

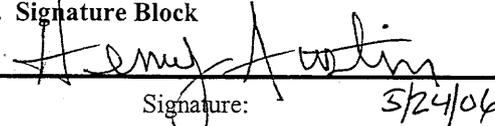


U. S. DEPT. OF THE INTERIOR OFFICE OF SURFACE MINING Mine Site Evaluation State Program

RECEIVED
MAY 31 2006



1. Permittee/Person ANDALEX RESOURCES INC.		9. Permit Number UT-007-033		10. Permit Type PP	
2. Address		11. Field Visit Date 05/10/2006 mm - dd - yyyy		12. Purpose O	
3. City		13. SRA Present Y		14. Permit Status A	
4. State UT		15. Site Status AN		16. Facility Type CDEFG	
5. Zip Code 84501		17. OSM Office # 140		18. CCID #	
6. Phone Number () -		19. Land Code F		20. M.S.H.A ID #	
7. Operator Name, if Different than Permittee		21. State Abrev. UT		22. County Name CARBON	
8. Mine Name WILDCAT LOADOUT		23. AVS Permittee Entity ID Number		24. State Office	

25. Hours		26. Signature Block		27. Reviewing Official:	
2.0	a. Permit Review	 Signature: Henry Austin HENRY AUSTIN ID # 116 Printed Name: Date: 05/24/2006		 Signature: Review Date: 5/24/2006 mm - dd - yyyy Is Supplemental MSE Page Used Y/N Y	
5.0	b. Site Visit Time				
10.0	c. Travel Time				
2.0	d. Report Writing				

Permit Type — Item 10 IP = Interim Program, PP = Permanent Program, NP = No Permit

Purpose Type Codes Item 12

Oxx.... Oversight	RFx.... Reclamation Fees	CCR.... Citizen Complaint Referral (non site visit)
Axx.... Assistance	Fxx.... Federal Actions	CC.... Citizen Complaint (initial site visit)
		CCF.... Citizen Complaint Follow-up

Joint Inspection — Item 13 A joint inspection is when a state inspector accompanies an OSM inspector any time during the review of the mine site.

Permit Status — Item 14

A.... Active: Coal mining and reclamation activities occurring or permitted but not yet disturbed.	AB.... Abandoned: All surface and underground coal mining activities have ceased and operator has left the site without completing reclamation as defined in 30 CFR 840.11(g)
IN.... Inactive (Permanent Program Permit): Phase II completed or Temporary Cessation of Operations. (Interim Program Permit) Coal mining completed and reclamation activities initiated.	AB1... Bond Forfeiture: Bond forfeiture officially in process or completed, and reclamation in progress or not yet commenced.
BR... Bond Release: Reclamation completed and State Regulatory Authority (RA) has released all of the bond (Phase III Release.)	AB2... Partially Reclaimed Forfeiture: Forfeited site where all bonds have been used to reclaim site, but site not reclaimed to Program standards.
	AB3... Reclaimed Forfeiture: Forfeited site that has been reclaimed to Program standards.
	NA... Not Applicable: When site is unpermitted.

Site Status Codes — Item 15

ND... No Disturbance: No coal mining and reclamation operations have been started.	MC... Mining Complete: No mining activity on site, site regraded and awaiting phase bond release.	NS.. Non-Site Visit: Status of site not determined.
EX... Coal Exploration: Coal exploration operations have started and where coal mining operations have not begun.	TC... Temporary Cessation: The RA has granted cessation of mining pursuant to 30 CFR 816/817.131(b).	FP.. Forfeiture Pending: The RA is pursuing actions to revoke the permit, collect the performance bond(s), and/or reclamation of forfeited site is in progress.
AP.. Active Coal Producing: Coal surface mining activities are occurring.	P1... Phase I Release: At least Phase I bond release granted for entire permitted area. For interim permits, partial bond release.	FR.. Forfeited and Reclaimed: Forfeiture reclamation completed.
AN.. Active Non-Producing: Active non-producing facility such as tipple or preparation plant.	P2.. Phase II Release: At least Phase II bond release for the entire permitted area.	FO.. Abandoned Site: Abandoned site that is permitted but there is no bond.
NM... No Mining: The Permit Status is active, site is not in Temporary Cessation, no surface coal mining activity, and site not regraded.	P3.. Phase III Release: Reclamation completed and the RA has released all bond.	WC.. Wildcat: Coal mining and reclamation operations have or are taking place and the activity is not covered by the required permits from the RA.

