

# WEST RIDGE MINE

007/041

CHANGE TO  
THE MINING AND RECLAMATION PLAN

*TO SHOW MINING OF THE  
LEASE MODIFICATION OF  
FEDERAL LEASE UTU-78652*

**THIS INVOLVES EXPANDING THE PERMIT AREA BY  
602.91 ACRES**

**THERE IS NO SURFACE DISTURBANCE ASSOCIATED  
WITH THIS CHANGE**

SUBMITTED: April 14, 2009

File in:

- Confidential
- Shelf
- Expandable

Refer to Record No. 0025 Date 05/14/2009  
In Case No. 007/041, 2007, Submitting  
For additional information Confidential

~WEST RIDGE MINE - PERMIT APPLICATION PACKAGE~

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R645-301-100 PERMIT APPLICATION REQUIREMENTS: GENERAL  
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In C1007004/1 2009 Submittal

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**COPY**



P.O. Box 910, East Carbon, Utah 84520  
Telephone (435) 888-4000 Fax (435) 888-4002

Utah Division of Oil, Gas & Mining  
Utah Coal Program  
1594 West North Temple, Suite 1210  
P.O.Box 145801  
Salt Lake City, UT 84114-5801

May 14, 2009

Attn: Daron Haddock  
Permit Supervisor

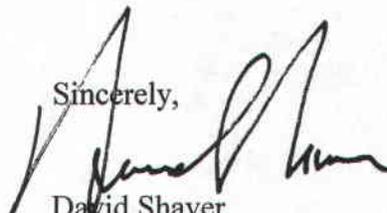
Re: West Ridge Mine C/007/041  
Permit Change to Include Lease Modification UTU-78562

Dear Mr. Haddock:

Recently the BLM approved a modification to federal lease UTU-78562, wherein the size of the lease acreage was increased by 602.91 acres. Enclosed are six (6) copies of the change to the West Ridge Mining and Reclamation Plan to include mining within this new lease modification area. Please note that all mining within this area will be underground, at depths of 2500' - 3000'. There will be no surface activities on this lease mod area.

Under our current projections we will need to be mining in this new area in October, 2009. We therefore request a timely review of this plan change. A map is attached to this cover letter showing the additional area to be added to the permit.

If you have questions or comments please contact me at (435) 888-4017.

Sincerely,  
  
David Shaver  
Resident Agent

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MAY 14 2009  
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C0070041 2009 Incoming  
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 Shelf  
 Expandable  
Date: 05/14/09 For additional information

## APPLICATION FOR PERMIT PROCESSING

<input type="checkbox"/> Permit Change	<input type="checkbox"/> New Permit	<input type="checkbox"/> Renewal	<input type="checkbox"/> Transfer	<input type="checkbox"/> Exploration	<input type="checkbox"/> Bond Release	Permit Number: <b>C/007/041</b>
Title of Proposal: <b>Change in Mining &amp; Reclamation Plan showing underground mine plan for federal lease modification UTU-78562</b>						Mine: <b>WEST RIDGE MINE</b>
						Permittee: <b>WEST RIDGE Resources, Inc.</b>

Description, include reason for application and timing required to implement.

Instructions: If you answer yes to any of the first 8 questions (gray), submit the application to the Salt Lake Office. Otherwise, you may submit it to your reclamation specialist.

<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	1. Change in the size of the Permit Area? _____ acres Disturbed Area? _____ acres <input type="checkbox"/> increase <input type="checkbox"/> decrease.
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	2. Is the application submitted as a result of a Division Order?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	3. Does application include operations outside a previously identified Cumulative Hydrologic Impact Area?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	4. Does application include operations in hydrologic basins other than as currently approved?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	5. Does application result from cancellation, reduction or increase of insurance or reclamation bond?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	6. Does the application require or include public notice/publication?
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	7. Does the application require or include ownership, control, right-of-entry, or compliance information?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	9. Is the application submitted as a result of a Violation?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	10. Is the application submitted as a result of other laws or regulations or policies? Explain:
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	11. Does the application affect the surface landowner or change the post mining land use?
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	12. Does the application require or include underground design or mine sequence and timing?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	13. Does the application require or include collection and reporting of any baseline information?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	14. Could the application have any effect on wildlife or vegetation outside the current disturbed area?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	15. Does application require or include soil removal, storage or placement?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	16. Does the application require or include vegetation monitoring, removal or revegetation activities?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	17. Does the application require or include construction, modification, or removal of surface facilities?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	18. Does the application require or include water monitoring, sediment or drainage control measures?
<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	19. Does the application require or include certified designs, maps, or calculations?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	20. Does the application require or include subsidence control or monitoring?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	21. Have reclamation costs for bonding been provided for?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	22. Does application involve a perennial stream, a stream buffer zone or discharges to a stream?
<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	23. Does the application affect permits issued by other agencies or permits issued to other entities?

Attach 3 complete copies of the application.

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein. (R645-301-123)

*[Signature]*  
Signed - Name - Position - Date 1/9/08

Subscribed and sworn to before me this 9<sup>th</sup> day of January, 2009

*[Signature]*  
Notary Public  
My Commission Expires: April 06, 2009  
Attest: STATE OF Utah COUNTY OF Carbon



Notary Public  
LINDA KERNS  
345 N. 700 E.  
Price, UT 84501  
My Commission Expires  
April, 6, 2009  
State of Utah

Received by Oil, Gas & Mining

**RECEIVED**  
**MAY 14 2009**  
**DIV. OF OIL, GAS & MINING**

ASSIGNED TRACKING NUMBER

# Application for Permit Processing Detailed Schedule of Changes to the MRP

# COPY

Title of Application: **Change in Mining & Reclamation Plan showing underground mine plan for federal lease modification UTU-78562**

Permit Number: **C/007/041**

Mine: **WEST RIDGE MINE**

Permittee: **WEST RIDGE RESOURCES**

Provide a detailed listing of all changes to the mining and reclamation plan which will be required as a result of this proposed permit application. Individually list all maps and drawings which are to be added, replaced, or removed from the plan. Include changes of the table of contents, section of the plan, pages, or other information as needed to specifically locate, identify and revise the existing mining and reclamation plan. Include page, section and drawing numbers as part of the description.

			DESCRIPTION OF MAP, TEXT, OR MATERIALS TO BE CHANGED
<input type="checkbox"/> ADD	<input checked="" type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	Chapter 1 text: all
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input checked="" type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	Chapter 1: Appendix 1-4
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input checked="" type="checkbox"/> REMOVE	Chapter 1: Appendix 1-9
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input checked="" type="checkbox"/> REMOVE	Appendix 1-14
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input checked="" type="checkbox"/> REMOVE	Appendix 1-16
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	(these have been consolidated into
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	Appendix 1-4)
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input checked="" type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	Chapter 5: pgs 5-5 and 5-7
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input checked="" type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	Maps: 1-0, 1-1, 2-1, 3-1, 3-4A,
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	3-4B, 3-4C, 3-4D, 4-1,
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	4-2, 5-2, 5-3, 5-4A,
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	5-4B, 5-7, 6-1, 6-2, 6-3,
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	7-3, 7-5, 7-6
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input checked="" type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	Confidential binder
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	a) 2008 raptor survey
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	b) Class 1 cultural survey
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	
<input type="checkbox"/> ADD	<input type="checkbox"/> REPLACE	<input type="checkbox"/> REMOVE	

Any other specific or special instructions required for insertion of this proposal into the Mining and Reclamation Plan?

**RECEIVED**

**MAY 14 2009**

**DIV. OF OIL, GAS & MINING**



**TABLE OF CONTENTS- APPENDICES  
R645-301-100 CHAPTER 1**

<b>APPENDIX NUMBER</b>	<b>DESCRIPTION</b>
APPENDIX 1-1	Certifications, Verifications, Publications Attachment 1-1 Certificate of Liability Insurance Attachment 1-2 Newspaper Advertisement Attachment 1-3 Proof of Publication Attachment 1-4 Filing Fee Verification Attachment 1-5 Verification Statement
APPENDIX 1-2	Violation Information
APPENDIX 1-3	Reference List
APPENDIX 1-4	Proof of Lease Assignment
APPENDIX 1-4A	Federal Lease SL-068754, U-01215
APPENDIX 1-4B	Federal Lease UTU-78562
APPENDIX 1-4C	State Lease ML-47711
APPENDIX 1-4D	State Lease ML-49287
APPENDIX 1-4E	Penta Creek Fee Lease
APPENDIX 1-5	Current and Previous Coal Mining Permits
APPENDIX 1-6	Consultation and Coordination
APPENDIX 1-7	Ownership and Control
APPENDIX 1-8	Letter from Carbon County
APPENDIX 1-9	*****Deleted*****
APPENDIX 1-10	SITLA - Special Use Lease (Topsoil Borrow Area)
APPENDIX 1-11	Material Deposit Special Use Lease Agreement
APPENDIX 1-12	Waterline/Pump House Right of Way
APPENDIX 1-13	Correspondence Regarding Security Gate
APPENDIX 1-14	*****Moved*****
APPENDIX 1-15	Legal Description of Grassy Trail Reservoir

**TABLE OF CONTENTS- MAP LIST**  
**R645-301-100 CHAPTER 1**

<b>MAP NUMBER</b>	<b>DESCRIPTION</b>	<b>SCALE</b>
MAP 1-1	Location Map	1" = 4000'

## **R645-301-100 PERMIT APPLICATION REQUIREMENTS: GENERAL CONTENTS**

### **SCOPE**

The objective of this chapter is to set forth all relevant information concerning ownership and control of WEST RIDGE Resources, Inc., the ownership and control of the property to be affected by mining activities and all other information and documentation required under Part UMC.

### **R645-301-112 IDENTIFICATION OF INTERESTS**

112.100 WEST RIDGE Resources, Inc. is a corporation organized and existing under the laws of Utah and qualified to do business in Utah.

112.200 The applicant, WEST RIDGE Resources, Inc. will also be the operator.

WEST RIDGE Resources, Inc.  
P.O. Box 910  
East Carbon, Utah 84520  
(435) 888-4000  
Bruce Hill - President

Employer Identification Number: 87-0585129

112.220 The resident agent of the applicant, WEST RIDGE Resources, Inc., is:

Dave Shaver  
WEST RIDGE Resources, Inc.  
P.O. Box 910  
East Carbon, Utah 84520

(435) 888-4000

112.230 WEST RIDGE Resources, Inc. will pay the abandoned mine land reclamation fee.

112.300      **Ownership and Control - See Appendix 1-7**

WEST RIDGE Resources, Inc. is the permittee and operator of the WEST RIDGE Mine. WEST RIDGE Resources, Inc. is a wholly owned subsidiary of ANDALEX Resources, Inc.. WEST RIDGE Resources, Inc. is a Utah corporation licensed to do business in the State of Utah. WEST RIDGE Resources, Inc. is the operating agent for the WEST RIDGE PROJECT. ANDALEX Resources, Inc. and the Intermountain Power Agency (I.P.A.) are tenants in common (co-owners) of the WEST RIDGE PROJECT, each having an undivided 50% ownership interest in the PROJECT. ANDALEX Resources, Inc. is a Delaware corporation and Intermountain Power Agency is a political subdivision of the State of Utah. All leases associated with the WEST RIDGE Mine are owned jointly (undivided 50% ownership) by ANDALEX Resources, Inc. and Intermountain Power Agency. ANDALEX Resources, Inc. is a wholly owned subsidiary of UtahAmerican Energy Inc., which in turn is a wholly owned subsidiary of Murray Energy Corporation.

112.340      See Appendix 1-5

112.350      See Appendix 1-5

112.410      See Appendix 1-5

112.420      See Appendix 1-7

112.500      Surface Owners:

Bureau of Land Management  
Utah State Office  
136 East South Temple  
Salt Lake City, Utah 84111

Glen Wells  
700 West U.S. Hwy 6  
Price, Utah 84501

Penta Creek, LLC  
140 S. Newton  
Albert Lea, MN 56007

Dave Hinkins  
155 West 100 South  
Orangeville, Utah 84537

School and Institutional Trust  
Lands Administration  
355 West North Temple, Suite 400  
Salt Lake City, Utah 84180-1204

Matt Rauhala  
1236 East Main  
Price, Utah 84501

Subsurface Owners:

Bureau of Land Management  
Utah State Office  
136 East South Temple  
Salt Lake City, Utah 84111

Penta Creek, LLC  
140 S. Newton  
Albert Lea, MN 56007

School and Institutional Trust  
Lands Administration  
355 West North Temple, Suite 400  
Salt Lake City, Utah 84180-1204

WEST RIDGE Resources, Inc. is the holder of record for federal lease SL-068754 and UTU 78562 (see Table 1-1), state lease ML 47711 and ML 49287 (see Table 1-2A) and the Penta Creek Fee lease (see Table 1-2B).

Proof of lease assignment for all leases (Federal leases SL-068754 and UTU 78562, and State leases ML 47711 and ML 49287), and the Penta Creek fee lease can be found in Appendix 1-4.

112.600 Contiguous surface owners:

Bureau of Land Management  
Utah State Office  
136 East South Temple  
Salt Lake City, Utah 84111

Dave Hinkins  
155 West 100 South  
Orangeville, Utah 84537  
Glen Wells  
700 West U.S. Hwy 6  
Price, Utah 84501

Penta Creek, LLC  
140 S. Newton  
Albert Lea, MN 56007

School and Institutional Trust  
Lands Administration  
355 West North Temple, Suite 400  
Salt Lake City, Utah 84180-1204

Contiguous subsurface owners:

School and Institutional Trust  
Lands Administration  
355 West North Temple, Suite 400  
Salt Lake City, Utah 84180-1204

Penta Creek, LLC  
140 S. Newton  
Albert Lea, MN 56007

Dave Hinkins  
155 West 100 South  
Orangeville, Utah 84537

Bureau of Land Management  
Utah State Office  
136 East South Temple  
Salt Lake City, Utah 84111

- 112.700 See Appendix 1-5
- 112.800 There are no pending interests or bids existing on lands contiguous to the present leased area.
- 112.900 After WEST RIDGE Resources, Inc. is notified that the application is approved, but before the permit is issued, WEST RIDGE Resources, Inc. will update, correct or indicate that no change has occurred in the information previously submitted under R645-301-112.100 through R645-301-112.800.

**R645-301-113 VIOLATION INFORMATION**

- 113.100 The applicant or any subsidiary, affiliate or persons controlled by or under common control with the applicant has not had a federal or state permit to conduct coal mining and reclamation operations suspended or revoked in the five years preceding the date of submission of the application.
- 113.120 The applicant etc. has not forfeited any performance bond or similar security
- 113.200 Not applicable
- 113.300 A listing of violations received by the applicant in connection with any coal mining and reclamation operation during the three year period preceding the application date is provided in Appendix 1-2. MSHA numbers for the operations can be found in Appendix 1-5. There have been no unabated violations or cessation orders issued to any affiliated companies during the previous three years.
- 113.400 After WEST RIDGE Resources, Inc. is notified that the application is approved, but before the permit is issued, WEST RIDGE Resources, Inc. will update, correct or indicate that no change has occurred in the information previously submitted under R645-301-113.

**R645-301-114 RIGHT OF ENTRY INFORMATION**

- 114.100 WEST RIDGE Resources, Inc., currently holds 4,899.92 acres of federal coal (2,650.67 acres leased under SL-068754 and 2249.25 acres leased under UTU 78562) in the Book Cliffs coal field (refer to Maps 1-0 and 5-3). A complete legal description of all Federal leases held by WEST RIDGE is found in Table 1-1. WEST RIDGE currently holds 1682.34 acres of state coal (801.24 acres under ML 47711 and 881.10 under ML 49287). A complete legal description of all State leases held by WEST RIDGE is found in Table 1-2. WEST RIDGE also holds a 382.08 acre lease on contiguous private (fee) coal lands located along the eastern side of the mineable reserve. A complete legal description of this fee lease is found in Table 1-3. None of these leases are the subject of any pending litigation. Proof of lease assignment for all leases can be found in Appendix 1-4.

WEST RIDGE Resources, Inc. bases its legal right to enter and conduct mining activities in the permit area pursuant to the language contained in the Federal Coal Lease, Part I Lease Rights Granted which reads as follows:

*"That the lessor, in consideration of the rents and royalties to be paid and the covenants to be observed as hereinafter set forth, does hereby grant and lease to the*

*lessee the exclusive right and privilege to mine and dispose of all the coal in, upon, or under the following described tracts of land, situated in the State of Utah... together with the right to construct all such works, buildings, plants, structures and appliances as may be necessary and convenient for the mining and preparation of the coal for market, the manufacture of coke or other products of coal, the housing and welfare of employees, and subject to the conditions herein provided, to use so much of the surface as may reasonably be required in the exercise of the rights and privileges herein granted."*

In addition to the coal leases, WEST RIDGE also holds several surface use permits as part of the operation, including:

1) SITLA Special Use Lease Agreement No. 1163. The substitute topsoil borrow area, which is also included within the permit area, is located on lands administered by the Utah School and Institutional Trust Lands Administration (SITLA). This area is located within the SE1/4 of section 16, T 14 S, R 13 E. SITLA has issued a long term special use permit to WEST RIDGE Resources, Inc. which provides full assurance that the topsoil resource in this area will be available for (and, indeed dedicated to) final reclamation of the West Ridge minesite if needed. This area is not contiguous with the main coal leasehold. (See Appendix 1-10 for details)

2) BLM Right-of-Way UTU-77120 This right-of-way authorizes the installation and operation of a pumping station used to facilitate the delivery of culinary water to the West Ridge Mine. This area is not contiguous with the main coal leasehold. (See Appendix 1-12 for details)

The permit area consists of the following areas:

- 1) all of federal coal leases SL-068754-U-01215 (2,650.67 acres)
- 2) all of federal coal lease UTU 78562 (2,249.25 acres),
- 3) all of state coal leases ML-47711 (801.24 acres)
- 4) all of state coal lease ML-49287 (881.10 acres)
- 5) most of the Penta Creek fee coal lease (124.92 acres)
- 6) SITLA surface lease 1163, for topsoil borrow area (9.6 acres).
- 7) BLM right-of-way UTU-77120, for pumping station (0.23 acres)
- 8) Carbon County authorization, road security gate (0.79 acres). See Appendix 1-13.

The total permit area is 6,717.80 acres. Refer to Map 1-1 for the permit area location. Refer to Table 1-4 for the legal description of the permit area by composite leasehold, and Table 1-5 for the legal description of the permit area in total area. Table 1-6 describes the surface ownership of the permit area.

Disturbed area within the permit area (total of 30.39 acres) consists of the following;

- |    |                             |             |
|----|-----------------------------|-------------|
| 1) | Minesite surface facilities | 29.82 acres |
| 2) | Pumping station             | 0.23 acres  |
| 3) | GVH installation            | 0.24 acres  |
| 4) | GVH topsoil storage         | 0.1 acres   |

See Table 1-7 for complete legal description of disturbed areas.

114.200 Not applicable, the fee lease mineral estate is not severed from the surface estate.

**TABLE 1-1  
FEDERAL LEASE and R.O.W. PROPERTIES**

<u>PARCEL</u>	<u>ACREAGE</u>	<u>LEGAL DESCRIPTION</u>
<u>1) FEDERAL COAL LEASE SL-068754</u> (SL-068754-U-01215)	2,650.67	T 14 S, R 13 E  Section 10: NE, E2NW, N2SE, SESE Section 11: All Section 12: S2SW, NWSW Section 13: S2, NW, S2NE, NWNE Section 14: E2, N2NW, SENW Section 15: NENE Section 24: N2, N2SE, NESW
<u>2) FEDERAL COAL LEASE UTU-78562</u>	2,249.25	T 13 S, R 13 E  Section 34: NESE, S2SE Section 35: All  T 14 S, R 13 E  Section 1: All Section 12: Lots 1 thru 4, S2N2, NESW, SE Section 13: NENE  T 14 S, R 14 E  Section 6: Lot 6, NESW Section 7: Lots 3 and 4 Section 18: Lot 1, E2NW
<u>3) PUMPING STATION</u> (BLM R.O.W. UTU-7712)	0.23	T 14 S, R 13 E  Section 21: NENE (0.23 acres thereof, containing pumping station)
<b><u>TOTAL FEDERAL</u></b>	<b><u>4900.15</u></b>	



**TABLE 1-3  
FEE LEASE PROPERTIES  
(PENTA CREEK)**

<u>PARCEL</u>	<u>ACREAGE</u>	<u>LEGAL DESCRIPTION</u>
<u>1) PENTA CREEK FEE LEASE</u>	382.08	T 14 S, R 14 E  Section 6:      Lot 7,    SESW  Section 7*:     Lots 1 and 2,    NENW,    E2SW,    SWSE  Section 18:     Lots 2 and 3,    NWNE

\*Less and excepting from the portion of the above legal subdivisions in Section 7, those lands under and around Grassy Trail Dam and Reservoir owned by East Carbon City and Sunnyside City, such lands being more accurately described in Appendix 1-15.

<u><b>TOTAL FEE LEASES:</b></u>	<u><b>382.08</b></u>
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**TABLE 1-4  
LEGAL DESCRIPTION OF PERMIT AREA  
(BY LEASEHOLD)**

<u>PARCEL</u>	<u>ACREAGE</u>	<u>LEGAL DESCRIPTION</u>
<u>1) FEDERAL LEASE SL-068754</u> (SL-068754-U-01215)	2,650.67	T 14 S, R 13 E  Section 10: NE, E2NW, N2SE, SESE Section 11: All Section 12: S2SW, NWSW Section 13: S2, NW, S2NE, NWNE Section 14: E2, N2NW, SENW Section 15: NENE Section 24: N2, N2SE, NESW
<u>2) FEDERAL LEASE UTU-78562</u>	2249.25	T 13 S, R13 E  Section 34: NESE, S2SE Section 35: All  T 14 S, R 13 E  Section 1: All Section 12: Lots 1 thru 4, S2N2, NESW, SE Section 13: NENE  T 14 S, R 14 E  Section 6: Lot 6, NESW Section 7: Lots 3 and 4 Section 18: Lot 1, E2NW
<u>3) STATE LEASE ML 47711</u>	801.24	T 14 S, R 13 E  Section 2: Lots 1 thru 4, S2N2, S2  T 13 S, R 13 E  Section 36: SW

**TABLE 1-4 (continued)**

<u>4) STATE LEASE ML 49287</u>	881.10	T 14 S, R 13 E
		Section 3: Lots 1, 2 and 3, S2N2, S2
		Section 10: W2NW, SW, SWSE
<u>5) PENTA CREEK FEE LEASE</u>	124.92	T 14 S, R 14 E
		Section 7*: SESW, SWNESW
		Section 18: Lots 2 and 3
<u>6) PUMPING STATION</u> (BLM R.O.W. UTU-7712)	0.23	T 14 S, R 13 E
		Section 21 NESENE (0.23 acres thereof, containing pumping station)
<u>7) TOPSOIL SALVAGE AREA</u> (SITLA special use agreement #1163)	9.6	T 14 S, R 13 E
		Section 16: E2NESE (9.6 acres thereof, containing substitute topsoil area)
<u>8) SECURITY GATE</u> (Carbon County authorization)	0.79	T 14 S, R 13 E
		Section 15: NWSENE (0.79 acres thereof, containing security gate)
<b><u>TOTAL PERMIT AREA</u></b>	<b><u>6717.80</u></b>	

\*Less and excepting from the portion of the above legal subdivisions in Section 7, those lands under and around Grassy Trail Dam and Reservoir owned by East Carbon City and Sunnyside City, such lands being more accurately described in Appendix 1-15.

**TABLE 1-5  
LEGAL DESCRIPTION OF PERMIT AREA  
(TOTAL AREA)**

T13S, R13E	Section 34	NESE, S2SE
	Section 35	All
	Section 36	SW
T14S, R13E	Section 1	All
	Section 2	All
	Section 3	Lots 1, 2 and 3, S2N2, S2
	Section 10	All
	Section 11	All
	Section 12	All
	Section 13	All
	Section 14	E2, N2NW, SENW
	Section 15	NENE, NWSENE (part thereof, containing security gate)
	Section 16	E2NESE (part thereof, containing substitute topsoil area)
	Section 21	NESENE (part thereof, containing pumping station)
	Section 24	N2, N2SE, NESW
T14S, R14E	Section 6	Lot 6, NESW
	Section 7	Lots 3 and 4, SESW, SWNESW
	Section 18	Lots 1, 2 and 3, E2NW

**TOTAL PERMIT AREA = 6717.80 acres.**

**TABLE 1-6  
SURFACE OWNERSHIP OF PERMIT AREA**

T(S)/R(E)	Section	BLM	Penta Creek	Hinkins	Wells	Rauhala	SITLA	Total
13/13	34				120			120
13/13	35	40	-	448.91	151.09	-	-	640
13/13	36	-	160	-	-	-	-	160
14/13	1	283.75	328.68	-	-	39.92	-	652.35
14/13	2	-	641.24	-	-	-	-	641.24
14/13	3	-	-	-	80.66	-	520.44	601.10
14/13	10	360	-	-	-	-	280	640
14/13	11	650.87	-	-	-	-	-	650.87
14/13	12	-	648.96	-	-	-	-	648.96
14/13	13	640	-	-	-	-	-	640
14/13	14	440	-	-	-	-	-	440
14/13	15	40.79	-	-	-	-	-	40.79
14/13	16	-	-	-	-	-	9.6	9.6
14/13	21	0.23	-	-	-	-	-	0.23
14/13	24	440	-	-	-	-	-	440
14/14	6	76.41	-	-	-	-	-	76.41
14/14	7	74.08	50.00	-	-	-	-	124.08
14/14	18	117.25	74.92	-	-	-	-	192.17
		3163.38	1903.80	448.91	351.75	39.92	810.04	6717.80

**TABLE 1-7  
DISTURBED AREA WITHIN PERMIT AREA**

1) Minesite surface facilities: portions of the following, totaling 29.82 acres (all BLM)

T14S, R13E	Section 10	SESESE NESESE
------------	------------	------------------

T14S, R13E	Section 11	SWNESW NWSESW NESWSW NWSWSW SWSWSW SESWSW
------------	------------	--

T14S, R13E	Section 15	NENENE NWNENE SWNENE SENENE NWSENE
------------	------------	--

2) Pumphouse: portion thereof of the following, containing 0.23 acres (all BLM)

T14S, R13E	Section 21	NESENE
------------	------------	--------

3) Gob gas vent hole (GVH) installation: portion thereof of the following, containing 0.24 acres (all SITLA)

T14S, R13E	Section 3	NESWSE
------------	-----------	--------

3) Gob gas vent hole (GVH) topsoil pile: portion thereof of the following, containing 0.1 acres (all SITLA)

T14S, R13E	Section 10	SENWNW
------------	------------	--------

**TOTAL DISTURBED AREA = 30.39 acres**

**R645-301-115 STATUS OF UNSUITABILITY CLAIMS**

115.100 The proposed permit area is not within an area designated as unsuitable for mining. WEST RIDGE Resources, Inc. is not aware of any petitions currently in progress to designate the area as unsuitable for coal mining and reclamation activities.

