



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Price Field Office
125 South 600 West
Price, Utah 84501

3480
(SL-068754)
(UT-070)

Certified Mail--Return Receipt Requested
Certificate No. P 299 520 577

FEB 23 1999

Dave Shavers
Manager of Technical Services
Andalex Resources, Inc.
Tower Division
West Ridge Mine
P.O. Box 902
Price, Utah 84501

PRO/007/041

Re: Andalex Resources Inc., West Ridge Mine, Resource Recovery and Protection
Plan (R2P2); Federal Coal Lease SL-068754

#3

Copy Daron

Dear Mr. Shaver:

This letter is to notify you that we have completed our review of Andalex's R2P2 regarding the proposed development of the West Ridge Mine located at C-Canyon in the Book Cliffs area near East Carbon on Federal coal lease SL-068754. The purpose of our review was to determine compliance with the Mineral Leasing Act of 1920, as amended; the regulations at 43CFR 3480; the lease terms and conditions and to ensure that maximum economic recovery (MER) will be achieved.

Our determination of the subject R2P2 is as follows:

Tentatively, the proposed West Ridge Mine will begin initial mine production in January 2000. The projected mine life is approximately 18 years. As shown on Plate #5A, Mining Projections (enclosure), the projected mining reflects both a mine plan that limits mining to the Federal coal lease SL-068754 and one that expands mining onto adjacent Federal and state coal reserves. The latter plan is dependent on Andalex's successful acquisition of adjacent state and Federal coal reserves. However, at this time, BLM's findings must be and are limited to concerns regarding the mining on the Federal lease only. Any assumptions concerning acquisition of coal reserves and the expanded plan for mining off-lease have been dismissed. Predicated on this measure, BLM is requiring Andalex to submit for approval a mine plan that:

1) reflects mining (longwall panel development) to within 50 feet of the lease boundary in accordance with

43 CFR-3484.1(c)(6)(i) - Barrier pillars left for support;

2) provide appropriate justification (design criteria) for the size of all protective barrier pillars utilized in the mine layout in accordance with

43 CFR-3482.1 (c)(4)(v)(C) - Location of where pillars will be left and an explanation of why these pillars will not be mined; and

3) provide appropriate justification for all unmined areas of the reserves/coal bed within lease boundaries in accordance with

43 CFR-3482.1(c)(7) Explanation of how MER of the Federal coal lease will be achieved
..... If a coalbed, or portion thereof, is not to be mined or rendered unminable ... lessee shall submit appropriate justification to the authorized officer for approval.

Maximum economic recovery of the coal reserve within Federal SL-068754 will be achieved.

Also, we request a copy of the approved roof-control plan, ventilation plan and manufacturer's specs for the basic mining equipment listed on page 15 of West Ridge Mine's R2P2.

BLM has determined that the information contained in the R2P2 for the West Ride Mine does in part satisfy the aforementioned compliance requirements. However, concerns identified above must be addressed. Therefore, BLM's determination is conditioned with the following stipulation:

Stipulation:

Andalex shall submit the following information for approval sixty (60) calendar days prior to the startup of any longwall coal production:

- A mine plan that reflects mining to within 50 feet of the lease boundary;
- Appropriate justification (design criteria) for the size of all protective barrier pillars utilized in the mine layout;
- Appropriate justification for all unmined areas of the reserves/coalbed within lease boundaries; and
- Approved roof-control plan, ventilation plan and manufacturer's specs for basic mining equipment.

This stipulation permits Andalex to commence development mining on the subject lease as shown on Plate #5A.

Therefore, BLM has determined the proposed R2P2 for the West Ridge Mine, as stipulated, does comply with the Mineral Leasing Act of 1920, as amended, the regulations at 43 CFR 3480, the lease terms and stipulations, and will achieve maximum economic recovery of the Federal coal. Thus, approval for the West Ridge Mine's R2P2 is granted.

If you have any questions, please contact Barry Grosely in the Price Field Office at (434) 636-3606.