Facility Type Codes — Item 16

A... Surface	D... Ancillary (Haulroad, Conveyor, and/or Rails)	H... Exploration Permits	L... Remaining site permitted under 30 CFR 785.25
B... Underground	E... Refuse and/or Impoundment	I... Notice of Intent to Explore	
C... Preparation Plant	F... Loading Facility and/or Tipple	J... Exempt 16 and 2/3	
	G... Stockpiles	K... Government Financed Construction Exemption	

Small Business Regulatory Enforcement Fairness Act (SBREFA) Your Comments Are Important

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about Federal agency enforcement actions. The Ombudsman will annually evaluate the enforcement activities and rate each agency's responsiveness to small business. If you are a small business (a business with 500 or fewer employees including those of affiliates) and wish to comment on the enforcement or compliance activities of OSM, call 1-888-REG-FAIR (1-888-734-3247).

U. S. DEPT. OF THE INTERIOR OFFICE OF SURFACE MINING

Mine Site Evaluation

State Program

Permittee/
Person **ANDALEX RESOURCES**

Permit
Number **UT-007-033**

Field Visit
Date **05/10/2006**

Continuation Page

28. Performance Standard Categories

Codes: 1=Compliance, 2=Noncompliance, 3=Not Planned, 4=Not Started, 5=Noncompliance Identified Elsewhere, 6=Previously Cited

<p>A. Administrative</p> <ol style="list-style-type: none"> 1. <u>1</u> Mining within Valid Permit 2. <u>1</u> Mining within Bonded Area 3. <u>1</u> Terms & Conditions of Permit 4. <u>1</u> Liability Insurance 5. <u>1</u> Ownership and Control 6. <u>1</u> Temporary Cessation 7. <u>1</u> AML Rec. Fees -- Non-Respondent 8. <u>1</u> AML Rec. Fees -- Failure to Pay <p>B. Hydrologic Balance</p> <ol style="list-style-type: none"> 1. <u>1</u> Drainage Control 2. <u>1</u> Inspections & Certifications 3. <u>1</u> Siltation Structures 4. <u>1</u> Discharge Structures 5. <u>1</u> Diversions 6. <u>1</u> Effluent Limits 7. <u>1</u> Ground Water Monitoring 8. <u>1</u> Surface Water Monitoring 9. <u>1</u> Drainage -- Acid-Toxic Materials 10. <u>1</u> Impoundments 11. <u>3</u> Stream Buffer Zones <p>C. Topsoil & Subsoil</p> <ol style="list-style-type: none"> 1. <u>1</u> Removal 2. <u>1</u> Substitute Materials 3. <u>1</u> Storage and Protection 4. <u>1</u> Redistribution 	<p>D. Backfilling & Grading</p> <ol style="list-style-type: none"> 1. <u>3</u> Exposed Openings 2. <u>1</u> Contemporaneous Reclamation 3. <u>1</u> Approximate Original Contour 4. <u>3</u> Highwall Elimination 5. <u>3</u> Steep Slopes (includes downslope) 6. <u>1</u> Handling of Acid & Toxic Materials 7. <u>1</u> Stabilization (rills and gullies) <p>E. Excess Spoil Disposal</p> <ol style="list-style-type: none"> 1. <u>3</u> Placement 2. <u>3</u> Drainage Control 3. <u>3</u> Surface Stabilization 4. <u>3</u> Inspections & Certifications <p>F. Coal Mine Waste (Refuse Piles/Impoundments)</p> <ol style="list-style-type: none"> 1. <u>1</u> Drainage Control 2. <u>1</u> Surface Stabilization 3. <u>1</u> Placement 4. <u>1</u> Inspections and Certifications 5. <u>1</u> Impounding Structures <p>G. Use Of Explosives</p> <ol style="list-style-type: none"> 1. <u>3</u> Blaster Certification 2. <u>3</u> Distance Prohibitions 3. <u>3</u> Blast Survey/Schedule 4. <u>3</u> Warnings & Records 5. <u>3</u> Control of Adverse Effects 	<p>H. <u>3</u> Subsidence Control Plan</p> <p>I. Roads</p> <ol style="list-style-type: none"> 1. <u>1</u> Road Construction 2. <u>1</u> Certification 3. <u>1</u> Drainage 4. <u>1</u> Surfacing and Maintenance 5. <u>1</u> Reclamation <p>J. Signs & Markers</p> <ol style="list-style-type: none"> 1. <u>1</u> Signs 2. <u>1</u> Markers <p>K. <u>1</u> Distance Prohibitions</p> <p>L. Revegetation</p> <ol style="list-style-type: none"> 1. <u>1</u> Vegetative Cover 2. <u>1</u> Timing <p>M. <u>1</u> Postmining Land Use</p> <p>N. Other</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 60%;">General</td> <td style="width: 5%;">_____</td> </tr> <tr> <td>Performance</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Category</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td></td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td></td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td></td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </table>	General	_____	_____	_____	_____	_____	Performance	_____	_____	_____	_____	_____	Category	_____	_____	_____	_____	_____		_____	_____	_____	_____	_____		_____	_____	_____	_____	_____		_____	_____	_____	_____	_____
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Performance Standard Categories 30 CFR Counterpart