The area in which the proposed facility will be located has been evaluated within area management plans. It has not been found unsuitable for mining activities under any categories of examination.

115.200 Not applicable.

115.300 WEST RIDGE Resources, Inc. will not be conducting mining operations within 100 feet of an occupied dwelling. WEST RIDGE Resources, Inc. has received permission from Carbon County to construct facilities and operate coal mining activities within 100 feet of a public road. Refer to the letter from Carbon County in Appendix 1-8.

**R645-301-116 PERMIT TERM**

116.100 The anticipated starting and termination dates of the coal mining and reclamation operation are as follows:

	<u>Begin</u>	<u>Complete</u>
Construction of Mining Pad, Mining Support Structures, and Portals	Apr. 1999	Dec. 1999
Begin Mining	Jan. 2000	
Terminate Mining		Dec. 2017*
Remove Facilities	Jan. 2018*	June 2018*
Regrade Area	July 2018*	Sept. 2018*
Revegetate Site	Oct. 2018*	Nov. 2018*

\*This assumes mine life extended through acquisition of adjacent state and federal coal reserves.

116.200 The initial permit application will be for a five year term with successive five year permit renewals.

**R645-301-117            INSURANCE, PROOF OF PUBLICATION AND FACILITIES OR STRUCTURES USED IN COMMON**

- 117.100        The Certificate of Liability Insurance is included as Attachment 1-1 in Appendix 1-1.
- 117.200        A copy of the newspaper advertisement of the application for a permit and proof of publication are included as Attachment 1-2 and 1-3 respectively, in Appendix 1-1. A copy of the newspaper advertisement for the Whitmore lease revision is included as Attachment 1-3 in Appendix 1-1.
- 117.300        Not applicable.

**R645-301-118            FILING FEE**

Verification of filing fee payment is included as Attachment 1-4 in Appendix 1-1.

**R645-301-123            NOTARIZED STATEMENT**

A notarized statement attesting to the accuracy of the information submitted can be referenced as Attachment 1-5 in Appendix 1-1.

**R645-301-130            REPORTING OF TECHNICAL DATA**

Technical reports prepared by consultants specifically for WEST RIDGE Resources, Inc. are typically presented in an appendix format and, in general, provide the name and address of the person or company (consultant) preparing the report, the name of the report, the date of collection and analysis of the data, and descriptions of the methodology used to collect and analyze the data. The body of the report usually will provide the date the actual field work was conducted and a description of the methodology used to collect and analyze the data. The format of each report may vary depending on the contents of the report and organization preparing it.

For laboratory analyses, such as Appendix 7-2 and 7-3, the company performing the analyses as well as the date of the analyses, is presented on the laboratory report rather than the cover page.

A list of consultants and their appended reports is contained in Appendix 1-6, Consultation and Coordination. Sources used in the preparation of the permit application are referenced in Appendix 1-3. References in all chapters are keyed to this main reference list.

Mining and exploration activities had been conducted in the currently proposed disturbed area prior to August 3, 1977. A road existed into C Canyon in 1952 when drill hole B-6 was drilled in the right fork. A road was also constructed up the left fork of C Canyon to a drill hole site during the same year. In addition to the drill holes, the coal outcrop in the left fork of C Canyon was exposed for sampling purposes. A small pad was built at the outcrop location and it was left in place as were the roads.

In 1986, another drill hole, 86-2, was drilled west of the first drill hole in the right fork. A minor amount of road work was done in conjunction with this second drill hole. Kaiser Coal Company obtained permission from the BLM to grade the existing road and make it passable for the drill rig. The drill hole site was reclaimed but the road, a public road, was left in place.

Through use of aerial photography and site evaluations, it is possible to document previous mining related disturbances in C Canyon. Refer to Map 5-1 for delineation of the disturbance prior to August 3, 1977.

The total of all the previously disturbed areas within the minesite disturbed area is estimated to be as follows:

roads in right and left forks	=	1.27 acres
road culvert	=	.05 acres
water monitoring well	=	.05 acres
material storage pad	=	.05 acres
		<hr/>
		1.62 acres

WEST RIDGE Resources, Inc. is proposing to utilize the entire previously disturbed area in their current proposal and to reclaim it upon cessation of mining operations.

In the 1950's a road was constructed in the Right Fork of Bear Canyon to access an exploratory drillhole site. This road now provides access to the site of the Bear Canyon GVH installation. (Refer to Appendix 5-14 for a detailed description of the Bear Canyon GVH facility)

**ATTACHMENT 1-5  
VERIFICATION STATEMENT**

I hereby certify that I am a responsible official (Resident Agent) of the applicant (ANDALEX and IPA for WEST RIDGE Resources, Inc.) and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein

\_\_\_\_\_  
David Shaver, Resident Agent

**Signed - Name - Position - Date**

Subscribed and sworn to before me this\_\_ day of\_\_\_\_\_, 20\_\_

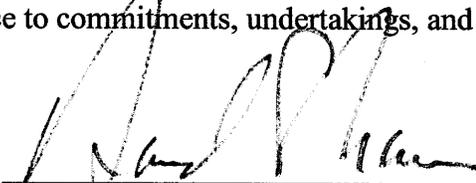
\_\_\_\_\_  
**Notary Public**

My commission Expires: \_\_\_\_\_, 20\_\_ )

Attest: STATE OF \_\_\_\_\_ ) ss:  
COUNTY OF \_\_\_\_\_ )

**ATTACHMENT 1-5  
VERIFICATION STATEMENT**

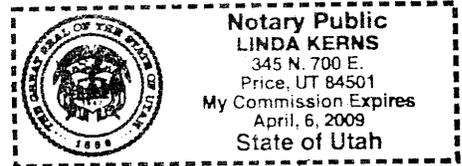
I hereby certify that I am a responsible official (Resident Agent) of the applicant (ANDALEX and IPA for WEST RIDGE Resources, Inc.) and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein

  
\_\_\_\_\_  
David Shaver, Resident Agent

Signed - Name - Position - Date

Subscribed and sworn to before me this 8<sup>th</sup> day of January, 2009

  
\_\_\_\_\_  
Notary Public



My commission Expires: April 06, 2009 )

Attest: STATE OF Utah ) ss:  
COUNTY OF Carbon )

APPENDIX 1-4A

LEASE ASSIGNMENT

FEDERAL COAL LEASE

SL-068754

**UNITED STATES  
DEPARTMENT OF THE INTERIOR**

**Serial Number SL-068754-U-01215**

**BUREAU OF LAND MANAGEMENT**

**Lease Date June 1, 1951**

**COAL LEASE READJUSTMENT**

**Part I. LEASE RIGHTS GRANTED**

This lease, entered into by and between the United States of America, hereinafter called the lessor, through the Bureau of Land Management, and

ANDALEX Resources, Inc. (50%)  
45 West 10000 South, Suite 401  
Sandy, UT 84070

Intermountain Power Agency (50%)  
480 East 6400 South, Suite 200  
Murray, UT 84107

hereinafter called lessee, is readjusted, effective June 1, 2001, for a period of 10 years and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of each 10 year lease period.

**Sec. 1.** This lease readjustment is subject to the terms and provisions of the:

Mineral Lands Leasing Act of 1920, Act of February 25, 1920, as amended, 41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;

Mineral Leasing Act for Acquired Lands, Act of August 7, 1947, 61 Stat. 913, 30 U.S.C. 351-359;

and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

**Sec. 2.** Lessor, in consideration of any rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants to lessee the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the following described lands: T. 14 S., R. 13 E., SLM, UT

- Sec. 10, NE, E2NW, N2SE, SESE;
- Sec. 11, all;
- Sec. 12, S2SW, NWSW;
- Sec. 13, S2, NW, S2NE, NWNE;
- Sec. 14, E2, N2NW, SENW;
- Sec. 15, NENE;
- Sec. 24, N2, N2SE, NESW.

containing 2,650.67 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

## PART II. TERMS AND CONDITIONS

**Sec. 1. (a) RENTAL RATE.** Lessee shall pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of \$3.00 for each lease year.

**(b) RENTAL CREDITS.** Rental shall not be credited against either production or advance royalties for any year.

**Sec. 2.(a) PRODUCTION ROYALTIES.** The royalty shall be 12½ percent of the value of coal produced by strip or auger mining methods and 8 percent of the value of coal produced by underground mining methods. Royalties are due to lessor the final day of the months succeeding the calendar month in which the royalty obligation accrues.

**(b) ADVANCE ROYALTIES.** Upon request by the lessee, the authorized officer may accept for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the lessee requests approval to pay advance royalties in lieu of continued operation.

**Sec. 3. BONDS.** Lessee shall maintain in the proper office a lease bond in the amount of \$212,000. The authorized officer may require an adjustment in the amount of the bond to reflect changed conditions.

**Sec. 4. DILIGENCE.** This lease is subject to the conditions of diligent development and continued operation, except that these conditions are excused when operations under the lease are interrupted by strikes, the elements, or

casualties not attributable to the lessee. The lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessee's failure to produce coal in commercial quantities at the end of 10 years shall terminate the lease. If not submitted already, lessee shall submit an operation and reclamation plan pursuant to Section 7 of the Act not later than 3 years after the effective date of this lease readjustment.

The lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, *inter alia*, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

**Sec. 5. LOGICAL MINING UNIT (LMU).** Either upon approval by the lessor of the lessee's application or at the direction of the lessor, this lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

**Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION.** At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all times for the inspection of any duly authorized officer of lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow lessor access to and copying of documents reasonably necessary to verify lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

**Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS.** Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation to any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall

take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits, not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

**Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY.**

Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor.

Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

### Sec. 9(a) TRANSFERS

This lease may be transferred in whole or in part to any person, association, or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) **RELINQUISHMENT.** The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

**Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC.** At such time as all portions of this lease are returned to lessor, lessee shall deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or

abandonment. Within 180 days thereof, lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the lessor, but lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor. If the surface is owned by third parties, lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities incidental thereto, and reclaim access roads or trails.

**Sec. 11. PROCEEDINGS IN CASE OF DEFAULT.** If lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

**Sec. 12. HEIRS AND SUCCESSORS - IN-INTEREST.** Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

**Sec. 13. INDEMNIFICATION.** Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease.

**Sec. 14. SPECIAL STATUTES.** This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

**Sec. 15. SPECIAL STIPULATIONS.**

**SEE ATTACHED STIPULATIONS**

## BLM STIPULATIONS

The following stipulations made part of this lease may be waived or amended with the mutual consent of the Lessor and Lessee.

1. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable, a Utah program equivalent approved under cooperative agreement in accordance with Sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. The permitting of any mining operations on the lease will be subject to the possible designation of any portion of the lease as unsuitable for some or all kinds of surface mining under the regulations of the Department under the Surface Mining Control and Reclamation Act of 1977 (SMCRA) in effect at the time of action on the mine plan permit.

3. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a cultural resource inventory of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural resources.

If significant cultural resources are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the authorized officer (AO) who shall evaluate or have evaluated such discoveries and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by qualified paleontologists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the AO who shall evaluate or have evaluated such discoveries brought to his attention and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. If there is reason to believe that threatened or endangered (T&E) species of plants or animals, or migratory species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. A listing of migratory birds of high Federal interest in Federal coal producing regions is published by the Fish and Wildlife Service, Migratory Bird Management Office, Washington, D.C. The inventory shall be conducted by qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

6. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data is adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation, and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

7. Powerlines on the lease area used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

8. The Lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

9. The Lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data.

10. Except at specifically approved locations, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: 1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, 2) cause damage to existing surface structures, or 3) damage or alter the flow of perennial streams.

11. In order to avoid surface disturbance on steep canyon slopes and to satisfy the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

12. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to a premining land use.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, Lessor reserves the right to seek damages against the operator/lessee in the event (i) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or unrecovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 as approved will not attain MER as the result of changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left unmined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unminable or at such time that the Lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the Lessor that payment is due under this stipulation is appealable as allowed by law.

14. WASTE CERTIFICATION: The Lessee must provide upon abandonment, transfer of operation, assignment of rights, sealing-off a mined area and prior to lease relinquishment, certification to the Lessor that, based upon a complete search of all the records for the lease and its associated mine operation(s), and upon Lessee's and the operator's knowledge of past mining operations associated with the lease, there have been no reportable quantities of hazardous substances per 40 CFR 302.4 or used oil [as per *Utah State Administrative Code R-315-15*], discharged, deposited, or released within the lease, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to any such substances. Lessee must additionally provide to Lessor a complete list of all hazardous substances and hazardous materials and their Chemical Abstract Services Registry Numbers, and the oil and petroleum products used or stored on, or delivered to, the lease. Such disclosure will be in addition to any other disclosure required by law or agreement.

15. UNDERGROUND INSPECTION: All safe and accessible areas shall be inspected prior to being sealed. The Lessee shall notify the AO in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the Lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground. The AO may participate in this inspection. The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and Utah State Management Code R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the Lessee's expense and shall be submitted to the AO as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the AO has granted a written approval. Any on-lease disposal of non-coal waste must comply with 30 CFR § 817.89.

**EXHIBIT 1**

**ASSIGNMENT AND ASSUMPTION OF FEDERAL COAL LEASE**

Serial No. SL-068754  
(Utah-01215)

**This Assignment and Assumption of Federal Coal Lease**  
("Assignment") is from THE STANDARD OIL COMPANY, an Ohio corporation  
("Assignor") with an address at 200 Public Square, Cleveland, Ohio 44114, to  
AMCA Coal Leasing, Inc., a Delaware corporation ("Assignee") with an address  
at 9300 Shelbyville Road, Suite 1200, Louisville, Kentucky 40222.

For Ten Dollars (\$10.00) and other good and valuable consideration,  
the receipt and sufficiency of which are hereby acknowledged by Assignor,  
Assignor hereby transfers and assigns to Assignee the entire interest in and to the  
leasehold estate created by that certain Mining Lease of Coal Lands dated June 1,  
1951, recorded in Book 15E at page 196 of the real property records of Carbon  
County, Utah, serial No. SL-068754 (Utah-01215) (consolidated) ("Lease") from  
United States of America, as Lessor, to United States Steel Corporation, as Lessee,  
insofar as said lease covers 2,570.67 acres of land, more or less, described as  
follows:

**Township 14 South, Range 13 East, Salt Lake Meridian**

Section 10: NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$   
Section 11: All  
Section 12: S $\frac{1}{2}$ SW $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 13: W $\frac{1}{2}$ , SE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$   
Section 14: E $\frac{1}{2}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$   
Section 24: N $\frac{1}{2}$ SE $\frac{1}{4}$ , N $\frac{1}{2}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ ;

which lease is herein referred to as the Subject Lease.

**The Assignment is made subject to all existing lease burdens, obligations and Lessor's royalties and to those matters set forth in the Lease attached hereto and made a part hereof.**

**No overriding royalties or production payments are reserved in this Assignment.**

**Assignee hereby accepts such Assignment and assumes all rights, obligations, benefits and liabilities of Assignor and agrees to defend, indemnify and hold harmless Assignor from and against any and all claims, demands, losses, costs, causes of action, judgements and expenses (including, without limitation, attorney's fees of any kind whatsoever) which may arise in connection with this Assignment.**

**This Assignment is subject to the laws of general applicability respecting ownership of federal coal leases. Further, this Assignment is made subject to approval by the United States Department of the Interior, Bureau of Land Management ("BLM"). The parties hereto recognize that it shall be Assignee's responsibility to obtain the approval of the Assignment of the Lease by BLM. Assignor agrees to cooperate with Assignee in such endeavor.**

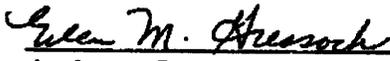
**This Assignment shall be binding on the parties hereto and their successors and assigns.**

**DATED this 27<sup>TH</sup> day of March, 1997.**

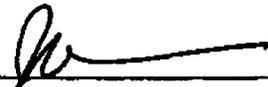
THE STANDARD OIL COMPANY

By   
Attorney-in-Fact

ATTEST:

  
Assistant Secretary

AMCA COAL LEASING, INC.

By:   
Vice President

ATTEST:

  
Secretary

conr1286.exh

APPENDIX 1-4B

LEASE ASSIGNMENT

FEDERAL COAL LEASE

UTU-78562



# United States Department of the Interior



## BUREAU OF LAND MANAGEMENT

Utah State Office

P.O. Box 45155

Salt Lake City, UT 84145-0155

<http://www.blm.gov>

IN REPLY REFER TO:

3432

UTU-78562

(UT-923)

APR 06 2009

CERTIFIED MAIL- Return Receipt Requested

### DECISION

Intermountain Power Agency (50%)	:	
10653 South River Front Parkway, Suite 120	:	Coal Lease
South Jordan, UT 84095	:	UTU-78562
	:	
ANDALEX Resources, Inc. (50%)	:	
P. O. Box 902	:	
Price, UT 84501	:	

Coal Lease UTU-78562 Modified

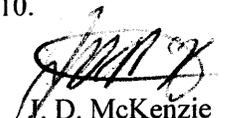
Bond Accepted

Enclosed is a copy of modified coal lease UTU-78562 effective on March 25, 2009. The terms and conditions of the original lease are made consistent with the laws, regulations, and lease terms applicable at the time of this modification. The anniversary date of the coal lease remains February 1, 2002.

On March 12, 2009, a personal bond and power of attorney, bond form 3504-1, was completed, signed and filed by Intermountain Power Agency for a \$900,000 treasury note in lieu of surety bond to cover coal lease UTU-78562 and the modified acreage. Intermountain Power Agency filed a \$900,000 U. S. Treasury Note with the Bureau of Land Management's National Business Center on March 23, 2009 for coal lease UTU-78562.

These documents have been reviewed and found to be satisfactory. Therefore, the subject \$900,000 personal lease bond is accepted effective March 23, 2009 the date of completing the filing.

Please note that rental in the amount of \$3.00 per acre, or fraction thereof, or a total of \$6,750.00, is due on the next anniversary date, beginning February 1, 2010.

  
 J. D. McKenzie  
 Chief, Branch of  
 Solid Minerals

Enclosures:

Modified Coal Lease (8 pp.)

cc: Price Coal Office

Ms. John Baza, Director, Utah Division of Oil, Gas and Mining, P.O. Box 145801,

Salt Lake City, Utah 84114-5801

MMS, Solid Minerals Staff, MS 390B2, Box 25165, Denver, CO 80225

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Serial No. UTU-78562

**MODIFIED COAL LEASE**

Date of Lease February 1, 2002

**PART I.**

**THIS MODIFIED COAL LEASE** is entered into on \_\_\_\_\_, by and between the **UNITED STATES OF AMERICA**, hereinafter called the Lessor, through the Bureau of Land Management, and **ANDALEX Resources, Inc.** (50%)  
P. O. Box 902  
Price, Utah 84501  
Intermountain Power Agency (50%)  
10653 South River Front Parkway, Suite 120  
South Jordan, UT 84095

hereinafter called Lessees.

This modified lease shall retain the effective date of February 1, 2002, of the original **COAL LEASE UTU-78562**, and is effective for a period of 20 years therefrom, and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year (February 1, 2022), and each 10-year period thereafter.

**Sec. 1.** This lease is issued pursuant and subject to the terms and provisions of the: (NOTE: Check the appropriate Act or Acts.)

XX Mineral Lands Leasing Act of 1920, as amended, 41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;

   Mineral Leasing Act for Acquired Lands of 1947, 61 Stat. 913, 30 U.S.C. 351-359;

and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

**Sec. 2.** Lessees as the holders of Coal Lease UTU-78562, issued effective February 1, 2002, was granted the exclusive right and privilege to drill for, mine, extract, remove or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 1.

The Lessor in consideration of fair market value, rents and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to Lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the lands described below as Tract 2.

Tract 1:

T. 13 S., R. 13 E., SLM, Utah  
Sec. 35, S $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ ;

T. 14 S., R. 13 E., SLM, Utah  
Sec. 1, lots 2-7, SW $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ ,  
W $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ ,  
Sec. 12, lots 1-4, S $\frac{1}{2}$ N $\frac{1}{2}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ ;  
Sec. 13, NE $\frac{1}{4}$ NE $\frac{1}{4}$ ;

T. 14 S., R. 14 E., SLM, Utah  
Sec. 6, lot 6;  
Sec. 7, lots 3 and 4;  
Sec. 18, lot 1, E $\frac{1}{2}$ NW $\frac{1}{4}$ .

Tract 2:

T. 13 S., R. 13 E., SLM, Utah  
Sec. 34, NE $\frac{1}{4}$ SE $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$ ;  
Sec. 35, N $\frac{1}{2}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ ;

T. 14 S., R. 13 E., SLM, Utah  
Sec. 1, lot 1;

T. 14 S., R. 14 E., SLM, Utah  
Sec. 6, NE $\frac{1}{4}$ SW $\frac{1}{4}$ .

containing 2,249.25 acres, more or less,

together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

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## Part II. TERMS AND CONDITIONS

**Sec. 1.(a) RENTAL RATE** - Lessee shall pay Lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of \$3.00 per acre for each lease year.

**(b) RENTAL CREDITS** - Rental shall not be credited against either production or advance royalties for any year.

**Sec. 2.(a) PRODUCTION ROYALTIES** - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to Lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

**(b) ADVANCE ROYALTIES** - Upon request by the Lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the Lessee requests approval to pay advance royalties in lieu of continued operation.

**Sec. 3. BONDS** - Lessee shall maintain in the proper office a lease bond in the amount of \$905,000.00 . The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

**Sec. 4. DILIGENCE** - This lease is subject to the conditions of diligent development and continued operation. Continued operation may be excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the Lessee. The Lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessees' failure to produce coal in commercial quantities at the end of ten years from the original date of this lease shall terminate the lease.

The Lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

**Sec. 5. LOGICAL MINING UNIT (LMU)** - The lands contained in the original lease have been included in

the LMU application UTU- 86007 filed February 1, 2008 . Within 30 days after the effective date of this lease modification, the Lessee shall amend its application for the Westridge Logical Mining Unit to include the 602.91 acres added to Coal Lease UTU- 78562 by this modification. The modified land shall be segregated into another Federal coal lease should the Lessee fail to file such an amendment.

The stipulations established in an LMU approval in effect at the time of LMU approval or modification will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

**Sec. 6. DOCUMENTS, EVIDENCE AND INSPECTION** - At such times and in such form as Lessor may prescribe, Lessee shall furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of Lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow Lessor access to and copying of documents reasonably necessary to verify Lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Action (5 U.S.C. 552).

**Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS** - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by Lessor to accomplish the intent of this lease term. Such measures may include, but not limited to, modification to proposed siting or design of facilities, timing of operations, and specifications of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of Lessee as may be consistent with concepts of multiple use and multiple mineral development.

**Sec. 8 PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY** - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither Lessee nor Lessee's subcontractors shall maintain segregated facilities.

**Sec. 9.(a) TRANSFERS**

(Check the appropriate space)

This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body, or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) **RELINQUISHMENTS** - The Lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon Lessor's acceptance of the relinquishment, Lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

**Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC.** - At such times as all portions of this lease are returned to Lessor, Lessee shall deliver up to Lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, Lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the Lessor, but Lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the Lessor. If the surface is owned by third parties, Lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by Lessee's activity or activities incidental thereto, and reclaim access roads or trail.

**Sec. 11. PROCEEDINGS IN CASE OF DEFAULT -**

If Lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation by the Lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by Lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

**Sec. 12. HEIRS AND SUCCESSORS - IN-**

**INTEREST** - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

**Sec. 13. INDEMNIFICATION -**

Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the Lessee's activities and operations under this lease.

**Sec. 14. SPECIAL STATUTES -**

This lease is subject to the Federal Water Pollution Control Act (33 U.S.C. 1151 - 1175); the Clean Air Act (42 U.S.C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.)

**Sec. 15. SPECIAL STIPULATIONS -**

**SEE ATTACHED STIPULATIONS**

\_\_\_\_\_  
Company or Lessee Name

\_\_\_\_\_  
(Signature of Lessee)

P. Bruce Hill  
\_\_\_\_\_  
(Title)

President & CEO  
\_\_\_\_\_  
(Date)  
2/24/09

\_\_\_\_\_  
The United States of America

BY [Signature]  
\_\_\_\_\_

Jefferson David McKennis  
\_\_\_\_\_  
(Signing Officer)

Acting Branch Chief - Solid M.  
\_\_\_\_\_  
(Title)

6 April 2009  
\_\_\_\_\_  
(Date)

\_\_\_\_\_  
Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.  
\_\_\_\_\_

**SPECIAL STIPULATIONS FOR UTU-78562  
MODIFIED COAL LEASE**

1. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable the Utah program approved under the cooperative agreement in accordance with sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a cultural resource inventory and a paleontological appraisal of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists or qualified paleontologists, as appropriate, and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural or paleontological resources.

If cultural resources or paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee prior to disturbance shall, immediately bring them to the attention of the Authorized Officer. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

3. If there is reason to believe that Threatened or Endangered (T&E) species of plants or animals, or migratory bird species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. The inventory shall be conducted by a qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out mitigating measures shall be borne by the lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by a qualified paleontologist and a report prepared itemizing the findings.