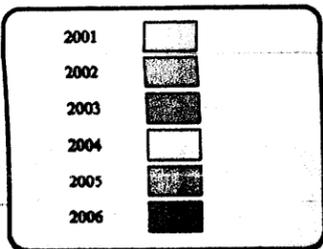
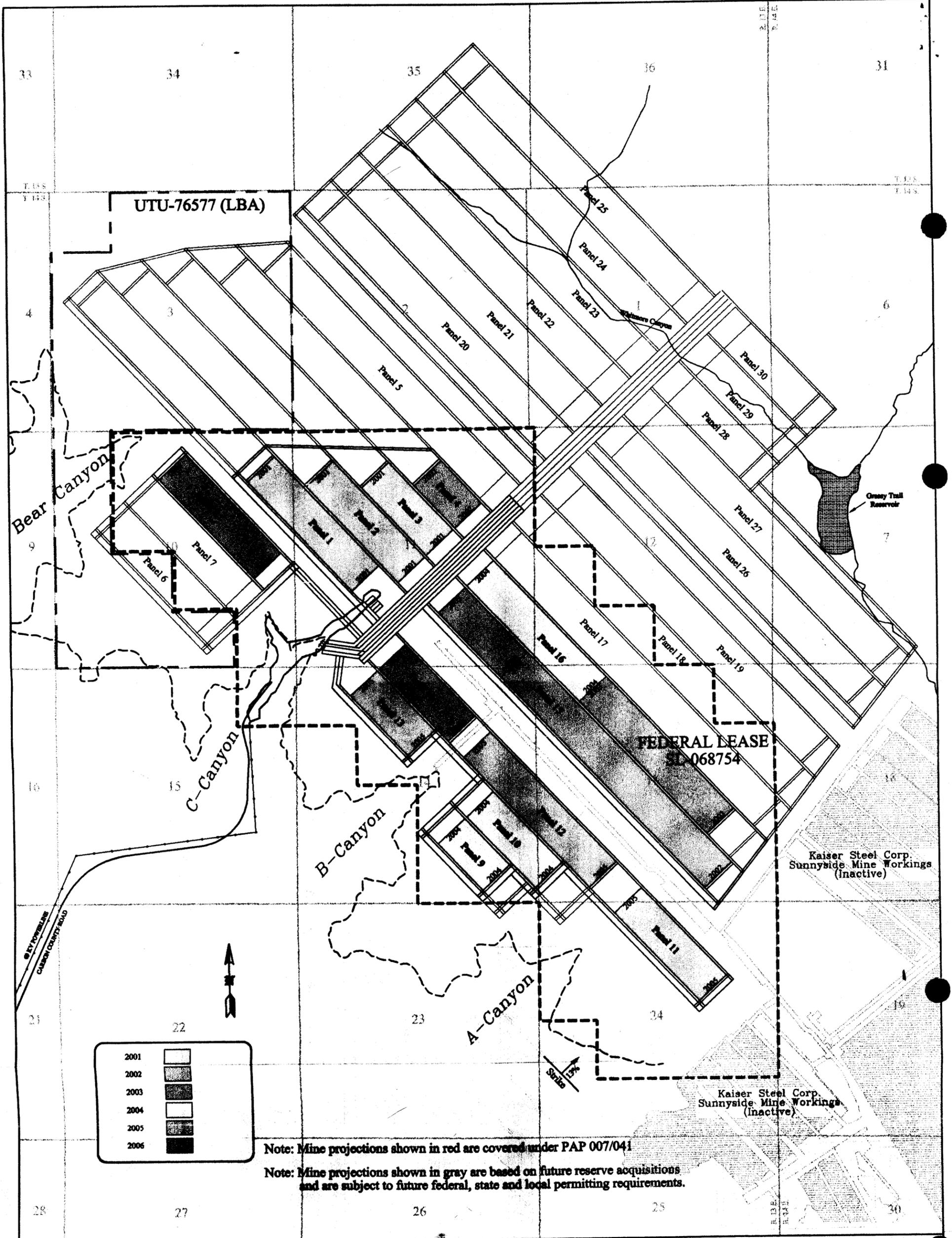
Sincerely,
/S/ THOMAS E. RASMUSSEN

Richard L. Manus
Field Manager

Enclosure
Mine Map

cc: Utah Division of Oil, Gas and Mining
355 West North Temple Street
3 Triad Center Ste 350
Salt Lake City, Utah 84180-1203 (w/Enclosure)

Ranvir Singh
Office of Surface Mining
Reclamation and Enforcement
1999 Broadway, Suite 3320
Denver, Colorado 80202-5733 (w/Enclosure)



Note: Mine projections shown in red are covered under PAP 007/041

Note: Mine projections shown in gray are based on future reserve acquisitions and are subject to future federal, state and local permitting requirements.

WEST RIDGE MINE
R2P2
Plate #5A
Mining Projections

DATE: 1/20/98 REV: 0 ACAD REF: WRTR-5A

LEGEND:

- Surface Facility Area
- Outcrop
- DOGM Permit Boundary
- Proposed LBA Boundary



ANDALEX
RESOURCES, INC.
 Tower Division

SCALE:

Enclosure