<p>A. Administrative.....(816/817.11-15)</p> <ol style="list-style-type: none"> 1. Valid Permit.....773.11 2. Mining within Bonded Area.....773.11 3. Terms & Conditions of Permit.....773.17 4. Liability Insurance.....800.60 5. Ownership and Control.....778.13 6. Temporary Cessation.....842.11(e) & 816/817.131 7. AML Rec. Fees -- Non-Respondant.....870.15(b) 8. AML Rec. Fees -- Failure to Pay.....870.15(a) <p>B. Hydrologic Balance.....(816/817.41-57)</p> <ol style="list-style-type: none"> 1. Drainage Control.....45 2. Inspections & Certifications.....49(a)(10) 3. Siltation Structures.....46 4. Discharge Structures.....47 5. Diversions.....43 6. Effluent Limits.....42 7. Ground Water Monitoring.....41(c) 8. Surface Water Monitoring.....41(e) 9. Drainage--Acid - Toxic Materials.....41(f) 10. Impoundments.....49 11. Stream Buffer Zones.....57 <p>C. Topsoil & Subsoil.....(816/817.22)</p> <ol style="list-style-type: none"> 1. Removal.....22(a) 2. Substitute Materials.....22(c) 3. Storage and Protection.....22(c) 4. Redistribution.....22(d) <p>D. Backfilling & Grading.....(816/817.95-107)</p> <ol style="list-style-type: none"> 1. Exposed Openings.....816/817.13, 14, 15, & 823.11 & 21 2. Contemporaneous Reclamation.....100 3. Approximate Original Contour.....102(a)(1) 4. Highwall Elimination.....102(a)(2) 5. Steep Slopes (includes downslope).....107 6. Handling of Acid & Toxic Materials.....102(c) 7. Stabilization (rills and gullies).....95(b) 	<p>E. Excess Spoil Disposal.....(816/817.71-74)</p> <ol style="list-style-type: none"> 1. Placement.....71(e) 2. Drainage Control.....71(f) 3. Surface Stabilization.....71(g) 4. Inspections & Certifications.....71(h) <p>F. Coal Mine Waste (Refuse Piles/Impoundments)(816/817.81-84)</p> <ol style="list-style-type: none"> 1. Drainage Control.....83(a) 2. Surface Stabilization.....83(b) 3. Placement.....83(c) 4. Inspections and Certifications.....83(d) 5. Impounding Structures.....84 <p>G. Use of Explosives.....(816/817.61-68)</p> <ol style="list-style-type: none"> 1. Blaster Certification.....61(c) 2. Distance Prohibitions.....61(d) 3. Blast Survey/Schedule.....62-64 4. Warnings & Records.....66 & 68 5. Control of Adverse Effects.....67 <p>H. Subsidence Control Plan.....(817.121-122)</p> <p>I. Roads.....(816/817.150-151)</p> <ol style="list-style-type: none"> 1. Road Construction.....150(c) 2. Certification.....151(a) 3. Drainage.....150(b)-151(d) 4. Surfacing and Maintenance.....150(e)-151(d) 5. Reclamation.....150(f) <p>J. Signs & Markers(816/817.11)</p> <ol style="list-style-type: none"> 1. Signs.....11(a),(b),&(c) 2. Markers.....11(a),(b),(d),(e),&(f) <p>K. Distance Prohibitions.....(761.11)</p> <p>L. Revegetation.....(816/817.111-116)</p> <ol style="list-style-type: none"> 1. Vegetative Cover.....111 & 116 2. Timing.....113 <p>M. Postmining Land Use.....(816/817.133)</p>
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May 22, 2006