A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the authorized officer who shall evaluate, or have evaluated such discoveries and, within 5 working days, shall notify the lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracts commonly encountered during underground mining.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measure shall be borne by the lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data are adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the interrelationship of the geology, topography, surface and ground water hydrology, vegetation and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

6. Powerlines used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

7. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal-handling and storage

facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

8. The lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data. The monitoring system shall be adequate to locate and quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation and wildlife.

9. Except at locations specifically approved by the Authorized Officer with concurrence of the surface management agency, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: (1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, (2) cause damage to existing surface structures, and (3) damage or alter the flow of perennial streams. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.

10. In order to avoid surface disturbance on steep canyon slopes and to preclude the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

11. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas previously occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to an authorized post mining land use.

12. The Lessee at the conclusion of the mining operation, or at other times as surface disturbance related to mining may occur, will replace all damaged, disturbed, or displaced corner monuments (section corners, quarter corners, etc.) their accessories and appendages (witness trees, bearing trees, etc.), or restore them to their original condition and location, or at other locations that meet the requirements of the rectangular surveying system. This work shall be conducted at the expense of the Lessee, by BLM to the standards and guidelines found in the Manual of Surveying Instructions, U.S. Department of Interior.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, lessor reserves the right to seek damages against the operator/lessee in the event (I) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or un-recovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 modification will not attain MER resulting from changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a new R2P2 modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left un-mined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such un-mined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered un-minable or at such time that the lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the lessor that payment is due under this stipulation is appealable as allowed by law.

14. **WASTE CERTIFICATION:** The lessee shall provide upon abandonment and/or sealing off a mined area and prior to lease termination/relinquishment, certification to the lessor that, based upon a complete search of all the operator's records for the mine and upon their knowledge of past operations, there has been no **hazardous substances** per (40 CFR 302.4) or **used oil** as per Utah State Management Rule R-315-15, deposited within the lease, either on the surface or underground, or that all remedial action necessary has been taken to protect human health and the environment with respect to any such substances remaining on the property. The back-up documentation to be provided shall be described by the lessor prior to the first certification and shall include all documentation applicable to the Emergency Planning and Community Right-to-know Act (EPCRA, Public Law 99-499), Title III of the Superfund Amendments and Reauthorization Act of 1986 or equivalent.

15. **ABANDONMENT OF EQUIPMENT:** The lessee/operator is responsible for compliance with reporting regarding toxic and hazardous material and substances under Federal Law and all associated amendments and regulations for the handling such materials on the land surface and in underground mine workings.

The lessee/operator must remove mine equipment and materials not needed for continued operations, roof support and mine safety from underground workings prior to abandonment of mine sections. Exceptions can be approved by the Authorized Officer (BLM) in consultation with the surface management agency. Creation of a situation that would prevent removal of such material and by retreat or abandonment of mine sections without prior authorization would be considered noncompliance with lease terms and conditions and subject to appropriate penalties under the lease.

16. **UNDERGROUND INSPECTION:** All safe and accessible areas shall be inspected prior to being sealed. The lessee shall notify the Authorized Officer in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground.

The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and State Management Rule R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the lessee's expense and shall be submitted to the Authorized Officer as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the Authorized Officer has granted a written approval.

17. **GOB VENT BOREHOLES.** The Lessee shall submit a gob vent borehole plan for approval by the AO as part of an R2P2 for all gob vent boreholes. The plugging portion of the plan must meet 43 CFR 3484.1(a)(3) as a minimum. If variations to the approved plugging procedures are necessary, they shall also be approved by the AO in writing prior to implementation of the procedures.

18. **FAIR MARKET VALUE BONUS:** Due to the uncertainty of the amount of recoverable coal reserves in this modification, the lessee will pay the fair market value (FMV) bonus payment for the coal resources mined in the area of Federal coal lease modification (U78562) at the rate of \$0.35 per ton for the actual tonnage mined, adjusted annually using the U. S. Bureau of Labor Statistics CPI West Urban Energy Index; or if that index is not available an index that is mutually agreed to by the lessee and the authorized officer will be used. Payment of FMV at the specified rate and tonnage mined will be on the schedule required for payment of production royalties to the Minerals Management Service (MMS). The lessee will clearly indicate which portion of the payment is for royalty and what is for the lease bonus payment.

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Serial Number

UTU-78562

COAL LEASE

PART I. LEASE RIGHTS GRANTED

This lease, entered into by and between the UNITED STATES OF AMERICA, hereinafter called lessor, through the Bureau of Land Management, and (Name and Address)

ANDALEX Resources, Inc. (50%)  
45 West 10000 South, Suite 401  
Sandy, Utah 84107

Intermountain Power Agency (50%)  
480 East 6400 South, Suite 200  
Murray, Utah 84107

Hereinafter called lessee, is effective <sup>FEB 1 2002</sup> for a period of 20 years and for so long thereafter as coal is produced in commercial quantities from the leased lands, subject to readjustment of lease terms at the end of the 20th lease year and each 10-year period thereafter.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the:

Mineral Lands Leasing Act of 1920, Act of February 25, 1920, as amended, 41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;

Mineral Leasing Act for Acquired Lands, Act of August 7, 1947, 61 Stat. 913, 30 U.S.C. 351-359;

and to the regulations and formal orders of the Secretary of the Interior which are now or hereafter in force, when not inconsistent with the express and specific provisions herein.

Sec. 2. Lessor, in consideration of any bonuses, rents, and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to lessee the exclusive right and privilege to drill for, mine, extract, remove, or otherwise process and dispose of the coal deposits in, upon, or under the following described lands:

T. 13 S., R. 13 E., SLM, UT  
Sec. 35, S2SW, SE.

T. 14 S., R. 13 E., SLM, UT  
Sec. 1, lots 2-7, SWNE, S2NW, SW, W2SE;  
Sec. 12, lots 1-4, S2N2, NESW, SE;  
Sec. 13, NENE.

T. 14 S., R. 14 E., SLM, UT  
Sec. 6, lot 6;  
Sec. 7, lots 3 and 4;  
Sec. 18, lot 1, E2NW.

containing 1,646.34 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

PART II TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE - Lessee shall pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate of \$ 3.00 for each lease year.

(b) RENTAL CREDITS - Rental shall not be credited against either production or advance royalties for any year.

Sec. 2. (a) PRODUCTION ROYALTIES - The royalty shall be 8 percent of the value of the coal as set forth in the regulations. Royalties are due to lessor the final day of the month succeeding the calendar month in which the royalty obligation accrues.

(b) ADVANCE ROYALTIES - Upon request by the lessee, the authorized officer may accept, for a total of not more than 10 years, the payment of advance royalties in lieu of continued operation, consistent with the regulations. The advance royalty shall be based on a percent of the value of a minimum number of tons determined in the manner established by the advance royalty regulations in effect at the time the lessee requests approval to pay advance royalties in lieu of continued operation.

Sec. 3. BONDS - Lessee shall maintain in the proper office a lease bond in the amount of \$ 9,173,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease is subject to the conditions of diligent development and continued operation, except that those conditions are excused when operations under the lease are interrupted by strikes, the elements, or casualties not attributable to the lessee. The lessor, in the public interest, may suspend the condition of continued operation upon payment of advance royalties in accordance with the regulations in existence at the time of the suspension. Lessor's failure to produce coal in commercial quantities at the end of 10 years shall terminate the lease. Lessee shall submit an operation and reclamation plan pursuant to Section 7 of the Act not later than 3 years after lease issuance.

The lessor reserves the power to assent to or order the suspension of the terms and conditions of this lease in accordance with, inter alia, Section 39 of the Mineral Leasing Act, 30 U.S.C. 209.

Sec. 5 LOGICAL MINING UNIT (LMU) - Either upon approval by the lessor of the lessee's application or at the direction of the lessor, this lease shall become an LMU or part of an LMU, subject to the provisions set forth in the regulations.

The stipulations established in an LMU approval in effect at the time of LMU approval will supersede the relevant inconsistent terms of this lease so long as the lease remains committed to the LMU. If the LMU of which this lease is a part is dissolved, the lease shall then be subject to the lease terms which would have been applied if the lease had not been included in an LMU.

statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.

Lessee shall keep open at all reasonable times for the inspection of any duly authorized officer of lessor, the leased premises and all surface and underground improvements, works, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee shall allow lessor access to and copying of documents reasonably necessary to verify lessee compliance with terms and conditions of the lease.

While this lease remains in effect, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

**Sec. 7. DAMAGES TO PROPERTY AND CONDUCT OF OPERATIONS** - Lessee shall comply at its own expense with all reasonable orders of the Secretary, respecting diligent operations, prevention of waste, and protection of other resources.

Lessee shall not conduct exploration operations, other than casual use, without an approved exploration plan. All exploration plans prior to the commencement of mining operations within an approved mining permit area shall be submitted to the authorized officer.

Lessee shall carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health, or property, and prevention of waste, damage or degradation to any land, air, water, cultural, biological, visual, and other resources, including mineral deposits and formations of mineral deposits not leased hereunder, and to other land uses or users. Lessee shall take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder and approving easements or rights-of-way. Lessor shall condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

**Sec. 8. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY** - Lessee shall: pay when due all taxes legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years shall be employed in any mine below the surface. To the extent that laws of the State in which the lands are situated are more restrictive than the provisions in this paragraph, then the State laws apply.

Lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

**Sec. 15. SPECIAL STIPULATIONS**

This coal lease is subject to termination if the lessee is determined at the time of issuance to be in noncompliance with Section 2(a)2(A) of the Mineral Leasing Act.

This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest.

This lease may be transferred in whole or in part to another public body or to a person who will mine the coal on behalf of, and for the use of, the public body or to a person who for the limited purpose of creating a security interest in favor of a lender agrees to be obligated to mine the coal on behalf of the public body.

This lease may only be transferred in whole or in part to another small business qualified under 13 CFR 121.

Transfers of record title, working or royalty interest must be approved in accordance with the regulations.

(b) **RELINQUISHMENT** - The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee shall be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

**Sec. 10. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC.** - At such time as all portions of this lease are returned to lessor, lessor shall deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all workings in condition for suspension or abandonment. Within 180 days thereof, lessee shall remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by the authorized officer. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, shall become the property of the lessor, but lessee shall either remove any or all such property or shall continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor. If the surface is owned by third parties, lessor shall waive the requirement for removal, provided the third parties do not object to such waiver. Lessee shall, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities incidental thereto, and reclaim access roads or trails.

**Sec. 11. PROCEEDINGS IN CASE OF DEFAULT** - If lessee fails to comply with applicable laws, existing regulations, or the terms, conditions and stipulations of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to expropriation by the lessor only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

**Sec. 12. HEIRS AND SUCCESSORS-IN-INTEREST** - Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

**Sec. 13. INDEMNIFICATION** - Lessee shall indemnify and hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease.

**Sec. 14. SPECIAL STATUTES** - This lease is subject to the Clean Water Act (33 U.S.C. 1252 et. seq.), the Clean Air Act (42 U.S.C. 4274 et. seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation, including the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et. seq.).

SEE ATTACHED STIPULATIONS

ANDALEX Resources, Inc.

Company or Lessee Name

*[Handwritten Signature]*

(Signature of Lessee)

Douglas H. Smith, President

(Title)

Feb 14, 2002

(Date)

THE UNITED STATES OF AMERICA  
Department of the Interior  
Bureau of Land Management  
Utah State Office

Intermountain Power Agency

Company or Lessee Name

*[Handwritten Signature]*

(Signature of Lessee)

General Manager

(Title)

2-14-02

(Date)

*[Handwritten Signature]*

(Signing Officer)

Chief, Branch of  
Minerals & Reclamation

(Title)

MAR 5 2002

(Date)

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

This form does not constitute an information collection as defined by 44 U.S.C. 3502 and therefore does not require OMB approval.

47-984-478

## BLM STIPULATIONS

The following stipulations made part of this lease may be waived or amended with the mutual consent of the Lessor and Lessee.

1. In accordance with Sec. 523(b) of the "Surface Mining Control and Reclamation Act of 1977," surface mining and reclamation operations conducted on this lease are to conform with the requirements of this act and are subject to compliance with Office of Surface Mining regulations, or as applicable, a Utah program equivalent approved under cooperative agreement in accordance with Sec. 523(c). The United States Government does not warrant that the entire tract will be susceptible to mining.

2. The permitting of any mining operations on the lease will be subject to the possible designation of any portion of the lease as unsuitable for some or all kinds of surface mining under the regulations of the Department under the Surface Mining Control and Reclamation Act of 1977 (SMCRA) in effect at the time of action on the mine plan permit.

3. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a cultural resource inventory of the areas to be disturbed. These studies shall be conducted by qualified professional cultural resource specialists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified cultural resources.

If significant cultural resources are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the authorized officer (AO) who shall evaluate or have evaluated such discoveries and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

4. Before undertaking activities that may disturb the surface of previously undisturbed leased lands, the Lessee may be required to conduct a paleontological appraisal of the areas to be disturbed. The appraisal shall be conducted by qualified paleontologists and a report prepared itemizing the findings. A plan will then be submitted making recommendations for the protection of, or measures to be taken to mitigate impacts for identified paleontological resources.

If paleontological remains (fossils) of significant scientific interest are discovered during operations under this lease, the Lessee shall immediately bring them to the attention of the AO who shall evaluate or have evaluated such discoveries brought to his attention and, within 5 working days, shall notify the Lessee what action shall be taken with respect to such discoveries. Paleontological remains of significant scientific interest do not include leaves, ferns, or dinosaur tracks commonly encountered during underground mining operations.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee. The cost of salvage of paleontological remains (fossils) shall be borne by the United States.

5. If there is reason to believe that threatened or endangered (T&E) species of plants or animals, or migratory species of high Federal interest occur in the area, the Lessee shall be required to conduct an intensive field inventory of the area to be disturbed and/or impacted. A listing of migratory birds of high Federal interest in Federal coal producing regions is published by the Fish and Wildlife Service, Migratory Bird Management Office, Washington, D.C. The inventory shall be conducted by qualified specialist and a report of findings will be prepared. A plan will be prepared making recommendations for the protection of these species or action necessary to mitigate the disturbance.

The cost of conducting the inventory, preparing reports, and carrying out necessary protective mitigating measures shall be borne by the Lessee.

6. The Lessee shall be required to perform a study to secure adequate baseline data to quantify the existing surface resources on and adjacent to the lease area. Existing data may be used if such data is adequate for the intended purposes. The study shall be adequate to locate, quantify, and demonstrate the inter-relationship of the geology, topography, surface hydrology, vegetation, and wildlife. Baseline data will be established so that future programs of observation can be incorporated at regular intervals for comparison.

7. Powerlines on the lease area used in conjunction with the mining of coal from this lease shall be constructed so as to provide adequate protection for raptors and other large birds. When feasible, powerlines will be located at least 100 yards from public roads.

8. The Lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities on the lease area. The migration of road surfacing and subsurface materials into streams and water courses shall be prevented.

9. The Lessee shall be required to establish a monitoring system to locate, measure, and quantify the progressive and final effects of underground mining activities on the topographic surface, underground and surface hydrology and vegetation. The monitoring system shall utilize techniques which will provide a continuing record of change over time and an analytical method for location and measurement of a number of points over the lease area. The monitoring shall incorporate and be an extension of the baseline data.

10. Except at specifically approved locations, underground mining operations shall be conducted in such a manner so as to prevent surface subsidence that would: 1) cause the creation of hazardous conditions such as potential escarpment failure and landslides, 2) cause damage to existing surface structures, or 3) damage or alter the flow of perennial streams.

11. In order to avoid surface disturbance on steep canyon slopes and to satisfy the need for surface access, all surface breakouts for ventilation tunnels shall be constructed from inside the mine, except at specifically approved locations.

12. Support facilities, structures, equipment, and similar developments will be removed from the lease area within 2 years after the final termination of use of such facilities. This provision shall apply unless the requirement of Section 10 of the lease form is applicable. Disturbed areas and those areas occupied by such facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to a premining land use.

13. Notwithstanding the approval of a resource recovery and protection plan by the BLM, Lessor reserves the right to seek damages against the operator/lessee in the event (i) the operator/lessee fails to achieve maximum economic recovery [as defined at 43 CFR §3480.0-5(21)] of the recoverable coal reserves or (ii) the operator/lessee is determined to have caused a wasting of recoverable coal reserves. Damages shall be measured on the basis of the royalty that would have been payable on the wasted or unrecovered coal.

The parties recognize that under an approved R2P2, conditions may require a modification by the operator/lessee of that plan. In the event a coal bed or portion thereof is not to be mined or is rendered unminable by the operation, the operator shall submit appropriate justification to obtain approval by the AO to leave such reserves unmined. Upon approval by the AO, such coal beds or portions thereof shall not be subject to damages as described above. Further, nothing in this section shall prevent the operator/lessee from exercising its right to relinquish all or a portion of the lease as authorized by statute and regulation.

In the event the AO determines that the R2P2 as approved will not attain MER as the result of changed conditions, the AO will give proper notice to the operator/lessee as required under applicable regulations. The AO will order a modification if necessary, identifying additional reserves to be mined in order to attain MER. Upon a final administrative or judicial ruling upholding such an ordered modification, any reserves left unmined (wasted) under that plan will be subject to damages as described in the first paragraph under this section.

Subject to the right to appeal hereinafter set forth, payment of the value of the royalty on such unmined recoverable coal reserves shall become due and payable upon determination by the AO that the coal reserves have been rendered unminable or at such time that the Lessee has demonstrated an unwillingness to extract the coal.

The BLM may enforce this provision either by issuing a written decision requiring payment of the MMS demand for such royalties, or by issuing a notice of non-compliance. A decision or notice of non-compliance issued by the Lessor that payment is due under this stipulation is appealable as allowed by law.

**14. WASTE CERTIFICATION:** The Lessee must provide upon abandonment, transfer of operation, assignment of rights, sealing-off a mined area and prior to lease relinquishment, certification to the Lessor that, based upon a complete search of all the records for the lease and its associated mine operation(s), and upon Lessee's and the operator's knowledge of past mining operations associated with the lease, there have been no reportable quantities of hazardous substances per 40 CFR 302.4 or used oil [as per Utah State Administrative Code R-315-15], discharged, deposited, or released within the lease, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to any such substances. Lessee must additionally provide to Lessor a complete list of all hazardous substances and hazardous materials and their Chemical Abstract Services Registry Numbers, and the oil and petroleum products used or stored on, or delivered to, the lease. Such disclosure will be in addition to any other disclosure required by law or agreement.

**15. UNDERGROUND INSPECTION:** All safe and accessible areas shall be inspected prior to being sealed. The Lessee shall notify the AO in writing 30 days prior to the sealing of any areas in the mine and state the reason for closure. Prior to seals being put into place, the Lessee shall inspect the area and document any equipment/machinery, hazardous substances, and used oil that is to be left underground. The AO may participate in this inspection. The purpose of this inspection will be: (1) to provide documentation for compliance with 42 U.S.C. 9620 section 120(h) and Utah State Management Code R-315-15, and to assure that certification will be meaningful at the time of lease relinquishment, (2) to document the inspection with a mine map showing location of equipment/machinery (model, type of fluid, amount remaining, batteries etc.) that is proposed to be left underground. In addition, these items will be photographed at the Lessee's expense and shall be submitted to the AO as part of the certification. The abandonment of any equipment/machinery shall be on a case by case basis and shall not be accomplished unless the AO has granted a written approval. Any on-lease disposal of non-coal waste must comply with 30 CFR § 817.89.

**16.** The holder of this lease shall be required to conduct appropriate surveys for Mexican spotted owls on the lease tract areas with 40 percent or greater slope, cliff habitat areas, riparian habitats, and mixed conifer forest habitats, prior to surface disturbing activity and or development with a potential to interrupt springs. Inventory work will be conducted by parties approved and permitted for such survey work by the Authorized Officer of the BLM and conducted following current protocols established by the USFWS.

**17. SEISMIC STIPULATION:** Mining operations shall be conducted in a manner to prevent seismic events that would cause damage to surface or subsurface structures such as: power lines or mine pillars and other structures such as Grassy Trail Reservoir and/or create hazardous conditions such as landslides.

The Lessee shall: (1) Provide a seismic risk assessment of the Grassy Trail Reservoir to the AO prior to mining in the lease. (2) Prior to mining in the lease, the Lessee shall provide a plan to monitor the Reservoir and the steps necessary to mitigate any damage created by the Lessee. These plans shall be updated by the Lessee as deemed necessary by the AO.

The AO will either approve or may prescribe the mining methods used, the amount of coal recovered or determine the corrective measures necessary to assure protection of surface or subsurface structures and resources. The Lessee is and will remain liable for any and all damages or hazardous conditions resulting from the mining operations under the lease.

APPENDIX 1-4C

LEASE ASSIGNMENT

STATE (SITLA) COAL LEASE

ML 47711

GRANT: School

**UTAH STATE LEASE FOR COAL  
ML 47711-OBA**

THIS COAL MINING LEASE AND AGREEMENT (the "Lease") is entered into and executed in triplicate as of April 1, 2003 (the "Effective Date") by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 ("Lessor"), and ANDALEX RESOURCES, INC., a Delaware corporation, with an address at 45 West 10000 South, Suite 401, Sandy, Utah 84070 (hereinafter "ANDALEX") and INTERMOUNTAIN POWER AGENCY, a political subdivision of the State of Utah, with an address at 480 East 6400 South, Murray, Utah 84107 (hereinafter "IPA"), each having an undivided 50% ownership interest in the leasehold estate created by this Lease as tenants in common and collectively referred to herein as "Lessee," having a single address c/o ANDALEX Resources, Inc., 45 West 10000 South, Suite 401, Sandy, Utah 84070.

**WITNESSETH:**

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration paid or required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, mine, remove, transport, convey, cross-haul, commingle, and sell the coal located within the boundaries of the following-described tract of land (the "Leased Premises") located in Carbon County, State of Utah:

**T. 14S., R. 13 E., SLB&M**

Sec. 2: LOTS 1 THRU 4, S2N2, S2

**T. 13., R. 13 E., SLB&M**

Sec. 36: SW4.

Containing 801.24 acres, more or less.

Together with the right and privilege to make use of the surface (but only to the extent owned by Lessor) and subsurface of the Leased Premises for uses incident to the mining of coal by Lessee on the Leased Premises or on other lands under the control of Lessee or mined in connection with operations on the Leased Premises, including, but not limited to, conveying, storing, loading, hauling, commingling, cross-hauling, and otherwise transporting coal; excavating; removing, stockpiling, depositing and redepositing of surface materials; and the subsidence, mitigation, restoration and reclamation of the surface.

This Coal Mining Lease and Agreement is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:

1. LEASED MINERALS.

1.1 Coal. This mineral lease covers coal, which shall mean and include black or brownish-black solid fossil fuels that have been subjected to the natural processes of coalification, and which fall within the classification of coal by rank as anthracitic, bituminous, sub-bituminous, or lignitic, together with closely associated substances which include, but are not limited to other hydrocarbon substances physically contained within the same geologic strata as the coal. In the event that minerals other than coal are discovered on or in the Leased Premises during lease operations, Lessee shall promptly notify the Lessor.

1.2 Coalbed Methane. To the extent that Lessor owns gas, coalbed methane or coal seam gas (collectively "coalbed methane") within the Leased Premises, Lessee may remove, vent, flare or capture such coalbed methane from the mine workings and the coal strata being mined and any overlying or underlying formations if such removal is necessary for safety reasons in the reasonable discretion of Lessee. If Lessee captures or uses such coalbed methane, it shall pay Lessor royalties on the value of such coalbed methane at the prevailing state royalty rate for natural gas, unless such royalties are expressly waived by Lessor. Except as expressly granted herein, the right to extract gas, coalbed methane and coal seam gas is not granted by this Lease.

1.3 No Warranty of Title. Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure, except as provided in Utah Administrative Code R850-20-2100 (2002).

2. RESERVATIONS TO LESSOR. Subject to the exclusive rights and privileges granted to Lessee under this Lease, and further provided that Lessor shall refrain from taking actions with respect to the Leased Premises that may unreasonably interfere with Lessee's operations, Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges (to the extent that Lessor has the right to grant such rights and privileges):

2.1 Rights-of-Way and Easements. Lessor reserves the right, following consultation with the Lessee, to establish rights-of-way and easements upon, through or over the Leased Premises, under terms and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, mineral access, and any other purpose deemed reasonably necessary by Lessor.

2.2 Other Mineral Leases. Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than coal, under terms and conditions that will not

unreasonably interfere with operations under this Lease in accordance with Lessor's regulations, if any, governing multiple mineral development.

- 2.3 Use and Disposal of Surface. To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease, Lessor reserves the right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor shall notify Lessee of any such sale, lease, or other disposition of the surface estate.
- 2.4 Previously Authorized Improvements. If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessee shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences. Nothing in this paragraph shall authorize Lessee to remove surface improvements where Lessor does not own the surface estate.
- 2.5 Rights Not Expressly Granted. Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.

3. TERM OF LEASE; READJUSTMENT.

- 3.1 Primary Term. This Lease is granted for a "primary term" of ten (10) years commencing on the Effective Date and for a "secondary term" of an additional ten (10) years, subject to Lessee's compliance with the requirements of paragraph 3.3, Diligent Operations; Minimum Royalty.
- 3.2 Extension Beyond Secondary Term. Subject to Lessee's compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the secondary term and for as long thereafter as coal is produced in commercial quantities from the Leased Premises, or from lands constituting either (i) a logical mining unit approved by the Bureau of Land Management containing the Leased Premises, or (ii) a mining unit, in which the recoverable coal reserves can be developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of recoverable coal reserves. The second type of mining unit requires a determination by the Lessor that the criteria set forth in item (ii) have been satisfied. The satisfaction of either (i) or (ii) above shall mean that the Lease is contained within an "approved mining unit." For the purposes of this Lease, production of coal in commercial quantities shall mean production during each lease year of at least one per cent (1%) of the recoverable coal reserves within the Leased Premises or within lands constituting an approved mining unit which includes the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee.
- 3.3 Diligent Operations; Minimum Royalty. In the absence of actual production in commercial quantities as set forth in paragraph 3.2, Extension Beyond Secondary Term, this Lease shall remain in effect beyond the primary term only if the Lessee is engaged in diligent operations, exploration, research, or development activity (which development activity shall include, but not

be limited to, pursuit of required permits and approvals) which in Lessor's reasonable discretion is calculated to advance development or production of coal from the Leased Premises or lands constituting an approved mining unit which includes the Leased Premises, and Lessee pays an annual minimum royalty in advance on or before the anniversary date of the Effective Date. The minimum royalty shall be calculated by determining the production royalty that would be payable upon production of two and one-half per cent (2.5%) of the recoverable coal reserves within the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee. The unit value of the recoverable coal reserves for purposes of determining the minimum royalty shall be determined by Lessor using the methodology set forth in 43 Code of Federal Regulations §3483.4(c)(1)-(3) (1998). Minimum royalties paid by Lessee pursuant to this paragraph may be credited against production royalties accruing during the term of this Lease.

