of actual or potential damage? *Potential*
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: 10

PROVIDE AN EXPLANATION OF POINTS:

***** According to the information in the inspector statement, "There has been no injury to the public". However, there has been a loss of the gas resources as well. The inspector also stated that, "At least one well as been audibly leaking methane for over two years, resulting in a loss of the resource to the mineral owner". Therefore the extent of actual or potential damage was assigned to or near midlevel of "potential Damage".**

B. HINDRANCE VIOLATION (Max 25 pts.)

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

RANGE 0-25

Assign points based on the extent to which enforcement is actually or potentially hindered by the violation.

ASSIGN HINDRANCE POINTS: N/A

PROVIDE AN EXPLANATION OF POINTS:

***** The total seriousness points added up to 20 points. The total was based off of potential harm to the public and the environment. Leaking methane could have resulted in a loss of life**

or damage to the property as well. However, since there was no actual damage, the points total for seriousness ended up slightly below the midlevel.

TOTAL SERIOUSNESS POINTS (A or B) 20

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: *Negligence*

ASSIGN NEGLIGENCE POINTS: 10

PROVIDE AN EXPLANATION OF POINTS:

**** According to the information in the inspector statement, "The potential for a methane gas explosion was the reason to install the degas wells. UEI is well aware of the combustibility of methane. UEI has been aware of the methane leaking from the degas well (5A) for at least two years". Since the operator knew about the well or wells for two years, the assessment was listed under "negligence". Therefore the points were assigned to the midlevel of negligent.*

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 (Immediately following the issuance of the NOV)	-11 to -20*
X	Rapid Compliance (Permittee used diligence to abate the violation)	-1 to -10
X	Normal Compliance (Operator complied within the abatement period required)	0

(Operator complied with condition and/or terms of approved Mining and Reclamation Plan)

*Assign in upper or 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 (Permittee used diligence to abate the violation)	-11 to -20*
X	Normal Compliance (Operator complied within the abatement period required)	-1 to -10*
X	Extended Compliance (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)	0

EASY OR DIFFICULT ABATEMENT: *Difficult*

ASSIGN GOOD FAITH POINTS: 6

PROVIDE AN EXPLANATION OF POINTS:

**** According to the Modification of the Cessation Order CO21214 dated October 24, 2018. The imminent danger of Wells 5A, 7, and 9 were abated within the allotted time frame by the operator. The abatement was taken care by June 25, 2018. Therefore good faith points assigned to the midlevel of "Difficult, normal compliance".*

V. ASSESSMENT SUMMARY

NOTICE OF VIOLATION # <u>CO21214</u>	
I. TOTAL HISTORY POINTS	<u>0</u>
II. TOTAL SERIOUSNESS POINTS	<u>20</u>
III. TOTAL NEGLIGENCE POINTS	<u>10</u>
IV. TOTAL GOOD FAITH POINTS	<u>6</u>
TOTAL ASSESSED POINTS	<u>24</u>
TOTAL ASSESSED FINE	<u>\$528.00</u>