Andalex Resources, Inc.
P.O. Box 902
Price, UT 84501

Wildcat Loadout

Complete, joint, oversight inspection
May 10, 2006

Participants:

Michael Glasson, Andalex
Scott Dimick, Andalex
Peter Hess, Utah Division of Oil, Gas, and Mining (OGM)
Henry Austin, Office of Surface Mining (OSM)

I participated in a complete, joint, oversight inspection of the Wildcat Loadout with the above. This coal loading facility was selected by the joint OGM / OSM Evaluation Team for inspection during 2006. Weather conditions were fair and ground conditions were dry.

We began by inspecting the sediment ponds, topsoil stockpile areas, and the perimeters of the disturbed areas. All six sediment ponds were cleaned out recently (1st quarter 2006) and appeared stable and functioning as designed. Roadways were being watered by truck spray during the inspection and coal dust was minimal from roads and coal stockpile areas. Topsoil stockpiles are vegetated and protected. The facilities area, coal stockpiles and loadout area, roads, road ditches, and material storage areas at the facilities are all well maintained and orderly.

We walked the eastern permit boundary areas and made the following observations: Surface water runoff control in these areas does not appear to be a problem. Coal dust from 1 to 2 inches deep has blown onto undisturbed areas within the permit boundary, immediately east of the active loadout complex, and inside the eastern permit boundary. It is difficult to determine if the coal dust has permanently or negatively affected the sagebrush rangeland within the permit boundary. Harder yet to determine if rangeland is being negatively impacted outside, or east of the eastern permit boundary. There were pre-SMCRA coal loadout facilities operating at this site. The lands are BLM surface ownership. We did not identify any offsite impacts directly related to the current operations that we could document during our inspection.

There are several dead sagebrush along the first wash, east of the permit area. Mr. Dimick also drove us to dead sagebrush stands within undisturbed rangelands just north west of the permit area, and described a recent (within 3 to 5 years) moth infestation(s) that impacted stands of sage brush in this area apparently. I recommended to the inspection participants that interested government bureau's with jurisdiction on the permit area and adjacent lands, and any other parties, meet at this area and discuss options for controlling and minimizing offsite impacts from wind blown coal fines at the facility.

We inspected the Conoco-Phillips CBM drill pad disturbance on the permit boundary, and Mr. Hess has contacted Conoco representatives regarding proposed reclamation of this drill pad.

The western permit area diversions, stockpiles, and waste pile are stable and functional.

Wildcat Loadout

Mr. Hess conducted a thorough review of permitting and environmental monitoring records at the loadout offices. Our review included the following: The current permit term expires May 5, 2009. Permit area is approximately 100 acres with 63.7 disturbed acres Total bond amount is \$ 652,000. Liability insurance expires July 1, 2006. The SPCC plan is dated August 2003.

The UPDES permit expires April 30, 2008 and there are six outfalls from the sediment ponds. This has essentially remained a no discharge facility through the years according to inspection participants. The annual sediment pond recertifications and quarterly inspections are current through May 2, 2006. The refuse pile quarterly inspection is also current through May 2, 2006.

We reviewed the Utah Air Quality Permit dated October 21, 2004. Roadway watering treatments and rainfall are being recorded as required by the air permit. We briefly reviewed the April 14, 2006 permittee report of 2005 air quality sampling results. Mr. Hess directed Mr. Dimick to maintain (remove) the sediments that drop off the haul trucks and onto the road shoulder where trucks exit / enter Consumers Road. Mr. Dimick agreed to do so. This concluded the inspection. No offsite impacts were identified during the inspection.

Please address any questions concerning this report to Henry Austin at haustin@osmre.gov or to (303) 844-1400 x1466.