- 3.4 Expiration; Cessation of Production. This Lease may not be extended pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty, beyond the end of the twentieth year after the Effective Date except by the actual production of coal in commercial quantities from the Leased Premises or from lands constituting an approved mining unit which includes the Leased Premises. After expiration of the secondary term, this Lease will expire of its own terms, without the necessity of any notice or action by Lessor, if Lessee ceases production of coal in commercial quantities for an entire lease year, unless the Lease is suspended pursuant to paragraph 16.3, Suspension.
- 3.5 Readjustment. At the end of the primary term and at the end of each period of ten (10) years thereafter, Lessor may reasonably readjust the terms and conditions of this Lease to reflect prevailing market conditions (including without limitation rental rates, minimum royalties, royalty rates and valuation methods, and provisions concerning reclamation). If within thirty (30) days after submission of the readjusted lease terms to the Lessee, the Lessee determines that any or all of the proposed readjusted terms and conditions are unacceptable, then Lessee shall so notify Lessor in writing and the parties shall attempt to resolve the objectionable term or condition. If the parties are unable to resolve the matter and agree upon the readjusted terms and conditions submitted by Lessor at the end of such ten (10) year period, Lessee shall forfeit any right to the continued extension of this lease, and the lease shall automatically terminate, provided that nothing herein shall be deemed to preclude Lessee from appealing any readjustment by Lessor pursuant to applicable law
- 3.6 Relinquishment. Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor. Lessor may disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to the Lessor, if the lease is otherwise not in good standing, or if relinquishment would in Lessor's reasonable determination cause waste of economically recoverable coal. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Upon approval, relinquishment shall relieve the Lessee of all future rental obligations as to the relinquished lands effective as of the

date of filing of the relinquishment, but shall not relieve Lessee from other obligations to the extent provided in paragraph 15.2, Effect of Termination.

4. **BONUS BID.** Lessee agrees to pay Lessor an initial bonus bid in the sum of Two Million Four Hundred Twelve Thousand Nine Hundred Dollars (\$2,412,900) as partial consideration for Lessor's issuance of this Lease, payable in twelve equal annual installments of \$201,075 commencing on the Effective Date. The unpaid balance of the bonus bid shall not bear interest; provided, however, that if this Lease is relinquished or otherwise terminated prior to the payment in full of the bonus bid, or if Lessee fails to make any bonus bid payment when due, the entire unpaid balance of the bonus bid shall immediately become due without regard to such relinquishment or termination, and such balance shall thereafter bear interest as provided in paragraph 16.2, Interest. Lessor may require ANDALEX to submit and maintain a letter of credit or other sufficient surety to secure Lessee's obligation to pay the unpaid balance of the bonus bid. The initial bonus bid may not be credited against any other bonus payments, annual rentals or royalties accruing under this Lease.
5. **RENTALS.** Lessee agrees to pay Lessor an annual rental of three dollars (\$3.00) for each acre and fractional part thereof within the Leased Premises. Lessee shall promptly pay annual rentals each year in advance on or before the anniversary date of the Effective Date. Lessee may not credit rentals against production royalties or against minimum royalties payable pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty.
6. **ROYALTIES.**
  - 6.1 **Production Royalties.** Lessee shall pay Lessor a production royalty of eight per cent (8%) of the value of all coal severed, removed and sold, used or otherwise disposed of from the Leased Premises. For all coal sold pursuant to an arm's-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced. For any coal that is sold or disposed of other than by an arms-length contract, or for coal that is used within the mine permit area containing the Leased Premises for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, the value of such coal shall be determined by Lessor with reference to (in order of priority): (i) comparable arms-length contracts or other dispositions of like-quality coal produced in the same coal field; (ii) prices reported for that coal to a public utility commission; (iii) prices reported to other governmental agencies; or (iv) other relevant information.
  - 6.2 **Allowable Deductions.** It is expressly understood and agreed that none of Lessee's mining or production costs, including but not limited to costs for materials, labor, overhead, distribution, transportation within the mine permit area prior to the point of sale, loading, crushing, sizing, screening, or general and administrative activities, may be deducted in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty

set forth in this Lease. In the event that the point of sale for coal produced from this Lease is located outside the mine permit area boundary, Lessee may deduct the reasonable, actual costs of transportation of such coal from the mine permit area boundary to the point of sale from gross proceeds in computing Lessor's royalty; provided, however, that transportation deductions for coal transported by Lessee, Lessee's affiliates, or by non-arm's-length contract are subject to review and modification by Lessor. Lessee shall be allowed to deduct its actual, reasonable washing and treatment costs from gross proceeds in computing Lessor's royalty; provided, however, that, upon Lessor's request Lessee shall provide to Lessor appropriate justification to demonstrate that Lessee's costs are reasonable.

- 6.3 Reference to Federal Regulations. It is the intent of Lessor and Lessee that the calculation of the value of coal for royalty purposes be consistent with federal coal regulations governing the valuation of coal, except where this Lease expressly provides otherwise. In no event shall the value of coal used for calculation of royalties under this Lease be less than the value which would be obtained were federal royalty valuation regulations applied.
- 6.4 Royalty Payment. For all coal severed and removed from the Leased Premises that is used, sold, or otherwise disposed of during a particular month, Lessee shall pay royalties to Lessor on or before the end of the next succeeding month. Royalty payments shall be accompanied by a verified statement, in a form approved by Lessor, stating the amount of coal sold or otherwise disposed of, the gross proceeds accruing to Lessee, the calculation of allowable deductions, and any other information reasonably required by Lessor to verify production and disposition of the coal or coal products. In the event that Lessee uses or disposes of coal pursuant to a non-arm's-length contract, or uses coal for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, Lessee shall notify Lessor of such use or disposal on or before the end of the next succeeding month following such use or disposal, and shall pay royalties upon Lessee's good faith estimate of the value of such coal, subject to Lessor's right to determine the value of such coal pursuant to paragraph 6.1, Production Royalties.
- 6.5 Suspension, Waiver or Reduction of Rents or Royalties. Lessor, to the extent not prohibited by applicable law, is authorized to waive, suspend, or reduce the rental or minimum royalty, or reduce the royalty applicable with respect to the entire Lease, whenever in Lessor's judgment it is necessary to do so in order to promote development, or whenever in the Lessor's judgment the Lease cannot be successfully operated under the terms provided herein.

7. RECORDKEEPING; INSPECTION; AUDITS.

- 7.1 Registered Agent; Records. Lessee shall maintain a registered agent within the State of Utah to whom any and all notices may be sent by Lessor and upon whom process may be served. Lessee shall also maintain an office within the State of Utah containing originals or copies of all maps, engineering data, permitting materials, books, records or contracts (whether such documents are

in paper or electronic form) generated by Lessee that pertain in any way to coal production, output and valuation; mine operations; coal sales and dispositions; transportation costs; and calculation of royalties from the Leased Premises. Lessee shall maintain such documents for at least seven years after the date of the coal production to which the documents pertain.

- 7.2 Inspection. Lessor's employees and authorized agents at Lessor's sole risk and expense shall have the right to enter the Leased Premises to check scales as to their accuracy, and to go on any part of the Leased Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor's employees and authorized agents shall further have the right to audit, examine and copy (at Lessor's expense) all documents described in paragraph 7.1, Registered Agent; Records, whether such documents are located at the mine site or elsewhere. Lessee shall furnish all conveniences necessary for said inspection, survey, or examination; provided, however, that such inspections shall be conducted in a manner that is in conformance with all applicable mine safety regulations and does not unreasonably interfere with Lessee's operations.
- 7.3 Geologic Information. In the event Lessee conducts core-drilling operations or other geologic evaluation of the Leased Premises, Lessor may inspect core samples, evaluations thereof, and proprietary geologic information concerning the Leased Premises.
- 7.4 Confidentiality. Any and all documents and geologic data obtained by Lessor through the exercise of its rights as set forth in paragraphs 7.2, Inspection., and 7.4, Geologic Information., may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute, and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease or the cessation of mining operations in the approved mining unit whichever is the last to occur.

8. USE OF SURFACE ESTATE.

- 8.1 Lessor-Owned Surface. If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease the Lessee has been granted the right to make use of such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold. Lessee's right to surface use of Lessor-owned surface estate shall include the right to subside the surface. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in paragraph 2, RESERVATIONS TO LESSOR, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.
- 8.2 Split-Estate Lands. If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee's access to and use of the surface of such lands shall be determined by applicable law governing mineral development on split-estate lands, including without limitation

applicable statutes governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney's fees and costs) arising out of or related to damage caused by Lessee's operations to surface lands or improvements owned by third parties.

9. APPLICABLE LAWS AND REGULATIONS; HAZARDOUS SUBSTANCES

- 9.1 Trust Lands Statute and Regulations. This Lease is issued pursuant to the provisions of Title 53C, Utah Code Annotated, 1953, as amended, and Lessee is subject to and shall comply with all current and future rules and regulations adopted by the School and Institutional Trust Lands Administration and its successor agencies.
- 9.2 Other Applicable Laws and Regulations. Lessee shall comply with all applicable federal, state and local statutes, regulations, and ordinances, including without limitation the Utah Coal Mining and Reclamation Act, applicable statutes and regulations relating to mine safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances and environmental protection.
- 9.3 Hazardous Substances. Lessee [or other occupant pursuant to any agreement authorizing mining] shall not keep on or about the premises any hazardous substances, as defined under 42 U.S.C. ' 9601(14) or any other Federal environmental law, any regulated substance contained in or released from any underground storage tank, as defined by the Resource Conservation and Recovery Act, 42 U.S.C. ' 6991, *et seq*, or any substances defined and regulated as "hazardous" by applicable State law, (hereinafter, for the purposes of this Lease, collectively referred to as "Hazardous Substances") unless such substances are reasonably necessary in Lessee's mining operations, and the use of such substances or tanks is noted and approved in the Lessee's mining plan, and unless Lessee fully complies with all Federal, State and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended, governing Hazardous Substances. Lessee shall immediately notify Lessor, the Bureau of Land Management, the surface management agency, and any other Federal, State and local agency with jurisdiction over the Leased Premises, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, (ii) all failures to comply with any applicable Federal, state or local law, regulation or ordinance governing Hazardous Substances, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, order, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private Party concerning the Leased Premises.
- 9.5 Hazardous Substances Indemnity. Lessee [or other occupant pursuant to any agreement authorizing mining] shall indemnify, defend, and hold harmless Lessor and its agencies,

employees, officers, and agents with respect to any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to Lessee's use, disposal, transportation, generation, sale or location upon or affecting the Leased Premises of Hazardous Substances, as defined in paragraph 9.4 of this Lease. This indemnity shall extend to the actions of Lessee's employees, agents assigns, sublessees, contractors, subcontractors, licensees and invitees. Lessee shall further indemnify, defend and hold harmless Lessor from any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to any breach of the provisions of this Lease concerning Hazardous Substances. This indemnity is in addition to, and in no way limits, the general indemnity contained in paragraph 16.1 of this Lease.

- 9.6 Waste Certification. The Lessee, or their operating agent, shall provide upon abandonment, transfer of operation, assignment of rights, sealing-off of a mined area, and prior to lease relinquishment, certification to the Lessor, based upon a complete search of all the operator's records for the Lease, and upon its knowledge of past operations, there have been no reportable quantities of hazardous substances as defined in 40 Code of Federal Regulations '302.4, or used oil as defined in Utah Administrative Code R315-15, discharged (as defined at 33 U.S.C. '1321(a)(2)), deposited or released within the Leased Premises, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to such substances. Lessee shall additionally provide to Lessor a complete list of all hazardous substances, hazardous materials, and their respective Chemical Abstracts Service Registry Numbers, and oil and petroleum products used or stored on, or delivered to, the Leased Premises. Such disclosure will be in addition to any other disclosure required by law or agreement.

10. BONDING.

- 10.1 Lease Bond Required. Upon the request of Lessor, Lessee shall execute and file with the Lessor a good and sufficient bond or other financial guarantee acceptable to Lessor in order to: (a) guarantee Lessee's performance of all covenants and obligations under this Lease, including Lessee's obligation to pay production royalties; and (b) ensure compensation for damage, if any, to the surface estate and any surface improvements. The Lease Bond shall meet all federal mineral lease bond requirements as described in 43 Code of Federal Regulations Subpart 3474.
- 10.2 Reclamation Bonding. The bond filed with the Utah Division of Oil, Gas and Mining ("UDOGM") in connection with the issuance of a mine permit which includes the Leased Premises shall be deemed to satisfy Lessor's bonding requirements with respect to Lessee's reclamation obligations under this Lease; provided, however, upon notice to Lessee and a public hearing with respect to the basis for its decision, the Lessor may, in its reasonable discretion, determine that the bond filed with UDOGM is insufficient to protect Lessor's interests. In such an event the Lessor shall enter written findings as to the basis for its calculation of the perceived

insufficiency and enter an order establishing the amount of additional bonding required. Lessee shall file any required additional bond with Lessor within thirty (30) days after demand by Lessor. Lessor may increase or decrease the amount of any additional bond from time to time in accordance with the same procedure.

- 10.3 Release of Additional Bond. Any additional bond required by Lessor pursuant to 10.2, Reclamation Bonding, may be released by Lessor at any time and shall be released no later than the time of final bond release by UDOGM with respect to the Leased Premises.

11. WATER RIGHTS.

- 11.1 Water Rights in Name of Lessor. If Lessee files to appropriate water for coal mining operations on the Leased Premises, the filing for such water right shall be made by Lessee in the name of Lessor at no cost to Lessor, and such water right shall become an appurtenance to the Leased Premises, subject to Lessee's right to use such water right at no cost during the term of this Lease.
- 11.2 Option to Purchase. If Lessee purchases or acquires an existing water right for coal mining operations on the Leased Premises, Lessor shall have the option to acquire that portion of such water right as was used on the Leased Premises upon expiration or termination of this Lease. The option price for such water right shall be the fair market value of the water right as of the date of expiration or termination of this Lease. Upon expiration or termination of this Lease, Lessee shall notify Lessor in writing of all water rights purchased or acquired by Lessee for coal mining operations on the Leased Premises and its estimate of the fair market value of such water right. Lessor shall then have forty-five (45) days to exercise its option to acquire the water by payment to Lessee of the estimated fair market value. If Lessor disagrees with Lessee's estimate of fair market value, Lessor shall notify Lessee of its disagreement within the 45 day option exercise period. The fair market value of the water right shall then be appraised by a single appraiser mutually acceptable to both parties, which appraisal shall be final and not subject to review or appeal. If the parties cannot agree upon the choice of an appraiser, the fair market value of the water right shall be determined by a court of competent jurisdiction. Conveyance of any water right pursuant to this paragraph shall be by quit claim deed.

12. ASSIGNMENT OR SUBLEASE; OVERRIDING ROYALTIES.

- 12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, creation of overriding royalties or production payments, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.

- 12.2 Binding Effect. All of the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties respective successors, assigns, and sublessees.
- 12.3 Limitation on Overriding Royalties. Lessor reserves the right to disapprove the creation of an overriding royalty or production payment that would, in Lessor's reasonable discretion, constitute an unreasonable economic burden upon operation of the Lease. In exercising its discretion to disapprove the creation of an overriding royalty, Lessor shall consult with Lessee and any third parties involved and shall prepare findings to evidence the basis of its decision. Cumulative overriding royalties of 2% or less shall be deemed presumptively reasonable unless special circumstances are shown by Lessor to exist.

13. OPERATIONS.

- 13.1 Permitting. Before Lessee commences exploration, drilling, or mining operations on the Leased Premises, it shall have obtained such permits and posted such bonds as may be required under applicable provisions of the Utah Coal Mining and Reclamation Act, the Surface Mining Control and Reclamation Act, and associated regulations, together with applicable regulations of the surface management agency. Lessee shall maintain any required permits in place for the duration of mining operations and reclamation. Upon request, Lessee shall provide Lessor with a copy of all regulatory filings relating to permitting matters.
- 13.2 Plan of Operations. Prior to the commencement of any underground mining operations on the Leased Premises, Lessee shall obtain Lessor's approval of a plan of operations for the Leased Premises. The plan of operations shall contain all information required to be contained in a federal Resource Recovery and Protection Plan, as described in 43 Code of Federal Regulations § 3482.1(b) and (c) (1998). Lessor may modify the proposed plan of operations as is needed to insure that there is no waste of economically recoverable coal reserves contained on the Leased Premises. In this context "waste" shall mean the inefficient utilization of, or the excessive or improper loss of an otherwise economically recoverable coal resource. Lessor shall notify Lessee in writing of its approval or modifications of the plan of operations. The plan of operations submitted by Lessee shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within sixty (60) days of filing.
- 13.3 Plan of Operations - Modification. In the event that material changes are required to the plan of operations during the course of mining, Lessee shall submit a modification of the plan of operations to the Lessor. Routine adjustments to the plan of operations based upon geologic circumstances encountered during day-to-day mining operations do not require the submission of a modification. If the proposed changes require emergency action by Lessor, then the Lessee shall so notify the Lessor at the time of submission of the modification and the parties shall use their best efforts to meet the Lessee's time schedule regarding implementation of the changes. Non-emergency modifications will be reviewed promptly by Lessor to insure that there is no waste of economically recoverable coal reserves pursuant to the plan of operations, as modified,

and Lessor shall notify lessee in writing of its approval or modification of the proposed modification. Modifications shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within thirty (30) days of filing.

- 13.4 Mine Maps. Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations prepared and maintained in the manner prescribed by 43 Code of Federal Regulations §3482.3 (1998). Lessee shall provide copies of such maps to Lessor upon request.
- 13.5 Good Mining Practices. Lessee shall conduct exploration and mining operations on the Leased Premises in accordance with standard industry operating practices, and shall avoid waste of economically recoverable coal. Lessee shall comply with all regulations and directives of the Mine Safety and Health Administration or successor agencies for the health and safety of employees and workers. Lessee shall further comply with the performance standards for underground resource recovery set forth at 43 Code of Federal Regulations § 484.1(c) (1998); provided, however, that Lessor may waive such standards from time to time in its reasonable discretion, upon request by Lessee. Coal shall be mined from this Lease by underground methods only.
- 13.6 Mining Units. Lessor may approve the inclusion of the Leased Premises in a mining unit with federal, private or other non-state lands upon terms and conditions that it deems necessary to protect the interests of the Lessor, including without limitation segregation of production, accounting for commingled coal production, and minimum production requirements or minimum royalties for the Leased Premises.
14. EQUIPMENT; RESTORATION.
- 14.1 Equipment. Upon termination of this Lease, Lessee shall remove, and shall have the right to remove, all improvements, equipment, stockpiles, and dumps from the Leased Premises within six (6) months; provided, however, that Lessor may, at Lessor's sole risk and expense, and subject to Lessee's compliance with requirements imposed by UDOGM and MSHA, require Lessee to retain in place underground timbering supports, shaft linings, rails, and other installations reasonably necessary for future mining of the Leased Premises. All improvements and equipment remaining on the Leased Premises after six (6) months may be deemed forfeited to Lessor upon written notice of such forfeiture to Lessee. Lessee may abandon underground improvements, equipment of any type, stockpiles and dumps in place if such abandonment is in compliance with applicable law, and further provided that Lessee provides Lessor with financial or other assurances sufficient in Lessor's reasonable discretion to protect Lessor from future environmental liability with respect to such abandonment or any associated hazardous waste spills or releases. Lessee shall identify and locate on the mine map the location of all equipment abandoned on the Lease Premises.

- 14.2 **Restoration and Reclamation.** Upon termination of this Lease, Lessee shall reclaim the Leased Premises in accordance with the requirements of applicable law, including mine permits and reclamation plans on file with UDOGM. Lessee shall further abate any hazardous condition on or associated with the Leased Premises. Lessee and representatives of all governmental agencies having jurisdiction shall have the right to re-enter the Leased Premises for reclamation purposes for a reasonable period after termination of the Lease.

15. **DEFAULT**

- 15.1 **Notice of Default; Termination.** Upon Lessee's violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor's files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor's administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee.

- 15.2 **Effect of Termination.** The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the Lessor to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination; however, the obligations of Lessee with respect to reclamation, indemnification and other continuing covenants imposed by this Lease shall survive the termination.

16. **MISCELLANEOUS PROVISIONS.**

- 16.1 **Indemnity.** Except as limited by paragraph 7.2, Inspection, Lessee shall indemnify and hold Lessor harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys' fees and court costs, arising in any way out of Lessee's occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee's obligations under this Lease, including without limitation attorneys' fees and court costs.
- 16.2 **Interest.** Except as set forth in paragraph 4, BONUS BID, interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule

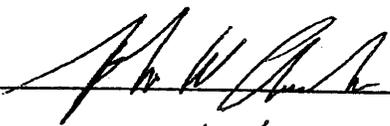
enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

- 16.3 Suspension. In the event that Lessor in its reasonable discretion determines that suspension is necessary in the interests of conservation of the coal resource, or if Lessee has been prevented from performing any of its obligations or responsibilities under this Lease or from conducting mining operations by labor strikes, fires, floods, explosions, riots, adverse coal quality rendering the coal unmarketable, any unusual mining casualties or conditions, Acts of God, government restrictions or orders, severe weather conditions, or other extraordinary events beyond its control, then the time for performance of this Lease by Lessee shall be suspended during the continuance of such acts which prevent performance, excepting any payments due and owing to Lessor.
- 16.4 Consent to Suit; Jurisdiction. This Lease shall be governed by the laws of the State of Utah; Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the Third Judicial District Court for Salt Lake County, Utah; Lessee consents to the jurisdiction of such court; and Lessee shall not bring any action against Lessor without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act.
- 16.5 No Waiver. No waiver of the breach of any provision of this Lease shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in default be deemed to be a waiver of such default.
- 16.6 Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.
- 16.7 Entire Lease. This Lease, together with any attached stipulations, sets forth the entire agreement between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing and signed by each of them.

IN WITNESS WHEREOF, the parties have executed this Lease as of the date hereinabove first written.

APPROVED AS TO FORM:  
Mark L. Shurtleff

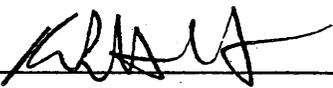
ATTORNEY GENERAL

By 

Form Approved: 3/26/03

THE STATE OF UTAH, acting by and through the  
SCHOOL AND INSTITUTIONAL TRUST LANDS  
ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR

By 

LESSEE:

ANDALEX Resources, Inc.  
a Delaware corporation

By:   
Douglas H. Smith  
President

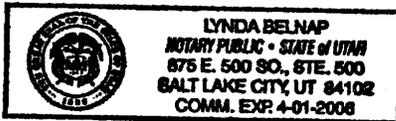
INTERMOUNTAIN POWER AGENCY,  
a political subdivision of the State of Utah

By:   
Reed T. Searle  
General Manager

STATE OF UTAH )  
 : ss.  
COUNTY OF SALT LAKE )

On the 26<sup>th</sup> day of March, 2003, personally appeared before me Kevin S. Carter, who being by me duly sworn did say that he is Director of the School and Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 26<sup>th</sup> day of March, 2003.



Lynda Belnap  
Notary Public  
Residing at: SLC UT.

My commission expires: 4-1-06

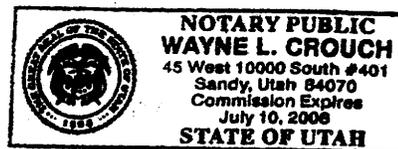
STATE OF UTAH )  
 : ss.  
COUNTY OF SALT LAKE )

On the 28<sup>th</sup> day of March, 2003, personally appeared before me Douglas H. Smith, who being duly sworn did say that he is the President of ANDALEX Resources, Inc., and the signer of the above instrument, who duly acknowledged to me that said corporation executed the same.

Given under my hand and seal this 28<sup>th</sup> day of March, 2003.

Wayne L. Crouch  
Notary Public  
Residing at: Salt Lake County, Utah

My commission expires: 10 July 2006



STATE OF UTAH )

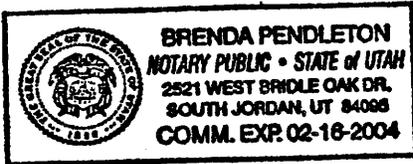
: ss.  
COUNTY OF SALT LAKE )

On the 28<sup>th</sup> day of March, 2003, personally appeared before me Reed T. Searle, who being duly sworn did say that he is the General Manager of Intermountain Power Agency, who duly acknowledged to me that said political subdivision executed the same.

Given under my hand and seal this 28 day of March, 2003.

Brenda Pendleton  
Notary Public  
Residing at: South Jordan, Utah

My commission expires: 2/16/04



APPENDIX 1-4D

LEASE ASSIGNMENT

STATE (SITLA) COAL LEASE

ML 49287

UTAH STATE LEASE FOR COAL  
ML 49287-OBA

THIS COAL MINING LEASE AND AGREEMENT (the "Lease") is entered into and executed in duplicate as of APRIL 1, 2004 (the "Effective Date") by and between the STATE OF UTAH, acting by and through the SCHOOL AND INSTITUTIONAL TRUST LANDS ADMINISTRATION, 675 East 500 South, Suite 500, Salt Lake City, Utah 84102 ("Lessor"), and

ANDALEX Resources, Inc.  
45 West 10000 South, Suite 401 &  
Sandy, UT 84070

INTERMOUNTAIN POWER AGENCY  
c/o Department of Water & Power of the City of Los Angeles  
Attention: Coal Business Manager  
Room 1263  
111 North Hope Street  
Los Angeles, California 90012

having business addresses as shown above (collectively "Lessee"), each with a 50% undivided interest.

