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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Division of Oil Gas and Mining

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December 5, 2007

Dave Shaver, Manager
Andalex Resources, Inc.
P.O. Box 1077
Price, Utah 84501

Subject: Deficiencies for Wildcat Loadout Midterm Review, Task ID # 2691, Andalex Resources Inc., Wildcat Loadout, C/007/0033

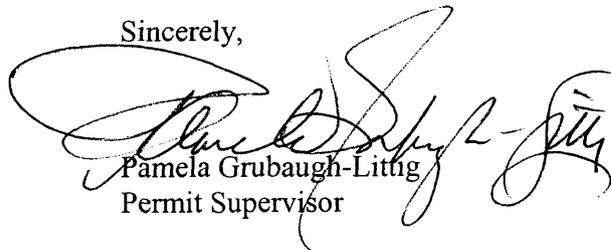
Dear Mr. Shaver:

The Division has completed the initial Midterm Permit Review for the Wildcat Loadout. The Division has identified two deficiencies that must be addressed satisfactorily before the Division can find that the requirements of the R645 Coal Mining Rules have been met.

The deficiencies are described in the attachment to this letter. The deficiencies were identified by Wayne H. Western (801) 538-6263 and Jerriann Ernstsens (801) 538-5214. Division personnel have already discussed these deficiencies with you, but you are encouraged to communicate directly with the Division while preparing Andalex' response.

Please respond to this deficiency as soon as possible, but no later than January 7, 2008, so that the Division can complete this midterm permit review.

Sincerely,



Pamela Grubaugh-Littig
Permit Supervisor

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Attachment
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Deficiency List
Task ID # 2691
Wildcat Loadout Midterm Review

R645-301-830.200, The Permittee must post a minimum bond of \$1,144,000 and include the Division's reclamation cost estimate in the MRP. The Division will provide the Permittee with either a paper or electronic copy of the reclamation cost estimate.

R645-301-333, The Permittee must include the water balance calculations in the following locations in the MRP: 1) Biology Section must include the overall water balance value. 2) PHC must include a subsection for the water balance calculation as it pertains to the Colorado River endangered fish. PHC must include the calculations AND provide clear, supporting evidence. Individual subtotals (e.g., Postmine Inflows) must include citations directing the reader to chapters and page numbers within the MRP for supporting evidence. The Division is currently drafting a "guideline" for the calculations. The Permittee is encouraged to contact the Division biologist for assistance. If the Permittee chooses to develop their own calculating and recording procedures, they must present their proposal to the Division for approval.