WITNESSETH:

That the State of Utah, as Lessor, in consideration of the rentals, royalties, and other financial consideration paid or required to be paid by Lessee, and the covenants of Lessee set forth below, does hereby GRANT AND LEASE to Lessee the exclusive right and privilege to explore for, drill for, mine, remove, transport, convey, cross-haul, commingle, and sell the coal located within the boundaries of the following-described tract of land (the "Leased Premises") located in Carbon County, State of Utah:

T14S, R13E, SLB&M  
Sec. 3: Lots 1, 2, 3, S2N2, S2  
Sec. 10: W2NW4, SW4, SW4SE4

Containing 881.10 acres, more or less.

Together with the right and privilege to make use of the surface (but only to the extent owned by Lessor) and subsurface of the Leased Premises for uses incident to the mining of coal by Lessee on the Leased Premises or on other lands under the control of Lessee or mined in connection with operations on the Leased Premises, including, but not limited to, conveying, storing, loading, hauling, commingling, cross-hauling, and otherwise transporting coal; excavating; removing, stockpiling, depositing and redepositing of surface materials; and the subsidence, mitigation, restoration and reclamation of the surface.

This Coal Mining Lease and Agreement is subject to, and Lessee hereby agrees to and accepts, the following covenants, terms, and conditions:

1. LEASED MINERALS.

1.1 Coal. This mineral lease covers coal, which shall mean and include black or brownish-black solid fossil fuels that have been subjected to the natural processes of coalification, and which fall

within the classification of coal by rank as anthracitic, bituminous, sub-bituminous, or lignitic, together with closely associated substances which include, but are not limited to other hydrocarbon substances physically contained within the same geologic strata as the coal. In the event that minerals other than coal are discovered during lease operations, Lessee shall promptly notify the Lessor.

1.2 Coalbed Methane. To the extent that Lessor owns gas, coalbed methane or coal seam gas (collectively "coalbed methane") within the Leased Premises, Lessee may remove, vent, flare or capture such coalbed methane from the coal strata being mined and any overlying formations if such removal is necessary for safety reasons in the reasonable discretion of Lessee. If Lessee captures or uses such coalbed methane, it shall pay Lessor royalties on the value of such coalbed methane at the prevailing state royalty rate for natural gas, unless such royalties are expressly waived by Lessor. In the event that Lessor does not own coalbed methane within the Leased Premises, Lessee must obtain the consent of the owner of such coalbed methane prior to removal or capture of such gas. Except as expressly granted herein, the right to extract gas, coalbed methane and coal seam gas is not granted by this Lease.

1.3 No Warranty of Title. Lessor claims title to the mineral estate covered by this Lease. Lessor does not warrant title nor represent that no one will dispute the title asserted by Lessor. It is expressly agreed that Lessor shall not be liable to Lessee for any alleged deficiency in title to the mineral estate, nor shall Lessee become entitled to any refund for any rentals, bonuses, or royalties paid under this Lease in the event of title failure.

2. RESERVATIONS TO LESSOR. Subject to the exclusive rights and privileges granted to Lessee under this Lease, and further provided that Lessor shall refrain from taking actions with respect to the Leased Premises that may unreasonably interfere with Lessee's operations, Lessor hereby excepts and reserves from the operation of this Lease the following rights and privileges (to the extent that Lessor has the right to grant such rights and privileges):

2.1 Rights-of-Way and Easements. Lessor reserves the right, following consultation with the Lessee, to establish rights-of-way and easements upon, through or over the Leased Premises, under terms and conditions that will not unreasonably interfere with operations under this Lease, for roads, pipelines, electric transmission lines, transportation and utility corridors, mineral access, and any other purpose deemed reasonably necessary by Lessor.

2.2 Other Mineral Leases. Lessor reserves the right to enter into mineral leases and agreements with third parties covering minerals other than coal, under terms and conditions that will not unreasonably interfere with operations under this Lease in accordance with Lessor's regulations, if any, governing multiple mineral development.

2.3 Use and Disposal of Surface. To the extent that Lessor owns the surface estate of the Leased Premises and subject to the rights granted to the Lessee pursuant to this Lease, Lessor reserves the

right to use, lease, sell, or otherwise dispose of the surface estate or any part thereof. Lessor shall notify Lessee of any such sale, lease, or other disposition of the surface estate.

- 2.4 Previously Authorized Improvements. If authorized improvements have been placed upon the Leased Premises by a third party prior to the commencement of this Lease, Lessee shall allow the owner of such improvements to remove them within ninety (90) days after the Lease term commences. Nothing in this paragraph shall authorize Lessee to remove surface improvements where Lessor does not own the surface estate.
- 2.5 Rights Not Expressly Granted. Lessor further reserves all rights and privileges of every kind and nature, except as specifically granted in this Lease.

3. TERM OF LEASE; READJUSTMENT.

- 3.1 Primary Term. This Lease is granted for a "primary term" of ten (10) years commencing on the Effective Date and for a "secondary term" of an additional ten (10) years, subject to Lessee's compliance with the requirements of paragraph 3.3, Diligent Operations; Minimum Royalty.
- 3.2 Extension Beyond Secondary Term. Subject to Lessee's compliance with the other provisions of this Lease, this Lease shall remain in effect beyond the secondary term and for as long thereafter as coal is produced in commercial quantities from the Leased Premises, or from lands constituting either (i) a logical mining unit approved by the Bureau of Land Management containing the Leased Premises, or (ii) a mining unit, in which the recoverable coal reserves can be developed in an efficient, economical and orderly manner as a unit with due regard to the conservation of recoverable coal reserves. The second type of mining unit requires a determination by the Lessor that the criteria set forth in item (ii) have been satisfied. The satisfaction of either (i) or (ii) above shall mean that the Lease is contained within an "approved mining unit." For the purposes of this Lease, production of coal in commercial quantities shall mean production during each lease year of at least one per cent (1%) of the recoverable coal reserves within the Leased Premises or within lands constituting an approved mining unit which includes the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee.
- 3.3 Diligent Operations; Minimum Royalty. In the absence of actual production in commercial quantities as set forth in paragraph 3.2, Extension Beyond Secondary Term, this Lease shall remain in effect beyond the primary term only if the Lessee is engaged in diligent operations, exploration, research, or development activity (which development activity shall include, but not be limited to, pursuit of required permits and approvals) which in Lessor's reasonable discretion is calculated to advance development or production of coal from the Leased Premises or lands constituting an approved mining unit which includes the Leased Premises, and Lessee pays an annual minimum royalty in advance on or before the anniversary date of the Effective Date. The minimum royalty shall be calculated by determining the production royalty that would be payable

upon production of one per cent (1%) of the recoverable coal reserves within the Leased Premises, as such recoverable coal reserves are determined by Lessor after consultation with Lessee, subject to adjustment from time to time based upon reasonable justification from the Lessee. The unit value of the recoverable coal reserves for purposes of determining the minimum royalty shall be determined by Lessor using the methodology set forth in 43 Code of Federal Regulations §3483.4(c)(1)-(3) (1998). Minimum royalties paid by Lessee pursuant to this paragraph may be credited against production royalties accruing during the term of this Lease.

- 3.4 Expiration; Cessation of Production. This Lease may not be extended pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty, beyond the end of the twentieth year after the Effective Date except by the actual production of coal in commercial quantities from the Leased Premises or from lands constituting an approved mining unit which includes the Leased Premises. After expiration of the secondary term, this Lease will expire of its own terms, without the necessity of any notice or action by Lessor, if Lessee ceases production of coal in commercial quantities for an entire lease year, unless the Lease is suspended pursuant to paragraph 16.3, Suspension.
- 3.5 Readjustment. At the end of the primary term and at the end of each period of ten (10) years thereafter, Lessor may readjust the terms and conditions of this Lease (including without limitation rental rates, minimum royalties, royalty rates and valuation methods, and provisions concerning reclamation). If within thirty (30) days after submission of the readjusted lease terms to the Lessee, the Lessee determines that any or all of the proposed readjusted terms and conditions are unacceptable, then Lessee shall so notify Lessor in writing and the parties shall attempt to resolve the objectionable term or condition. If the parties are unable to resolve the matter and agree upon the readjusted terms and conditions submitted by Lessor at the end of such ten (10) year period, Lessee shall forfeit any right to the continued extension of this lease, and the lease shall automatically terminate, provided that nothing herein shall be deemed to preclude Lessee from appealing any readjustment by Lessor pursuant to applicable law
- 3.6 Relinquishment. Lessee may relinquish all or portions of this Lease at any time by filing a written notice of relinquishment with Lessor. Lessor may disapprove any relinquishment if Lessee has failed to pay all rentals, royalties, and other amounts due and owing to the Lessor, if the lease is otherwise not in good standing, or if relinquishment would in Lessor's reasonable determination cause waste of economically recoverable coal. Lessee may not relinquish parcels smaller than a quarter-quarter section or surveyed lot. Upon approval, relinquishment shall relieve the Lessee of all future rental obligations as to the relinquished lands effective as of the date of filing of the relinquishment, but shall not relieve Lessee from other obligations to the extent provided in paragraph 15.2, Effect of Termination.
4. BONUS BID. Lessee agrees to pay Lessor, an initial bonus bid in the sum of \$1,400,000.00 as partial consideration for Lessor's issuance of this Lease, payable in not more than five equal annual installments of \$280,000.00. The first annual installment is due and payable upon submission of the bonus bid. Each subsequent annual installment shall be paid on or before each anniversary date of the effective date of the

lease until the total bonus bid has been paid in full. The unpaid balance of the bonus bid shall not bear interest; provided, however, that if this Lease is relinquished or otherwise terminated prior to the payment in full of the bonus bid, or if Lessee fails to make any bonus bid payment when due, the entire unpaid balance of the bonus bid shall immediately become due without regard to such relinquishment or termination, and such balance shall thereafter bear interest as provided in paragraph 16.2, Interest. Lessor may require Lessee to submit a bond or other sufficient surety to secure Lessee's obligation to pay the unpaid balance of the bonus bid. The initial bonus bid may not be credited against any other bonus payments, annual rentals or royalties accruing under the lease.

5. RENTALS. Lessee agrees to pay Lessor an annual rental of three dollars (\$3.00) for each acre and fractional part thereof within the Leased Premises. Lessee shall promptly pay annual rentals each year in advance on or before the anniversary date of the Effective Date. Lessee may not credit rentals against production royalties or against minimum royalties payable pursuant to paragraph 3.3, Diligent Operations; Minimum Royalty.
6. ROYALTIES.
- 6.1 Production Royalties. Lessee shall pay Lessor a production royalty of eight per cent (8%) of the value of all coal severed and removed from the Leased Premises. For all coal sold pursuant to an arm's-length contract, value shall be determined on the basis of the gross proceeds received by Lessee from the sale or disposition of such coal. Gross proceeds shall include all bonuses, allowances or other consideration of any nature received by Lessee for coal actually produced. For any coal that is sold or disposed of other than by an arms-length contract, or for coal that is used within the mine permit area containing the Leased Premises for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, the value of such coal shall be determined by Lessor with reference to (in order of priority): (i) comparable arms-length contracts or other dispositions of like-quality coal produced in the same coal field; (ii) prices reported for that coal to a public utility commission; (iii) prices reported to other governmental agencies; or (iv) other relevant information.
- 6.2 Allowable Deductions. It is expressly understood and agreed that none of Lessee's mining or production costs, including but not limited to costs for materials, labor, overhead, distribution, transportation within the mine permit area prior to the point of sale, loading, crushing, sizing, screening, or general and administrative activities, may be deducted in computing Lessor's royalty. All such costs shall be entirely borne by Lessee and are anticipated by the rate of royalty set forth in this Lease. In the event that the point of sale for coal produced from this Lease is located outside the mine permit area boundary, Lessee may deduct the reasonable, actual costs of transportation of such coal from the mine permit area boundary to the point of sale from gross proceeds in computing Lessor's royalty; provided, however, that transportation deductions for coal transported by Lessee, Lessee's affiliates, or by non-arm's-length contract are subject to review and modification by Lessor. Lessee shall be allowed to deduct its actual, reasonable washing and treatment costs from gross proceeds in computing Lessor's royalty; provided,

however, that, upon Lessor's request Lessee shall provide to Lessor appropriate justification to demonstrate that Lessee's costs are reasonable.

6.3 Reference to Federal Regulations. It is the intent of Lessor and Lessee that the calculation of the value of coal for royalty purposes be consistent with federal coal regulations governing the valuation of coal, except where this Lease expressly provides otherwise. In no event shall the value of coal used for calculation of royalties under this Lease be less than the value which would be obtained were federal royalty valuation regulations applied.

6.4 Royalty Payment. For all coal severed and removed from the Leased Premises that is used, sold, transported or otherwise disposed of during a particular month, Lessee shall pay royalties to Lessor on or before the end of the next succeeding month. Royalty payments shall be accompanied by a verified statement, in a form approved by Lessor, stating the amount of coal sold or otherwise disposed of, the gross proceeds accruing to Lessee, the calculation of allowable deductions, and any other information reasonably required by Lessor to verify production and disposition of the coal or coal products. In the event that Lessee uses or disposes of coal pursuant to a non-arm's-length contract, or uses coal for generation of electricity or for gasification, liquefaction, in situ processing, or other method of extracting energy from such coal, Lessee shall notify Lessor of such use or disposal on or before the end of the next succeeding month following such use or disposal, and shall pay royalties upon Lessee's good faith estimate of the value of such coal, subject to Lessor's right to determine the value of such coal pursuant to paragraph 6.1, Production Royalties.

6.5 Suspension, Waiver or Reduction of Rents or Royalties. Lessor, to the extent not prohibited by applicable law, is authorized to waive, suspend, or reduce the rental or minimum royalty, or reduce the royalty applicable with respect to the entire Lease, whenever in Lessor's judgment it is necessary to do so in order to promote development, or whenever in the Lessor's judgment the Lease cannot be successfully operated under the terms provided herein.

7. RECORDKEEPING; INSPECTION; AUDITS.

7.1 Registered Agent; Records. Lessee shall maintain a registered agent within the State of Utah to whom any and all notices may be sent by Lessor and upon whom process may be served. Lessee shall also maintain an office within the State of Utah containing originals or copies of all maps, engineering data, permitting materials, books, records or contracts (whether such documents are in paper or electronic form) generated by Lessee that pertain in any way to coal production, output and valuation; mine operations; coal sales and dispositions; transportation costs; and calculation of royalties from the Leased Premises. Lessee shall maintain such documents for at least seven years after the date of the coal production to which the documents pertain.

7.2 Inspection. Lessor's employees and authorized agents at Lessor's sole risk and expense shall have the right to enter the Leased Premises to check scales as to their accuracy, and to go on any part of

the Leased Premises to examine, inspect, survey and take measurements for the purposes of verifying production amounts and proper lease operations. Upon reasonable notice to Lessee, Lessor's employees and authorized agents shall further have the right to audit, examine and copy (at Lessor's expense) all documents described in paragraph 7.1, Registered Agent; Records, whether such documents are located at the mine site or elsewhere. Lessee shall furnish all conveniences necessary for said inspection, survey, or examination; provided, however, that such inspections shall be conducted in a manner that is in conformance with all applicable mine safety regulations and does not unreasonably interfere with Lessee's operations.

- 7.3 Federal Inspections. Lessee agrees that Bureau of Land Management ("BLM") agents authorized by the Lessor may conduct underground inspections of the Leased Premises.
- 7.4 Geologic Information. In the event Lessee conducts core-drilling operations or other geologic evaluation of the Leased Premises, Lessor may inspect core samples, evaluations thereof, and proprietary geologic information concerning the Leased Premises.
- 7.5 Confidentiality. Any and all documents and geologic data obtained by Lessor through the exercise of its rights as set forth in paragraphs 7.2, Inspection., and 7.4, Geologic Information., may be declared confidential information by Lessee, in which event Lessor and its authorized agents shall maintain such documents and geologic data as protected records under the Utah Governmental Records Access Management Act or other applicable privacy statute and shall not disclose the same to any third party without the written consent of Lessee, the order of a court of competent jurisdiction requiring such disclosure, or upon termination of this Lease.

8. USE OF SURFACE ESTATE.

- 8.1 Lessor-Owned Surface. If Lessor owns the surface estate of all or some portion of the Leased Premises, by issuance of this Lease the Lessee has been granted the right to make use of such lands to the extent reasonably necessary and expedient for the economic operation of the leasehold. Lessee's right to surface use of Lessor-owned surface estate shall include the right to subside the surface. Such surface uses shall be exercised subject to the rights reserved to Lessor as provided in paragraph 2, RESERVATIONS TO LESSOR, and without unreasonable interference with the rights of any prior or subsequent lessee of Lessor.
- 8.2 Split-Estate Lands. If Lessor does not own the surface estate of any portion of the Leased Premises, Lessee's access to and use of the surface of such lands shall be determined by applicable law governing mineral development on split-estate lands, including without limitation applicable statutes governing access by mineral owners to split estate lands, and reclamation and bonding requirements. Lessee shall indemnify, defend and hold Lessor harmless for all claims, causes of action, damages, costs and expenses (including attorney's fees and costs) arising out of or related to damage caused by Lessee's operations to surface lands or improvements owned by third parties.

9. APPLICABLE LAWS AND REGULATIONS; HAZARDOUS SUBSTANCES

- 9.1 Trust Lands Statute and Regulations. This Lease is issued pursuant to the provisions of Title 53C, Utah Code Annotated, 1953, as amended, and Lessee is subject to and shall comply with all current and future rules and regulations adopted by the School and Institutional Trust Lands Administration.
- 9.2 Other Applicable Laws and Regulations. Lessee shall comply with all applicable federal, state and local statutes, regulations, and ordinances, including without limitation the Utah Coal Mining and Reclamation Act, applicable statutes and regulations relating to mine safety and health, and applicable statutes, regulations and ordinances relating to public health, pollution control, management of hazardous substances and environmental protection.
- 9.3 Hazardous Substances. Lessee [or other occupant pursuant to any agreement authorizing mining] shall not keep on or about the premises any hazardous substances, as defined under 42 U.S.C. § 9601(14) or any other Federal environmental law, any regulated substance contained in or released from any underground storage tank, as defined by the Resource Conservation and Recovery Act, 42 U.S.C. § 6991, *et seq.*, or any substances defined and regulated as "hazardous" by applicable State law, (hereinafter, for the purposes of this Lease, collectively referred to as "Hazardous Substances") unless such substances are reasonably necessary in Lessee's mining operations, and the use of such substances or tanks is noted and approved in the Lessee's mining plan, and unless Lessee fully complies with all Federal, State and local laws, regulations, statutes, and ordinances, now in existence or as subsequently enacted or amended, governing Hazardous Substances. Lessee shall immediately notify Lessor, the Trust Lands Administration, the surface management agency, and any other Federal, State and local agency with jurisdiction over the Leased Premises, or contamination thereon, of (i) all reportable spills or releases of any Hazardous Substance affecting the Leased Premises, (ii) all failures to comply with any applicable Federal, state or local law, regulation or ordinance governing Hazardous Substances, as now enacted or as subsequently enacted or amended, (iii) all inspections of the Leased Premises by, or any correspondence, order, citations, or notifications from any regulatory entity concerning Hazardous Substances affecting the Leased Premises, (iv) all regulatory orders or fines or all response or interim cleanup actions taken by or proposed to be taken by any government entity or private Party concerning the Leased Premises.
- 9.4 Hazardous Substances Indemnity. Lessee [or other occupant pursuant to any agreement authorizing mining] shall indemnify, defend, and hold harmless Lessor its agencies, employees, officers, and agents with respect to any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to Lessee's use, disposal, transportation, generation, sale or location upon or affecting the Leased Premises of Hazardous Substances, as defined in paragraph 9.4 of this Lease. This

indemnity shall extend to the actions of Lessee's employees, agents assigns, sublessees, contractors, subcontractors, licensees and invitees. Lessee shall further indemnify, defend and hold harmless Lessor from any and all damages, costs, liabilities, fees (including attorneys' fees and costs), penalties (civil and criminal), and cleanup costs arising out of or in any way related to any breach of the provisions of this Lease concerning Hazardous Substances. This indemnity is in addition to, and in no way limits, the general indemnity contained in paragraph 16.1 of this Lease.

- 9.5 Waste Certification. The Lessee shall provide upon abandonment, transfer of operation, assignment of rights, sealing-off of a mined area, and prior to lease relinquishment, certification to the Lessor and the Trust Lands Administration that, based upon a complete search of all the operator's records for the Lease, and upon its knowledge of past operations, there have been no reportable quantities of hazardous substances as defined in 40 Code of Federal Regulations §302.4, or used oil as defined in Utah Administrative Code R315-15, discharged (as defined at 33 U.S.C. §1321(a)(2)), deposited or released within the Leased Premises, either on the surface or underground, and that all remedial actions necessary have been taken to protect human health and the environment with respect to such substances. Lessee shall additionally provide to Lessor a complete list of all hazardous substances, hazardous materials, and their respective Chemical Abstracts Service Registry Numbers, and oil and petroleum products used or stored on, or delivered to, the Leased Premises. Such disclosure will be in addition to any other disclosure required by law or agreement.

10. BONDING.

- 10.1 Lease Bond Required. At the time this Lease is executed, Lessee shall execute and file with the Lessor a good and sufficient bond or other financial guarantee acceptable to Lessor in order to: (a) guarantee Lessee's performance of all covenants and obligations under this Lease, including Lessee's obligation to pay royalties; and (b) ensure compensation for damage, if any, to the surface estate and any surface improvements. The Lease Bond shall meet all federal mineral lease bond requirements as described in 43 Code of Federal Regulations Subpart 3474. The Lease Bond shall further provide that upon forfeiture of the Leased Premises to the State of Utah, the Lease Bond shall be payable to the Trust Lands Administration.
- 10.2 Reclamation Bonding. The bond filed with the Utah Division of Oil, Gas and Mining ("UDOGM") in connection with the issuance of a mine permit which includes the Leased Premises shall be deemed to satisfy Lessor's bonding requirements with respect to Lessee's reclamation obligations under this Lease; provided, however, upon notice to Lessee and a public hearing with respect to the basis for its decision, the Lessor may, in its reasonable discretion, determine that the bond filed with UDOGM is insufficient to protect Lessor's interests. In such an event the Lessor shall enter written findings as to the basis for its calculation of the perceived insufficiency and enter an order establishing the amount of additional bonding required. Lessee shall file any required additional bond with Lessor within thirty (30) days after demand by Lessor.

Lessor may increase or decrease the amount of any additional bond from time to time in accordance with the same procedure.

- 10.3 Release of Additional Bond. Any additional bond required by Lessor pursuant to 10.2, Reclamation Bonding, may be released by Lessor at any time and shall be released no later than the time of final bond release by UDOGM with respect to the Leased Premises.

11. WATER RIGHTS.

- 11.1 Water Rights in Name of Lessor. If Lessee files to appropriate water for coal mining operations on the Leased Premises, the filing for such water right shall be made by Lessee in the name of Lessor at no cost to Lessor, and such water right shall become an appurtenance to the Leased Premises, subject to Lessee's right to use such water right at no cost during the term of this Lease.

- 11.2 Option to Purchase. If Lessee purchases or acquires an existing water right for coal mining operations on the Leased Premises, Lessor shall have the option to acquire that portion of such water right as was used on the Leased Premises upon expiration or termination of this Lease. The option price for such water right shall be the fair market value of the water right as of the date of expiration or termination of this Lease. Upon expiration or termination of this Lease, Lessee shall notify Lessor in writing of all water rights purchased or acquired by Lessee for coal mining operations on the Leased Premises and its estimate of the fair market value of such water right. Lessor shall then have forty-five (45) days to exercise its option to acquire the water by payment to Lessee of the estimated fair market value. If Lessor disagrees with Lessee's estimate of fair market value, Lessor shall notify Lessee of its disagreement within the 45 day option exercise period. The fair market value of the water right shall then be appraised by a single appraiser mutually acceptable to both parties, which appraisal shall be final and not subject to review or appeal. If the parties cannot agree upon the choice of an appraiser, the fair market value of the water right shall be determined by a court of competent jurisdiction. Conveyance of any water right pursuant to this paragraph shall be by quit claim deed.

12. ASSIGNMENT OR SUBLEASE; OVERRIDING ROYALTIES.

- 12.1 Consent Required. Lessee shall not assign or sublease this Lease in whole or in part, or otherwise assign or convey any rights or privileges granted by this Lease, including, without limitation, creation of overriding royalties or production payments, without the prior written consent of Lessor. Any assignment, sublease or other conveyance made without prior written consent of Lessor shall have no legal effect unless and until approved in writing by Lessor. Exercise of any right with respect to the Leased Premises in violation of this provision shall constitute a default under this Lease.
- 12.2 Binding Effect. All of the terms and provisions of this Lease shall be binding upon and shall inure to the benefit of their respective successors, assigns, and sublessees.

- 12.3 Limitation on Overriding Royalties. Lessor reserves the right to disapprove the creation of an overriding royalty or production payment that would, in Lessor's reasonable discretion, constitute an unreasonable economic burden upon operation of the Lease. In exercising its discretion to disapprove the creation of an overriding royalty, Lessor shall consult with Lessee and any third parties involved and shall prepare findings to evidence the basis of its decision. Cumulative overriding royalties of 2% or less shall be deemed presumptively reasonable unless special circumstances are shown by Lessor to exist.

13. OPERATIONS.

- 13.1 Permitting. Before Lessee commences exploration, drilling, or mining operations on the Leased Premises, it shall have obtained such permits and posted such bonds as may be required under applicable provisions of the Utah Coal Mining and Reclamation Act, the Surface Mining Control and Reclamation Act, and associated regulations, together with applicable regulations of the surface management agency. Lessee shall maintain any required permits in place for the duration of mining operations and reclamation. Upon request, Lessee shall provide Lessor with a copy of all regulatory filings relating to permitting matters.
- 13.2 Plan of Operations. Prior to the commencement of any underground mining operations on the Leased Premises, Lessee shall obtain Lessor's approval of a plan of operations for the Leased Premises. The plan of operations shall contain all information required to be contained in a federal Resource Recovery and Protection Plan, as described in 43 Code of Federal Regulations § 3482.1(b) and (c) (1998). Lessor may modify the proposed plan of operations as is needed to insure that there is no waste of economically recoverable coal reserves contained on the Leased Premises. In this context "waste" shall mean the inefficient utilization of, or the excessive or improper loss of an otherwise economically recoverable coal resource. Lessor shall notify Lessee in writing of its approval or modifications of the plan of operations. The plan of operations submitted by Lessee shall be deemed approved by Lessor if Lessor has not otherwise notified Lessee within sixty (60) days of filing.
- 13.3 Plan of Operations - Modification. In the event that material changes are required to the plan of operations during the course of mining, Lessee shall submit a modification of the plan of operations to the Lessor. Routine adjustments to the plan of operations based upon geologic circumstances encountered during day-to-day mining operations do not require the submission of a modification. If the proposed changes require emergency action by Lessor, then the Lessee shall so notify the Lessor at the time of submission of the modification and the parties shall use their best efforts to meet the Lessee's time schedule regarding implementation of the changes. Non-emergency modifications will be reviewed promptly by Lessor to insure that there is no waste of economically recoverable coal reserves pursuant to the plan of operations, as modified, and Lessor shall notify lessee in writing of its approval or modification of the proposed modification.

- 13.4 Mine Maps. Lessee shall maintain at the mine office clear, accurate, and detailed maps of all actual and planned operations prepared and maintained in the manner prescribed by 43 Code of Federal Regulations § 3482.3 (1998). Lessee shall provide copies of such maps to Lessor upon request.
- 13.5 Good Mining Practices. Lessee shall conduct exploration and mining operations on the Leased Premises in accordance with standard industry operating practices, and shall avoid waste of economically recoverable coal. Lessee shall comply with all regulations and directives of the Mine Safety and Health Administration or successor agencies for the health and safety of employees and workers. Lessee shall further comply with the performance standards for underground resource recovery set forth at 43 Code of Federal Regulations § 3484.1(c) (1998); provided, however, that Lessor may waive such standards from time to time in its reasonable discretion, upon request by Lessee. Coal shall be mined from this Lease by underground methods only.
- 13.6 Mining Units. Lessor may approve the inclusion of the Leased Premises in a mining unit with federal, private or other non-state lands upon terms and conditions that it deems necessary to protect the interests of the Lessor, including without limitation segregation of production, accounting for commingled coal production, and minimum production requirements or minimum royalties for the Leased Premises.

14. EQUIPMENT; RESTORATION.

- 14.1 Equipment. Upon termination of this Lease, Lessee shall remove, and shall have the right to remove, all improvements, equipment, stockpiles, and dumps from the Leased Premises within six (6) months; provided, however, that Lessor may, at Lessor's sole risk and expense, and subject to Lessee's compliance with requirements imposed by UDOGM and MSHA, require Lessee to retain in place underground timbering supports, shaft linings, rails, and other installations reasonably necessary for future mining of the Leased Premises. All improvements and equipment remaining on the Leased Premises after six (6) months may be deemed forfeited to Lessor upon written notice of such forfeiture to Lessee. Lessee may abandon underground improvements, equipment of any type, stockpiles and dumps in place if such abandonment is in compliance with applicable law, and further provided that Lessee provides Lessor with financial or other assurances sufficient in Lessor's reasonable discretion to protect Lessor from future environmental liability with respect to such abandonment or any associated hazardous waste spills or releases. Lessee shall identify and locate on the mine map the location of all equipment abandoned on the Lease Premises.
- 14.2 Restoration and Reclamation. Upon termination of this Lease, Lessee shall reclaim the Leased Premises in accordance with the requirements of applicable law, including mine permits and reclamation plans on file with UDOGM. Lessee shall further abate any hazardous condition on or

associated with the Leased Premises. Lessee and representatives of all governmental agencies having jurisdiction shall have the right to re-enter the Leased Premises for reclamation purposes for a reasonable period after termination of the Lease.

15. DEFAULT

15.1 Notice of Default: Termination. Upon Lessee's violation of or failure to comply with any of the terms, conditions or covenants set forth in this Lease, Lessor shall notify Lessee of such default by registered or certified mail, return receipt requested, at the last address for Lessee set forth in Lessor's files. Lessee shall then have thirty (30) days, or such longer period as may be granted in writing by Lessor, to either cure the default or request a hearing pursuant to the Lessor's administrative adjudication rules. In the event Lessee fails to cure the default or request a hearing within the specified time period, Lessor may cancel this Lease without further notice to or appeal by Lessee.

15.2 Effect of Termination. The termination of this Lease for any reason, whether through expiration, cancellation or relinquishment, shall not limit the rights of the Lessor to recover any royalties and/or damages for which Lessee may be liable, to recover on any bond on file, or to seek injunctive relief to enjoin continuing violations of the Lease terms. No remedy or election under this Lease shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies available under this Lease, at law, or in equity. Lessee shall surrender the Leased Premises upon termination; however, the obligations of Lessee with respect to reclamation, indemnification and other continuing covenants imposed by this Lease shall survive the termination.

16. MISCELLANEOUS PROVISIONS.

16.1 Indemnity. Except as limited by paragraph 7.2, Inspection, Lessee shall indemnify and hold Lessor harmless for, from and against each and every claim, demand, liability, loss, cost, damage and expense, including, without limitation, attorneys' fees and court costs, arising in any way out of Lessee's occupation and use of the Leased Premises, including without limitation claims for death, personal injury, property damage, and unpaid wages and benefits. Lessee further agrees to indemnify and hold Lessor harmless for, from and against all claims, demands, liabilities, damages and penalties arising out of any failure of Lessee to comply with any of Lessee's obligations under this Lease, including without limitation attorneys' fees and court costs.

16.2 Interest. Except as set forth in paragraph 4, BONUS BID, interest shall accrue and be payable on all obligations arising under this Lease at such rate as may be set from time to time by rule enacted by Lessor. Interest shall accrue and be payable, without necessity of demand, from the date each such obligation shall arise.

- 16.3 Suspension. In the event that Lessor in its reasonable discretion determines that suspension is necessary in the interests of conservation of the coal resource, or if Lessee has been prevented from performing any of its obligations or responsibilities under this Lease or from conducting mining operations by labor strikes, fires, floods, explosions, riots, any unusual mining casualties or conditions, Acts of God, government restrictions or orders, severe weather conditions, or other extraordinary events beyond its control, then the time for performance of this Lease by Lessee shall be suspended during the continuance of such acts which prevent performance, excepting any payments due and owing to Lessor.
- 16.4 Consent to Suit; Jurisdiction. This Lease shall be governed by the laws of the State of Utah. Lessor and Lessee agree that all disputes arising out of this Lease shall be litigated only in the Third Judicial District Court for Salt Lake County, Utah. Lessee consents to the jurisdiction of such court. Lessee shall not bring any action against Lessor without exhaustion of available administrative remedies and compliance with applicable requirements of the Utah Governmental Immunity Act.
- 16.5 No Waiver. No waiver of the breach of any provision of this Lease shall be construed as a waiver of any preceding or succeeding breach of the same or any other provision of this Lease, nor shall the acceptance of rentals or royalties by Lessor during any period of time in which Lessee is in default be deemed to be a waiver of such default.
- 16.6 Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.
- 16.7 Special Stipulations. The special stipulations set forth in Exhibit "A" to this Lease are hereby incorporated into and made an integral part of this Lease.
- 16.8 Entire Lease. This Lease, together with any attached stipulations, sets forth the entire agreement between Lessor and Lessee with respect to the subject matter of this Lease. No subsequent alteration or amendment to this Lease shall be binding upon Lessor and Lessee unless in writing and signed by each of them.

IN WITNESS WHEREOF, the parties have executed this Lease as of the date hereinabove first written.

APPROVED AS TO FORM:  
MARK L. SHURTLEFF

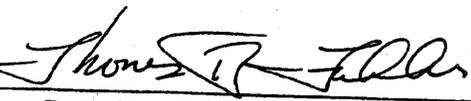
ATTORNEY GENERAL

By 

Form Approved: 2/26/04

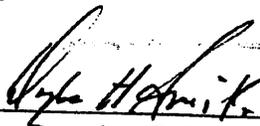
THE STATE OF UTAH, acting by and through the  
SCHOOL AND INSTITUTIONAL TRUST  
LANDS ADMINISTRATION ("LESSOR")

KEVIN S. CARTER, DIRECTOR

By   
Thomas B. Faddies, Assistant Director/Minerals

School & Institutional Trust Lands Administration - LESSOR

ANDALEX RESOURCES, INC.  
LESSEE

By:   
Its: Douglas H. Smith, President

&

INTERMOUNTAIN POWER AGENCY  
LESSEE

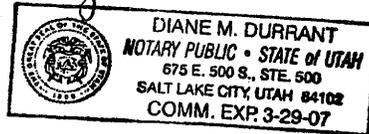
By: Reed J Seale  
Its: Gen. Manager

STATE OF UTAH )  
COUNTY OF SALT LAKE )

On the 22 day of March, 2004, personally appeared before me THOMAS B. FADDIES who duly sworn did say that he is Assistant Director of the School & Institutional Trust Lands Administration of the State of Utah and the signer of the above instrument, who duly acknowledged that he executed the same.

Given under my hand and seal this 22 day of March, 2004.

Diane M. Durrant  
NOTARY PUBLIC, residing at: Layton, UT  
My Commission Expires: March 29, 2007

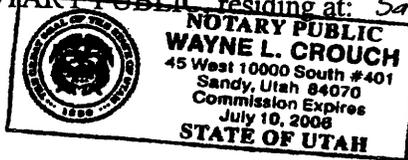


STATE OF UTAH )  
COUNTY OF SALT LAKE )

On the 17th day of March, 2004, personally appeared before me Douglas H. Smith, who being duly sworn did say that he is an officer of ANDALEX Resources, Inc. and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said Douglas H. Smith acknowledged to me that said corporation executed the same.

Given under my hand and seal this 17th day of March, 2004.

Wayne L. Crouch  
NOTARY PUBLIC, residing at: Salt Lake County, UTAH  
My Commission Expires: 10 July 2006



STATE OF )  
COUNTY OF )

On the 19 day of March, 2004, personally appeared before me Reed T. Searke, who being duly sworn did say that he is an officer of INTERMOUNTAIN POWER AGENCY and that said instrument was signed in behalf of said corporation by resolution of its Board of Directors, and said Reed T. Searke acknowledged to me that said corporation executed the same.

Given under my hand and seal this 19 day of March, 2004.

NOTARY PUBLIC, residing at: Salt Lake County, UT.  
My Commission Expires:



Krista R Paull

APPENDIX 1-4E

LEASE ASSIGNMENT

PENTA CREEK FEE LEASE

i-14E

APPENDIX ~~14E~~

**PENTA CREEK FEE LEASE**

INCORPORATED

APR 02 2003

DIV OF OIL GAS & MINING

## MEMORANDUM OF UNDERGROUND COAL LEASE

THIS MEMORANDUM OF COAL LEASE made and entered into effective as of the 1st day of January, 2003, among **PENTA CREEKS, L.L.C.** (a.k.a. Penta Creek LLC), a Utah limited liability company and **MAGNIFICENT SEVEN, L.L.C.**, a Utah limited liability company, collectively referred to as "Lessors," having a single address for purposes of this Lease c/o Howard Jensen Real Estate, 111 East Clark Street, Albert Lea, Minnesota 56007; and **ANDALEX RESOURCES, INC.**, a Delaware corporation, with an address at 45 West 10000 South, Suite 401, Sandy, Utah 84070, and **INTERMOUNTAIN POWER AGENCY**, a political subdivision of the State of Utah, with an address at 480 East 6400 South, Murray, Utah 84107, each having an undivided 50% ownership interest in the leasehold estate created by this Lease as tenants in common and collectively referred to herein as "Lessee," having a single address c/o **ANDALEX Resources, Inc.**, 45 West 10000 South, Suite 401, Sandy, Utah 84070.

### WITNESSETH:

The parties hereto agree:

1. Upon the terms and conditions set forth in that certain Underground Coal Lease (hereinafter "Lease"), effective of even date herewith, all of which are hereby incorporated herein as if set forth in full, Lessors do hereby grant and lease unto Lessee for the purposes described in paragraph 2 of this Memorandum of Underground Coal Lease and in the Lease those certain lands situated in Carbon County, State of Utah, more particularly described as follows, to-wit:

Township 14 South, Range 14 East, SLB&M

Section 6: Lot 7, SE $\frac{1}{4}$ SW $\frac{1}{4}$   
Section 7: Lots 1 and 2, NE $\frac{1}{4}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$   
Section 18: Lots 2 and 3, NW $\frac{1}{4}$ NE $\frac{1}{4}$

Less and excepting from the portion of the above described legal subdivisions in Section 7, those lands described in that certain Quitclaim Deed dated September 25, 1998 naming Penta Creeks, L.L.C. and Magnificent Seven, L.L.C., as Grantors, and East Carbon City and Sunnyside City as Grantees. Said Quitclaim Deed was recorded September 30, 1998 in Book 418 at pages 56 to 58, Carbon County Recorder, Utah.

And excepting and reserving to Lessors, to the extent of their ownership interest therein, all water and water rights, and the right of Lessors to access, use and divert those waters and water rights, (collectively herein the "Subject Water Rights") as follows:

Water Right No. 91-1640, including the beneficial use for stockwatering purposes from a point on the Left Fork, Grassy Trail Creek, b~~APR 02 2003~~  
SW $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 6, Township 14 South, Range 14 East, SLBM, to a

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DIV OF OIL GAS & MINING

point in the NE1/4SW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Water Right No. 91-3519, including the beneficial use for stockwatering purposes from a point on the Right Fork, Grassy Trail Creek in the NW1/4SE1/4, Section 6, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4SW1/4, Section 6, Township 14 South, Range 14 East, SLBM.

Water Right No. 91-3520, including the beneficial use for stockwatering purposes from a point in the NE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM, to a point in the SE1/4NW1/4, Section 7, Township 14 South, Range 14 East, SLBM.

Subject to the following rights of way and agreements as they exist at the time of execution of this Lease:

- (1) Rights of third parties to access water rights on the leased premises.
- (2) Rights of way for roadways, both public and private as may exist over and across the leased premises.
- (3) Memorandum Agreement by and between Kaiser Steel Corporation and Frank Liddell and Effie Liddell, his wife, regarding cattle grazing and watershed control recorded February 20, 1958, as Entry No. 84105, in Book 53, at Page 204, Carbon County Recorder, Utah.
- (4) The right of ingress and egress granted to Sunnyside Fuel Corporation for the purpose of transporting, mining and removing tailings as contained in that certain Deed, Assignment and Bill of Sale recorded December 29, 1987, as Entry No. 19370, in Book 277, at Page 679, Carbon County Recorder, Utah.
- (5) Reservation of an easement for the delivery of Water Rights Nos. 91-362 and 91-367; also, a perpetual easement and right of way for water pipeline facilities including pipes, valves and related equipment with the right, privilege and authority to construct, operate, maintain, replace and repair said facilities under, over and across certain lands, as set forth and reserved in that certain Quit Claim Deed recorded March 27, 1996, as Entry No. 54278, in Book 370, at Page 121, Carbon County Recorder, Utah.
- (6) Right of way and Easements granted to East Carbon City and Sunnyside City for the following:

(A) For the purposes of maintaining the Grassy Trail Reservoir Dam and appurtenant works and pipelines.

(B) For the purposes of fluctuation of Grassy Trail Reservoir water levels and inundation of a subject property in conjunction with the operation, maintenance and repair of the Grassy Trail Reservoir Dam.

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APR 07 2003

DIV OF OIL GAS & MINING

(C) For ingress and egress for the purpose of inspecting, measuring and insuring available flow of water.

(7) An easement originally in favor of Defense Plant Corporation to construct, operate, maintain, reconstruct, enlarge, alter or remove a water pipeline through and across certain lands, together with all rights and privileges, incident thereto, recorded April 26, 1944, as Entry No. 42483, in Book 3-X, at Page 390, Carbon County Recorder, Utah. Said Easement further set forth in various instruments of record, including Notice of Agreement, recorded December 29, 1987, as Entry No. 19373, in Book 277, at Page 709, Carbon County Recorder, Utah.

(8) As easement 25 feet in width for an existing water line connecting Grassy Trail Reservoir in said Section 7 with the reservoir of East Carbon City in Section 6, Township 15 South, Range 14 East, together with all rights and privileges incident thereto, recorded October 27, 1983, as Entry No. 1415, in Book 233, at Page 182.

The term "leased premises" as used in the Lease shall refer to said lands.

2. The Underground Coal Lease grants to Lessee the exclusive right and privilege to explore for, mine (by any lawful underground mining method), remove extract, store, prepare, ship and dispose of the coal and gas occurring in coal seams, beds or deposits when vented as a non-commercial substance in conjunction with coal development or extraction operations together with limited rights of access for environmental monitoring purposes. The leasing, exploration for, or development of other minerals or substances other than coal and substances mixed with coal shall not interfere in any way with the coal mining operations of the Lessee during the term of this Lease. Leases related to other minerals issued by Lessors after the date of this Lease shall be specifically made subject to the priority of the coal mining operations.

3. The term of the Lease is for a primary term of ten (10) years which commenced on January 1, 2003 and so long thereafter as mining operations are being conducted by Lessee in the general mining area.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Underground Coal Lease and the Underground Coal Lease to be signed effective as of the day and year first above written.

LESSORS:

SOCIAL SECURITY NUMBER OR  
EMPLOYER IDENTIFICATION NO.:

87-0548967

PENTA CREEKS, L.L.C.  
a Utah limited liability company

By:  
Its:

[Signature]  
[Signature] INCORPORATED

APR 02 2003

SOCIAL SECURITY NUMBER OR  
EMPLOYER IDENTIFICATION NO.:

87-0530833

MAGNIFICENT SEVEN, L.L.C.  
a Utah limited liability company

By: [Signature]

Its: [Signature]

LESSEE:

ANDALEX RESOURCES, INC.,  
a Delaware corporation

By: [Signature]

DOUGLAS H. SMITH

President

Date: March 11, 2003

INTERMOUNTAIN POWER AGENCY,  
a political subdivision of the State of Utah

By: [Signature]

REED T. SEARLE

General Manager

Date: March 10, 2003

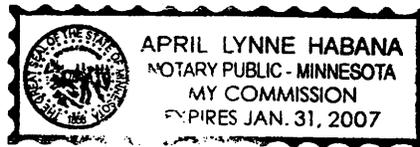
INCORPORATED  
APR 07 2003  
DIV OF OIL GAS & MINING

STATE OF Minnesota )  
 ) : ss.  
COUNTY OF Freeborn )

On the 12<sup>th</sup> day of March, 2003, personally appeared before me  
Greg Jensen, the member of Penta Creeks,  
L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf of  
Penta Creeks, L.L.C. and acknowledged to me that he executed the same.

April Habana  
Notary Public  
Residing at: Hayward, Mn

My commission expires:  
Jan. 31, 2007

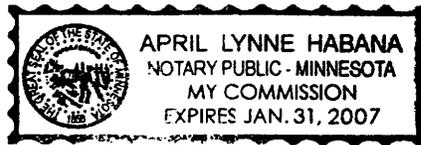


STATE OF Minnesota )  
 ) : ss.  
COUNTY OF Freeborn )

On the 12<sup>th</sup> day of March, 2003, personally appeared before me  
Greg Jensen, the member of Magnificent  
Seven, L.L.C., a Utah limited liability company, who signed the foregoing instrument on behalf  
of Magnificent Seven, L.L.C., and acknowledged to me that he executed the same.

April Habana  
Notary Public  
Residing at: Hayward, Mn

My commission expires:  
Jan. 31, 2007



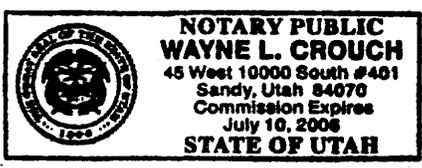
INCORPORATED  
APR 07 2003  
DIV OF OIL GAS & MINING

STATE OF UTAH )  
 ) : ss.  
COUNTY OF SALT LAKE )

On the 11<sup>th</sup> day of March, 2003, personally appeared before me Douglas H. Smith, the President of ANDALEX Resources, Inc., who signed the foregoing instrument on behalf of ANDALEX Resources, Inc. and acknowledged to me that he executed the same.

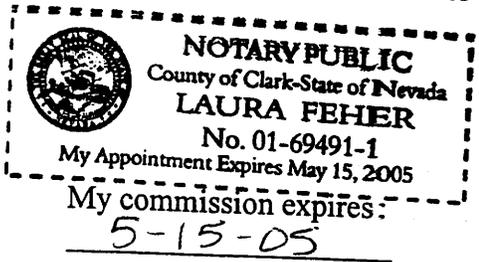
Wayne L Crouch  
Notary Public  
Residing at: Salt Lake County, Utah

My commission expires:  
16 July 2006



STATE OF ~~UTAH~~ NEVADA )  
 ) : ss.  
COUNTY OF ~~SALT LAKE~~ CLARK

On the 10 day of March, 2003, personally appeared before me Reed T. Searle, the General Manager of Intermountain Power Agency, who signed the foregoing instrument on behalf of Intermountain Power Agency and acknowledged to me that he executed the same.



Laura Feher  
Notary Public  
Residing at: LAS VEGAS, NV

INCORPORATED  
APR 02 2003  
DIV OF OIL GAS & MINING

**R645-301-520            OPERATION PLAN**

**R645-301-521            GENERAL**

WEST RIDGE Resources, Inc. holds federal coal leases SL-068754 and UTU-75862, state lease ML 47711 and ML 49287 and the Penta Creek fee lease, totaling 6,964.34 acres in the West Ridge area of eastern Carbon County. Much of the Penta Creek Fee Lease is not included within the permit area at this time and cannot be mined until the permit is amended. Refer to Map 5-4B, Mining Projections - Extended Reserves.

The mine, will consist of one longwall and two continuous miner sections. The mining sequence for the first five year term is shown on Map 5-4A, Mining Projections. Initial mine production will come from reserves located in the southeastern portion of the existing lease area. Panels will be developed to the north and south of the mains, progressing in an eastward direction. With the existing leases, the projected life of the West Ridge Mine is 15 years. After the economically recoverable reserves within the permit area have been depleted, the portals would be sealed and reclamation of the surface facility area would begin unless additional leases were acquired.

Surface facilities will be located in C Canyon, where the left and right forks converge, in a previously disturbed area. The extent of the previous disturbance includes access roads, outcrop excavations and exploration drill holes. Previous disturbance at this site is estimated to be approximately 1.62 acres. The total proposed surface disturbed area, as delineated by the tan line on the maps, amounts to approximately 29 acres. Actual anticipated disturbance for surface facilities and topsoil stockpiles (within the disturbance area) is estimated at 26.02 acres. This includes approximately 0.79 acres of Carbon County road which has been included in the disturbed area down to the C Canyon gate, and 0.23 acres for the pumphouse area located below the minesite.

An alternate (substitute) topsoil borrow area would be located about 1 ½ miles to the west of the proposed mine site on a ten acre parcel of State School Trust land. This area would not be included unless needed for final reclamation. No surface disturbance would take place at this location until the time of final reclamation. No additional acreage should be required for the project as proposed in this permit application.

No spoil, waste, noncoal waste, dams, embankments, sediment pond, water treatment or air pollution control facilities exist within the proposed permit area. A small portion of the Grassy Trail Reservoir (less than 0.6 acres) lies within a corner of the permit area.

521.130 Landownership And Right Of Entry Maps

Ownership boundaries and the names of the present owners of record for surface lands as well as underground are depicted on Maps 5-2, Surface Ownership and 5-3, Subsurface Ownership.

Map 5-4B delineates the federal coal lease SL-068754 and UTU-78562, state lease ML 47711 and ML49287 and the Penta Creek fee lease, totaling 6,964.34 acres held by WEST RIDGE Resources, Inc., which is the area for which WEST RIDGE Resources, Inc. Resources has the legal right to enter and begin coal mining and reclamation operations. Much of the Penta Creek Fee Lease is not included within the permit area at this time.

Included in Appendix 5-2 is a letter from Carbon County granting WEST RIDGE Resources, Inc. permission to conduct mining operations within 100 feet of the Carbon County road. This would basically be that segment of road where the road enters the mine facility area.

Also included in Appendix 5-2 is an approval letter from Carbon County, allowing for the periodic closure of approximately 960' of the "C" Canyon Road from the gate to the original mine permit area. The permit area has been extended to the gate, as shown on Plate 4-1.

A public notice has been published providing for request for a public hearing as provided in R645-103-234. A copy of this notice is also included in Appendix 5-2.

521.140 Mine Maps And Permit Area Maps

The permit area proposed to be affected by the coal mining and reclamation operation is shown on Map 5-3. Permit renewals will be reapplied for on five year intervals.

521.141 The mining operation has been divided into five year mining blocks in an attempt to show future areas that will be mined under the permit renewals. The mining blocks are shown on Map 5-4B. All projections and timing are preliminary and general in nature and may change in the future depending on mining, marketing, environmental conditions and/or acquisition of additional state and federal reserves.

Surface support facilities in C Canyon will be utilized for the life of mine operations. The proposed mine surface facility area is depicted on Map 5-5, Surface Facility Map.

# 2008 RAPTOR SURVEY

NOTE:  
THIS INFORMATION SHOULD BE FILED IN THE  
CONFIDENTIAL BINDER

CULTURAL RESOURCE SURVEY  
LEASE MODIFICATION AREA

NOTE:  
THIS INFORMATION SHOULD BE FILED IN THE  
CONFIDENTIAL BINDER

**MAP 1-0**

**PERMIT AREA**



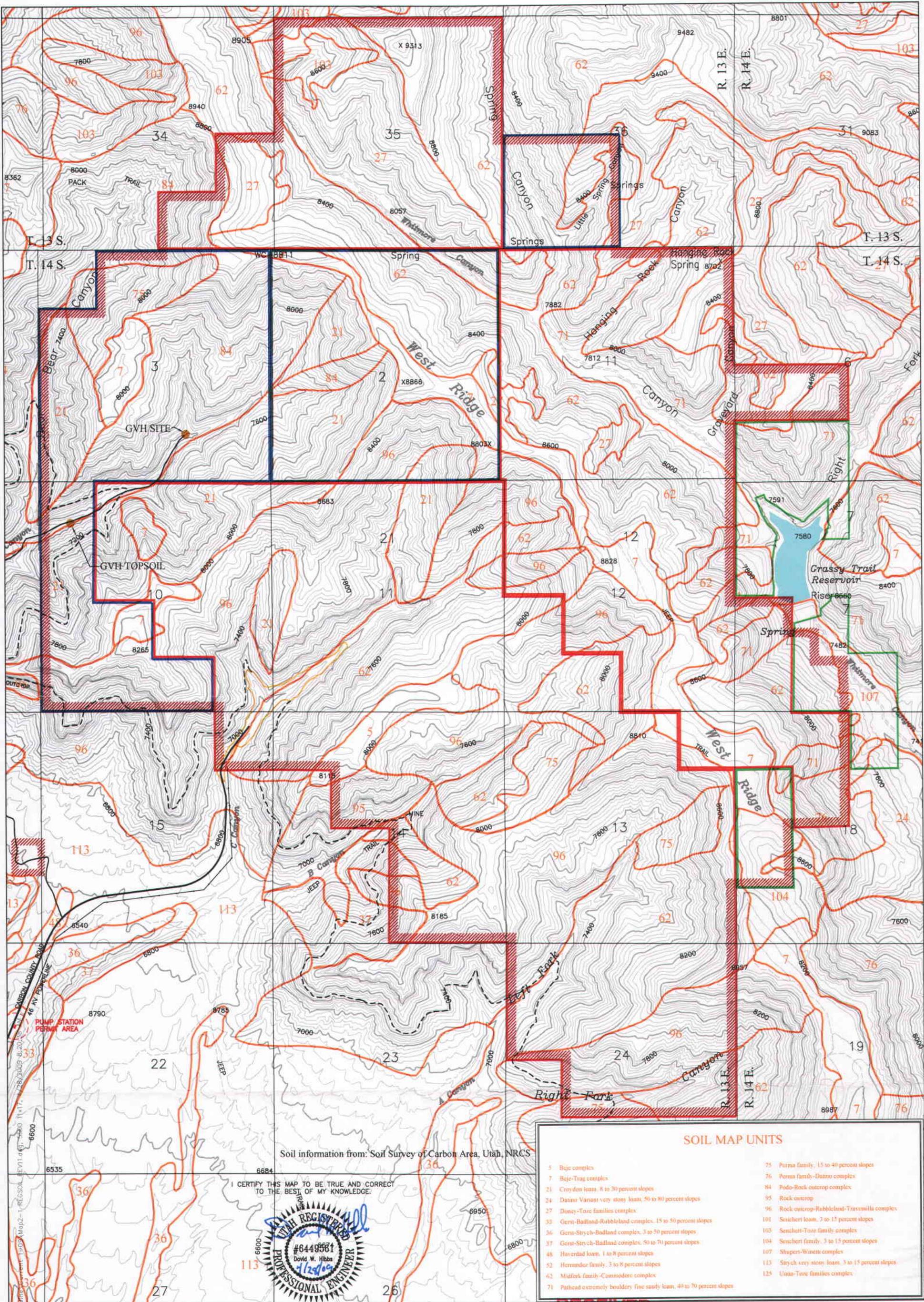
**MAP 1-1**

**LOCATION MAP**



**MAP 2-1**

**REGIONAL SOIL MAP**



Soil information from: Soil Survey of Carbon Area, Utah, NRCS

I CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

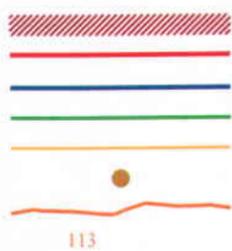


**SOIL MAP UNITS**

- 5 Bejo complex
- 7 Bejo-Trag complex
- 21 Creydon loam, 8 to 30 percent slopes
- 24 Datino Variant very stony loam, 50 to 80 percent slopes
- 27 Doney-Tore families complex
- 33 Gera-Badland-Rubbleland complexes, 15 to 50 percent slopes
- 36 Gera-Strych-Badland complex, 3 to 50 percent slopes
- 37 Gera-Strych-Badland complex, 50 to 70 percent slopes
- 48 Haverdud loam, 1 to 8 percent slopes
- 52 Hernandez family, 3 to 8 percent slopes
- 62 Mulfork family-Commodore complex
- 71 Pathead extremely bouldery fine sandy loam, 40 to 70 percent slopes
- 75 Perma family, 15 to 40 percent slopes
- 76 Perma family-Danno complex
- 84 Podo-Rock outcrop complex
- 95 Rock outcrop
- 96 Rock outcrop-Rubbleland-Travemilla complex
- 101 Senichert loam, 3 to 15 percent slopes
- 103 Senichert-Tore family complex
- 104 Senichert family, 3 to 15 percent slopes
- 107 Slupers-Winetti complex
- 113 Strych very stony loam, 3 to 15 percent slopes
- 125 Uima-Tore families complex

**WEST RIDGE MINE**  
Map 2-1  
**Regional Soil Map**

- LEGEND:**
- Permit Boundary
  - Federal Lease
  - State Lease
  - Penta Creek Fee
  - Surface Facility Area
  - GVH Site
  - Soil Mapping Boundary
  - Soil Map Number



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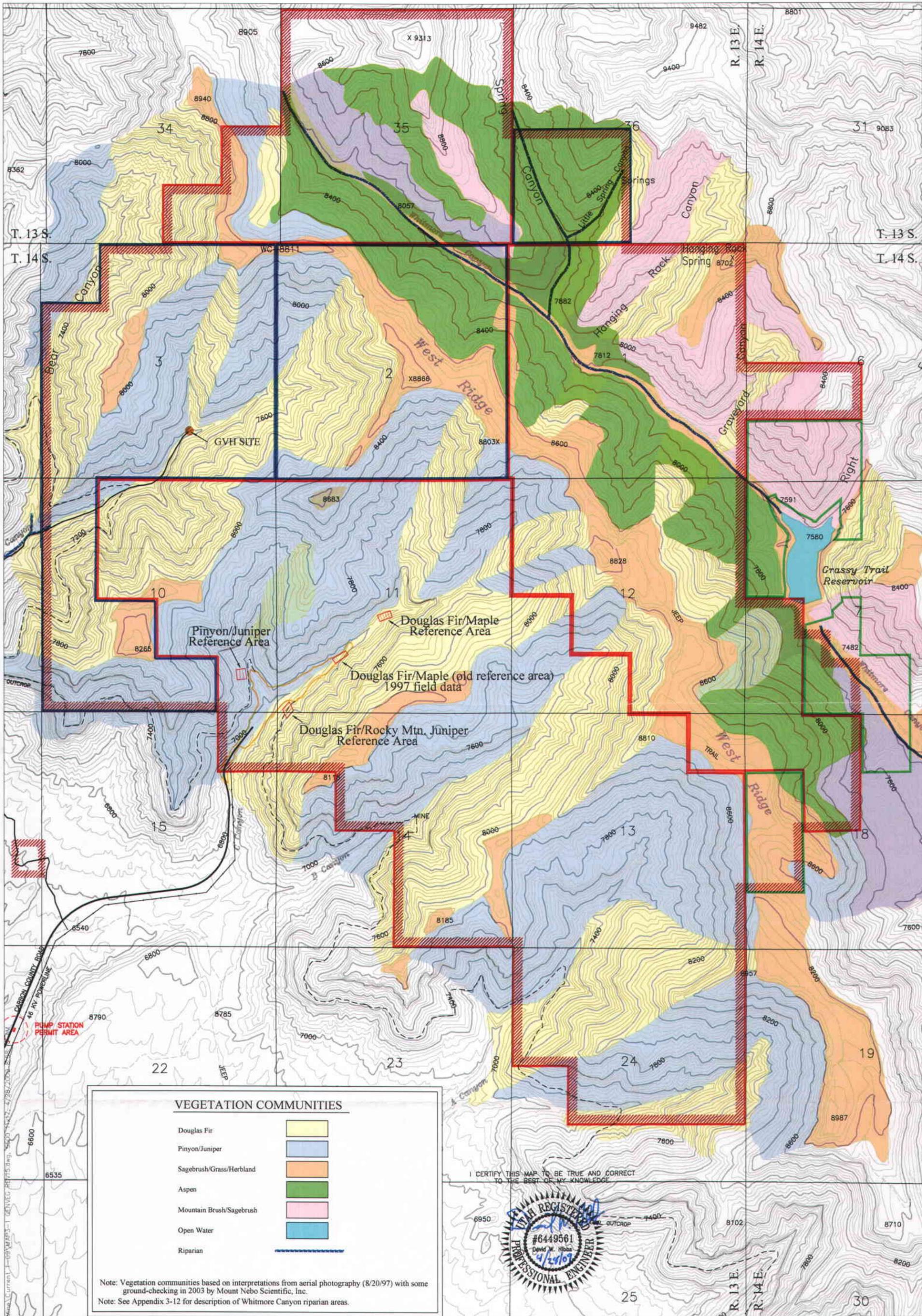


**WEST RIDGE**  
RESOURCES, INC.

SCALE: 1"=2000'

**MAP 3-1**

**VEGETATION COMMUNITIES**



VEGETATION COMMUNITIES	
Douglas Fir	
Pinyon/Juniper	
Sagebrush/Grass/Herbland	
Aspen	
Mountain Brush/Sagebrush	
Open Water	
Riparian	

Note: Vegetation communities based on interpretations from aerial photography (8/20/97) with some ground-checking in 2003 by Mount Nebo Scientific, Inc.  
 Note: See Appendix 3-12 for description of Whitmore Canyon riparian areas.

I CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE

**DAVID W. HIBBS**  
 #6449561  
 4/23/09  
 REGISTERED PROFESSIONAL ENGINEER

# WEST RIDGE MINE

## Map 3-1

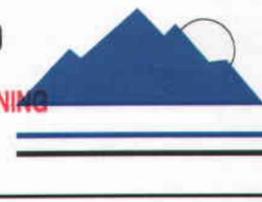
### General Vegetation Communities

- LEGEND:**
- Permit Boundary
  - Federal Lease
  - State Lease
  - Penta Creek Fee
  - Surface Facility Area
  - GVH Site
  - Outcrop

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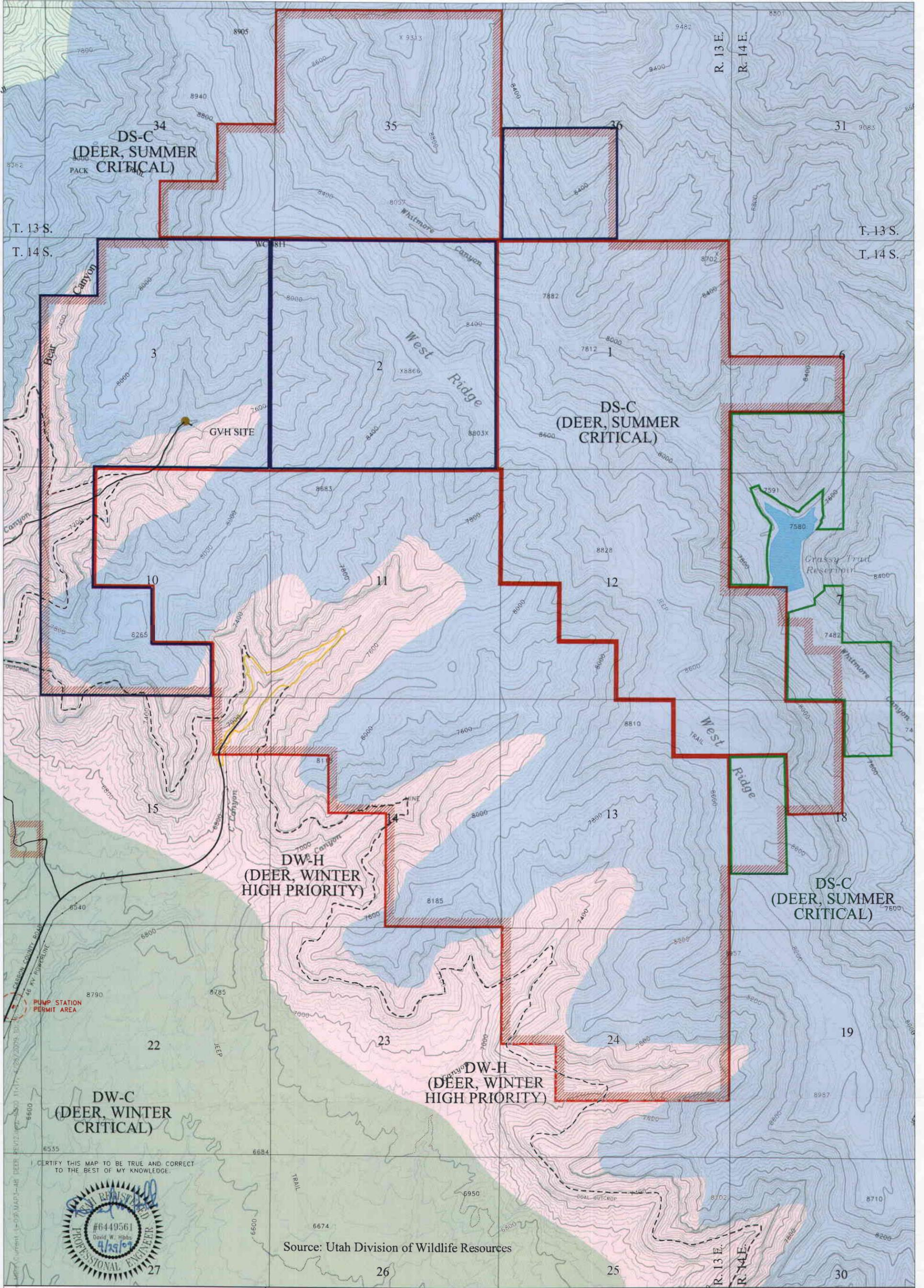


**WEST RIDGE**  
 RESOURCES, INC.

SCALE: 1"=2000'

**MAP 3-4B**

**WILDLIFE-DEER RANGE**



CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

DATE: 4-28-09      REV 12      ACAD REF. MAP3-4B DEER REV12

# WEST RIDGE MINE

## Map 3-4B

### Wildlife Map - Deer Range

**LEGEND:**

- Permit Boundary (Red hatched line)
- Federal Lease (Red solid line)
- State Lease (Blue solid line)
- Penta Creek Fee (Green solid line)
- Surface Facility Area (Yellow solid line)
- GVH Site (Yellow dot)
- DW-C (Light Green shaded area)
- DW-H (Light Pink shaded area)
- DS-C (Light Blue shaded area)

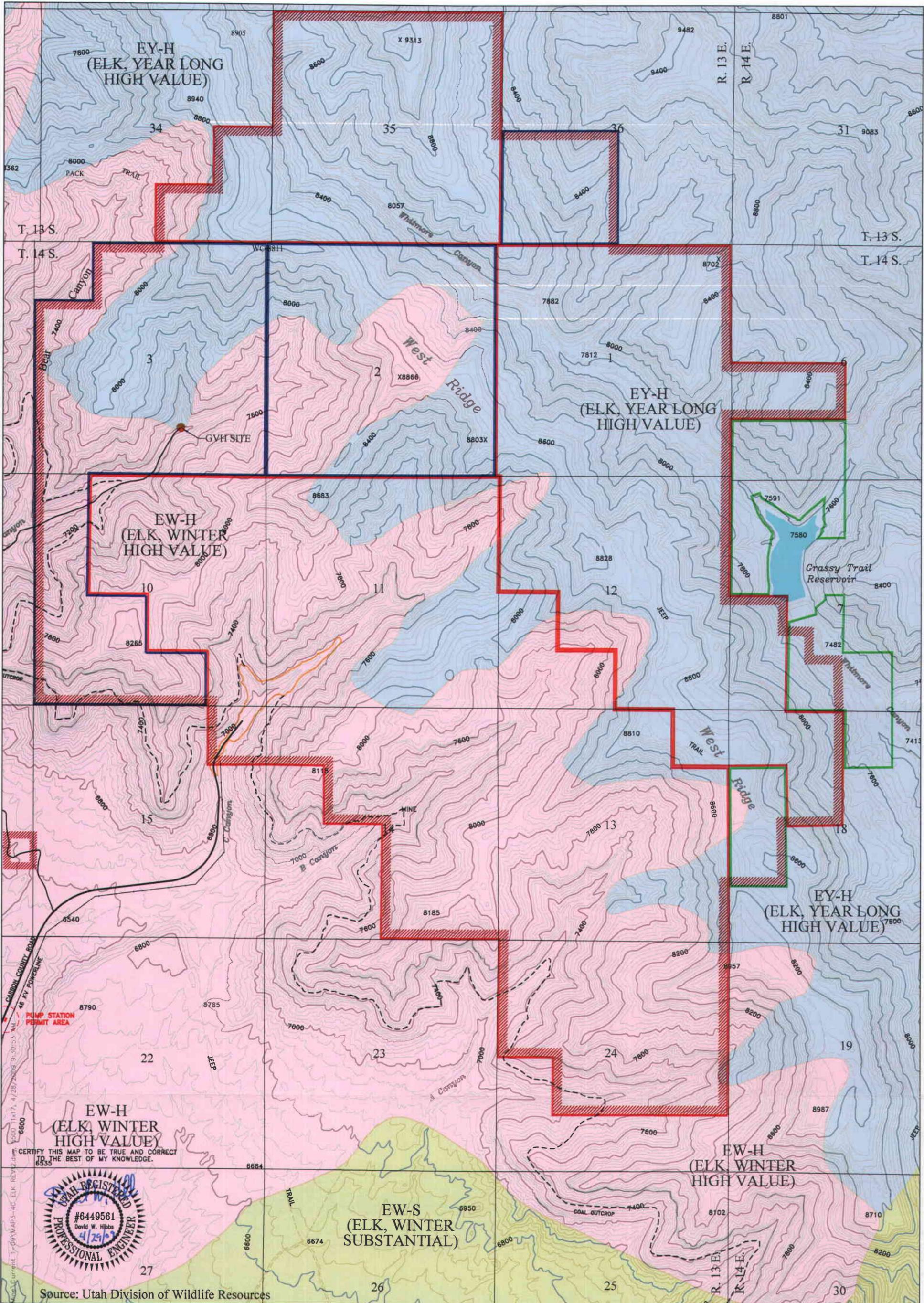
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**WEST RIDGE RESOURCES, INC.**

SCALE: 1"=2000'

**MAP 3-4C**

**WILDLIFE-ELK RANGE**



CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.



Source: Utah Division of Wildlife Resources

# WEST RIDGE MINE

## Map 3-4C

### Wildlife Map - Elk Range

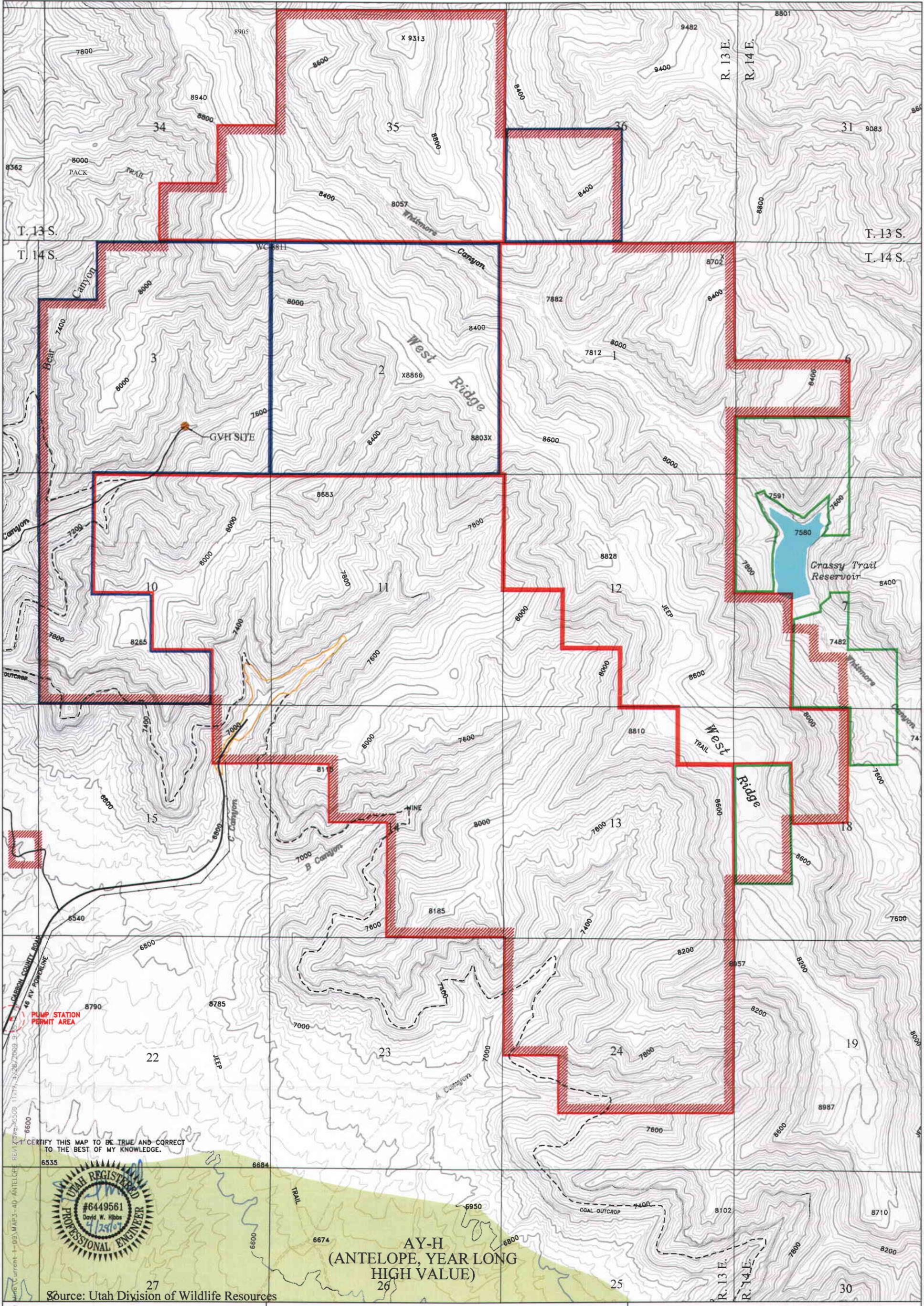
- Permit Boundary
- Federal Lease
- State Lease
- Penta Creek Fee
- Surface Facility Area
- GVH Site
- EW-S
- EY-H
- EW-H



SCALE: 1"=2000'

**MAP 3-4D**

**WILDLIFE-ANTELOPE RANGE**



CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.



Source: Utah Division of Wildlife Resources

**WEST RIDGE MINE**  
 Map 3-4D  
**Wildlife Map - Antelope Range**

**LEGEND:**  
 Permit Boundary  
 Federal Lease  
 State Lease  
 Penta Creek Fee  
 Surface Facility Area  
 GVH Site  
 AY-H

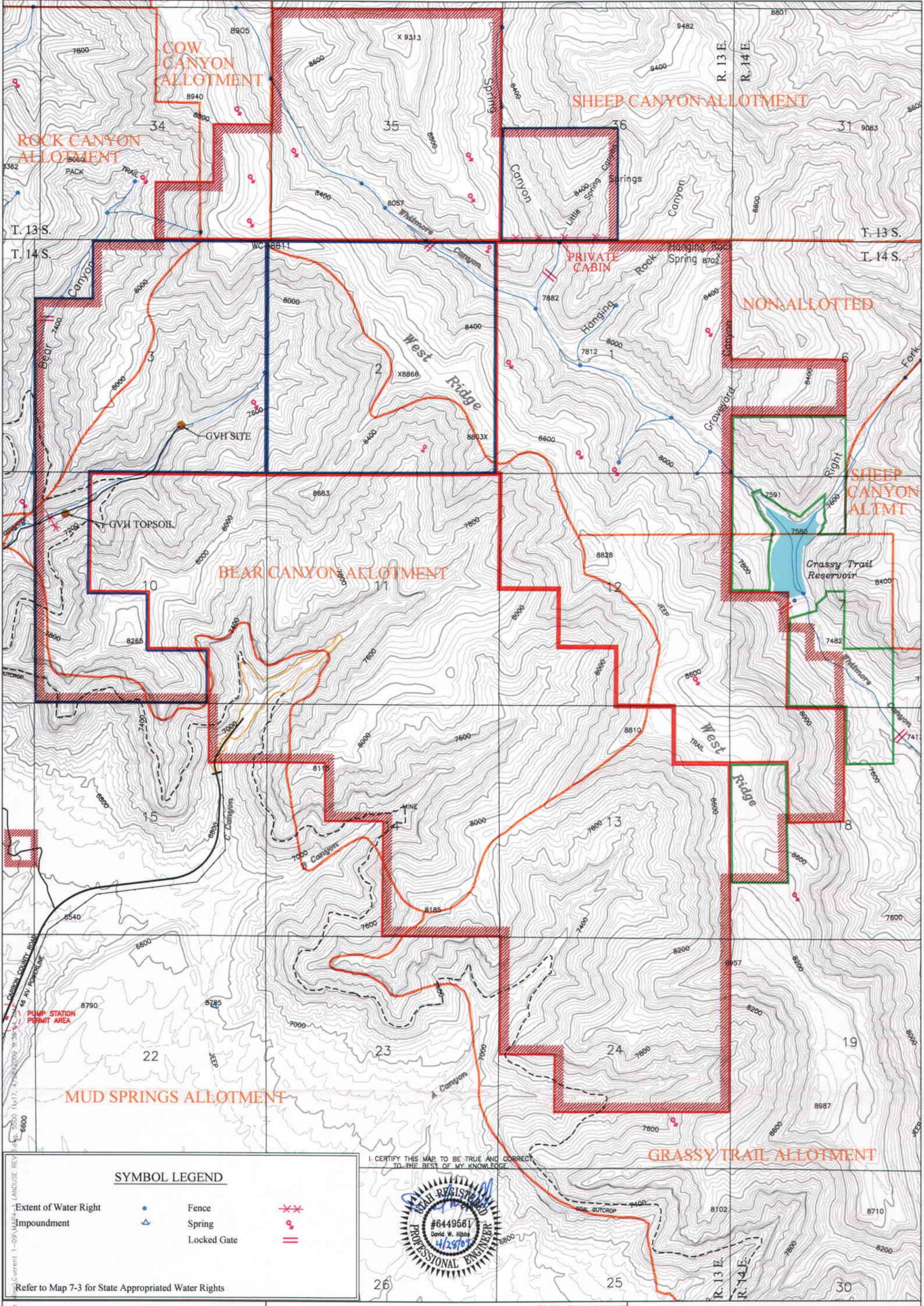
  
  
  
  
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SCALE: 1"=2000'

MAP 4-1

EXISTING LAND USE



**SYMBOL LEGEND**

- Extent of Water Right Impoundment
- Fence
- Spring
- Locked Gate

Refer to Map 7-3 for State Appropriated Water Rights

I CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.



**WEST RIDGE MINE**  
**Map 4-1**  
**Existing Land Use**

- LEGEND:**
- Permit Boundary
  - Federal Lease
  - State Lease
  - Penta Creek Fee
  - Surface Facility Area
  - GVH Site
  - Grazing Allotment Boundary

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**RESOURCES, INC.**

SCALE: 1"=2000'

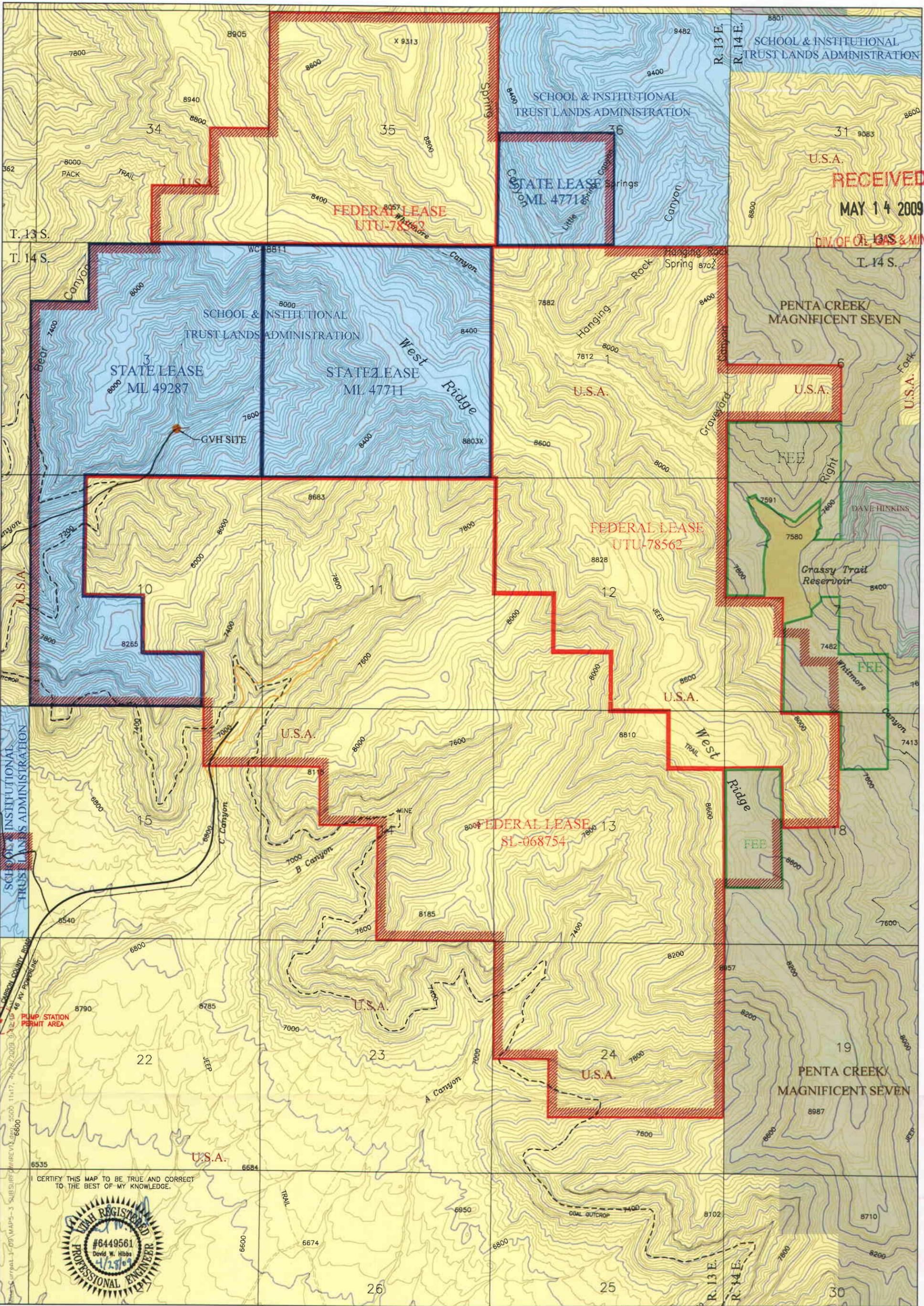
**MAP 5-2**

**SURFACE OWNERSHIP**



**MAP 5-3**

**SUB-SURFACE OWNERSHIP**



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# WEST RIDGE MINE

## Map 5-3

### Sub-surface Ownership Map

DATE: 4-28-09 REV: 13 ACAD REF: MAPS-3 SUBSURFOWNREV13

**LEGEND:**

Permit Boundary		School Trust Lands (SITLA)	
Federal Lease		Penta Creek/Magnificent Seven	
State Lease		U.S.A. (BLM)	
Penta Creek Fee		Dave Hinkins	
Surface Facility Area		East Carbon City	
GVH Site			
Outcrop			

**WEST RIDGE**  
RESOURCES, INC.

SCALE: 1"=2000'



Current Drawings: MEP Maps West Ridge

**MAP 5-4A**

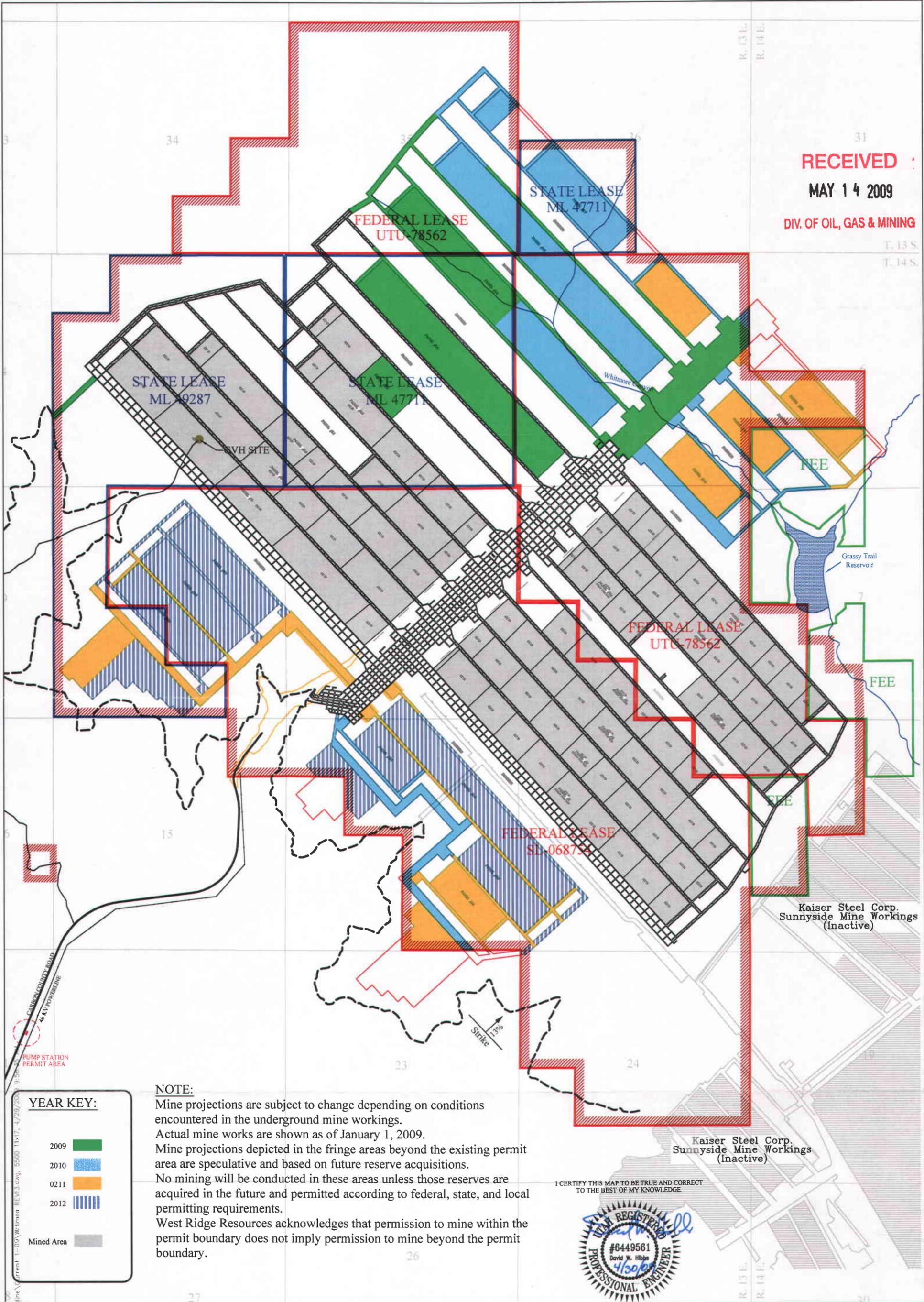
**MINING PROJECTIONS**

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T. 13 S.  
T. 14 S.



**YEAR KEY:**

- 2009
- 2010
- 0211
- 2012
- Mined Area

**NOTE:**

Mine projections are subject to change depending on conditions encountered in the underground mine workings. Actual mine works are shown as of January 1, 2009. Mine projections depicted in the fringe areas beyond the existing permit area are speculative and based on future reserve acquisitions. No mining will be conducted in these areas unless those reserves are acquired in the future and permitted according to federal, state, and local permitting requirements. West Ridge Resources acknowledges that permission to mine within the permit boundary does not imply permission to mine beyond the permit boundary.

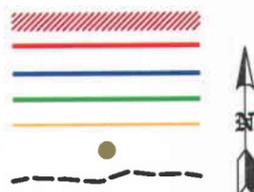
I CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE



**WEST RIDGE MINE**  
**Map 5-4A**  
**Mining Projections**

**LEGEND:**

- Permit Boundary
- Federal Lease
- State Lease
- Penta Creek Fee
- Surface Facility Area
- GVH Site
- Outcrop



**WEST RIDGE**  
RESOURCES, INC.

SCALE: 1"=2000'

**MAP 5-4B**

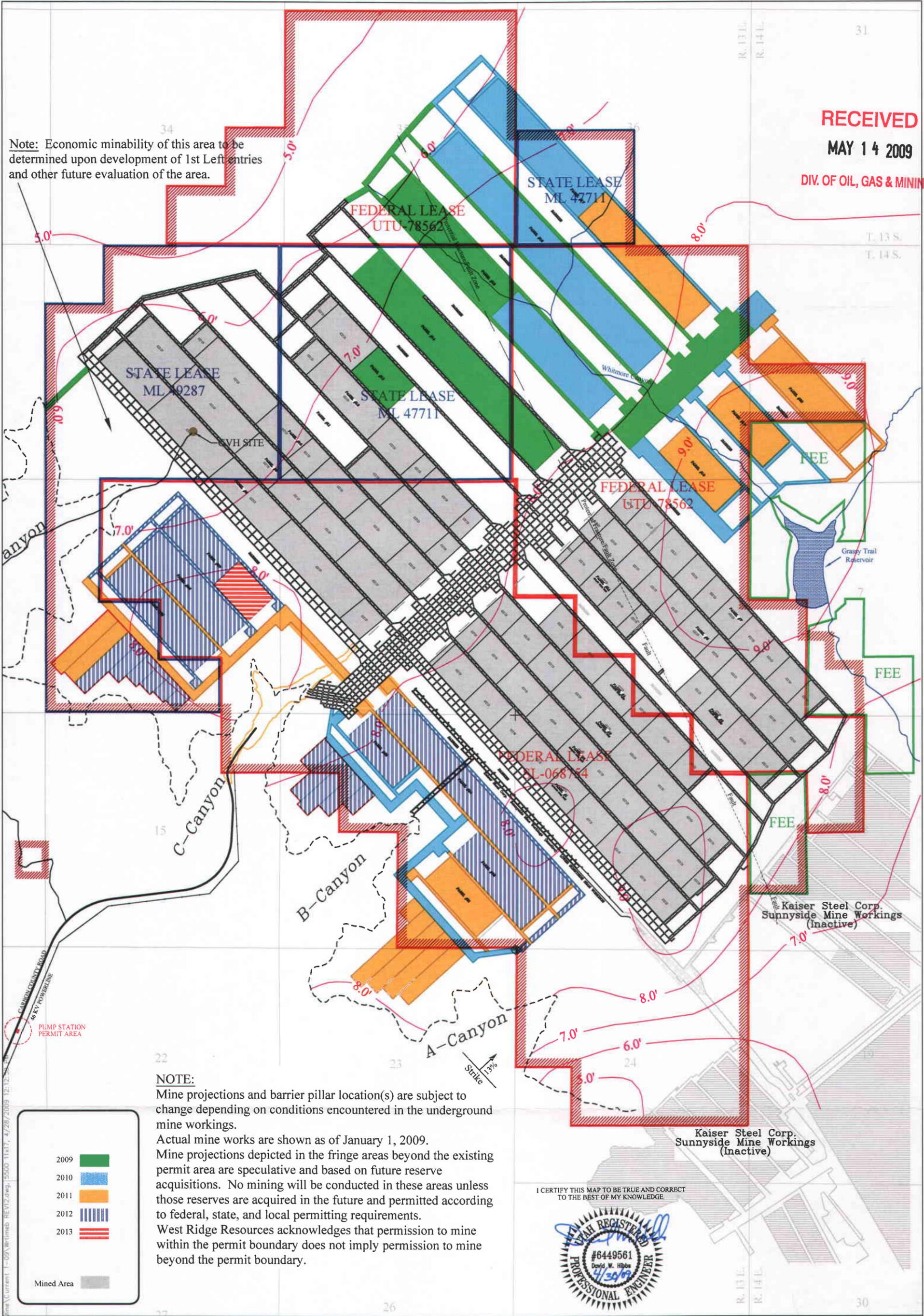
**MINING PROJECTIONS  
(EXTENDED RESERVES)**

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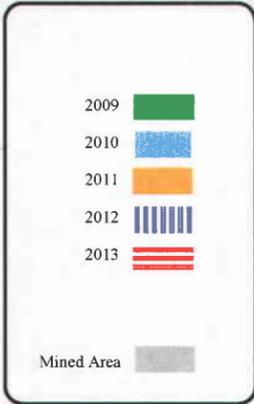
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Note: Economic minability of this area to be determined upon development of 1st Left entries and other future evaluation of the area.



**NOTE:**  
 Mine projections and barrier pillar location(s) are subject to change depending on conditions encountered in the underground mine workings.  
 Actual mine works are shown as of January 1, 2009.  
 Mine projections depicted in the fringe areas beyond the existing permit area are speculative and based on future reserve acquisitions. No mining will be conducted in these areas unless those reserves are acquired in the future and permitted according to federal, state, and local permitting requirements.  
 West Ridge Resources acknowledges that permission to mine within the permit boundary does not imply permission to mine beyond the permit boundary.

I CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE

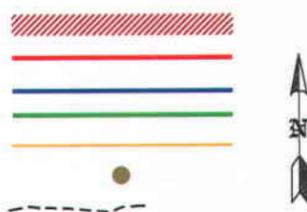


# WEST RIDGE MINE

## Map 5-4B

### Mining Projections (Extended Reserves)

- LEGEND:**
- Permit Boundary (Red dashed line)
  - Federal Lease (Red solid line)
  - State Lease (ML 49287) (Blue solid line)
  - Penta Creek Fee (Green solid line)
  - Surface Facility Area (Orange solid line)
  - GVH Site (Yellow dot)
  - Outcrop (Black dashed line)



SCALE: 1"=2000'

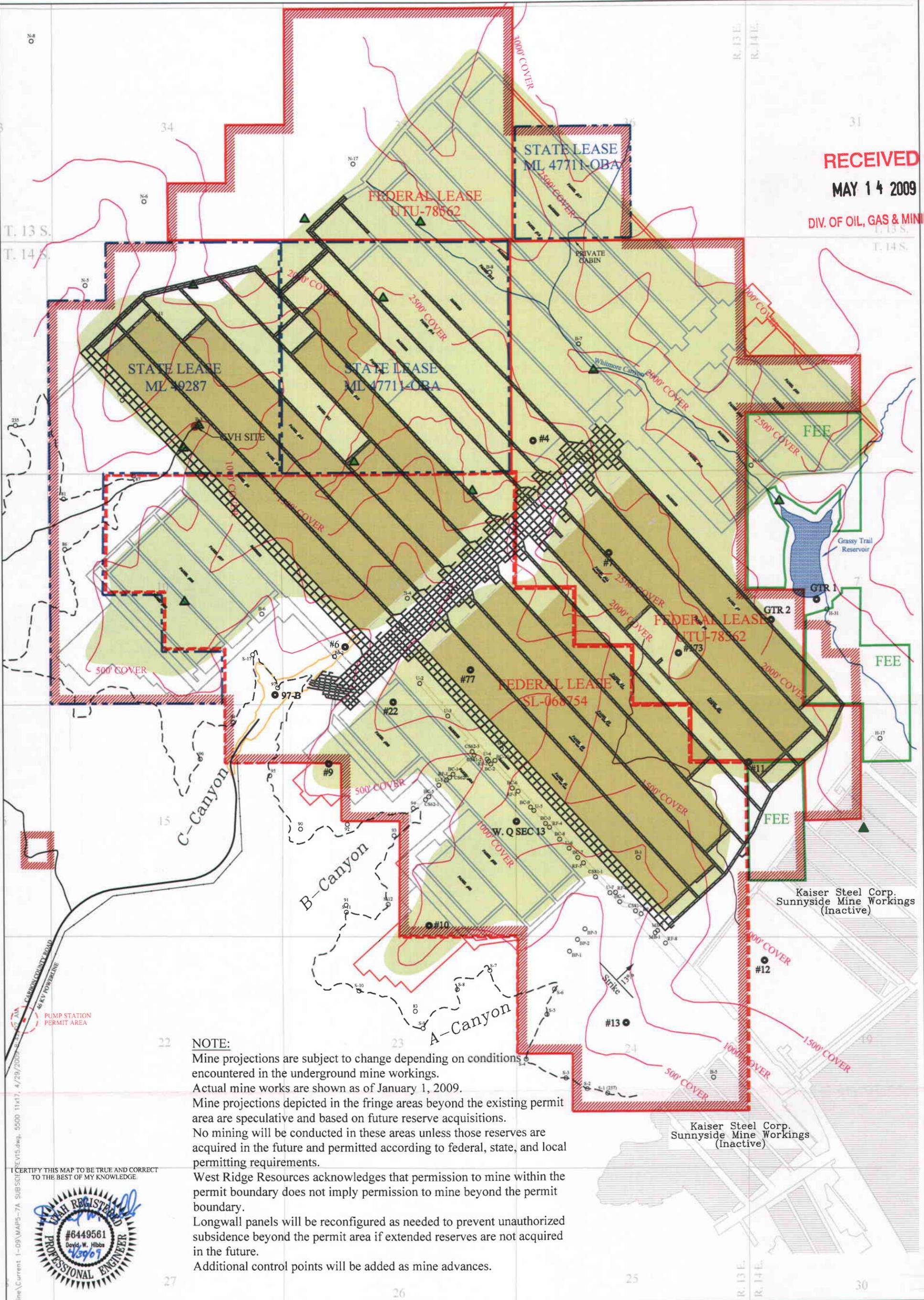
**MAP 5-7**

**SUBSIDENCE**

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**NOTE:**  
 Mine projections are subject to change depending on conditions encountered in the underground mine workings. Actual mine works are shown as of January 1, 2009. Mine projections depicted in the fringe areas beyond the existing permit area are speculative and based on future reserve acquisitions. No mining will be conducted in these areas unless those reserves are acquired in the future and permitted according to federal, state, and local permitting requirements. West Ridge Resources acknowledges that permission to mine within the permit boundary does not imply permission to mine beyond the permit boundary. Longwall panels will be reconfigured as needed to prevent unauthorized subsidence beyond the permit area if extended reserves are not acquired in the future. Additional control points will be added as mine advances.

CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE



**LEGEND:**

	Permit Boundary
	Federal Lease
	State Lease
	Penta Creek Fee
	Surface Facility Area
	Outcrop
	Cover
	Drill Hole
	Possible Subsidence Area
	Existing Photogrammetric Control Points
	Future Photogrammetric Control Points

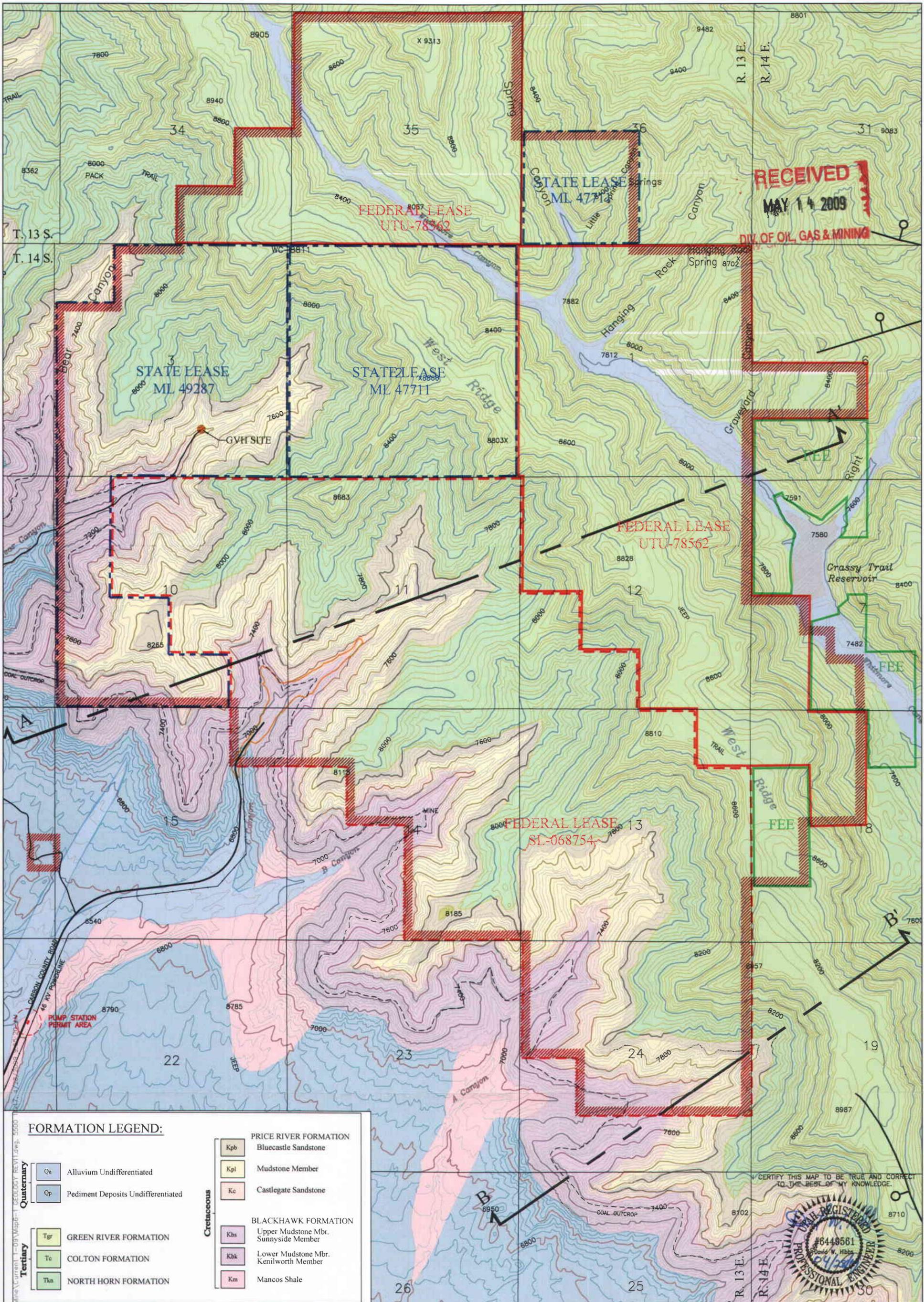


SCALE: 1"=2000'

**WEST RIDGE MINE**  
**Map 5-7**  
**Subsidence Map**

**MAP 6-1**

**REGIONAL GEOLOGY MAP**



**FORMATION LEGEND:**

<b>Quaternary</b>		<b>Price River Formation</b>	
Qa	Alluvium Undifferentiated	Kpb	Bluecastle Sandstone
Qp	Pediment Deposits Undifferentiated	Kpl	Mudstone Member
<b>Tertiary</b>		Kc	Castlegate Sandstone
Tgr	GREEN RIVER FORMATION	<b>Blackhawk Formation</b>	
Tc	COLTON FORMATION	Kbs	Upper Mudstone Mbr. Sunnyside Member
Tkn	NORTH HORN FORMATION	Kbk	Lower Mudstone Mbr. Kenilworth Member
		Km	Mancos Shale

**LEGEND:**

- Permit Boundary
- Federal Lease
- State Lease
- Penta Creek Fee
- Surface Facility Area
- GVH Site
- Fault



**WEST RIDGE**  
RESOURCES, INC.



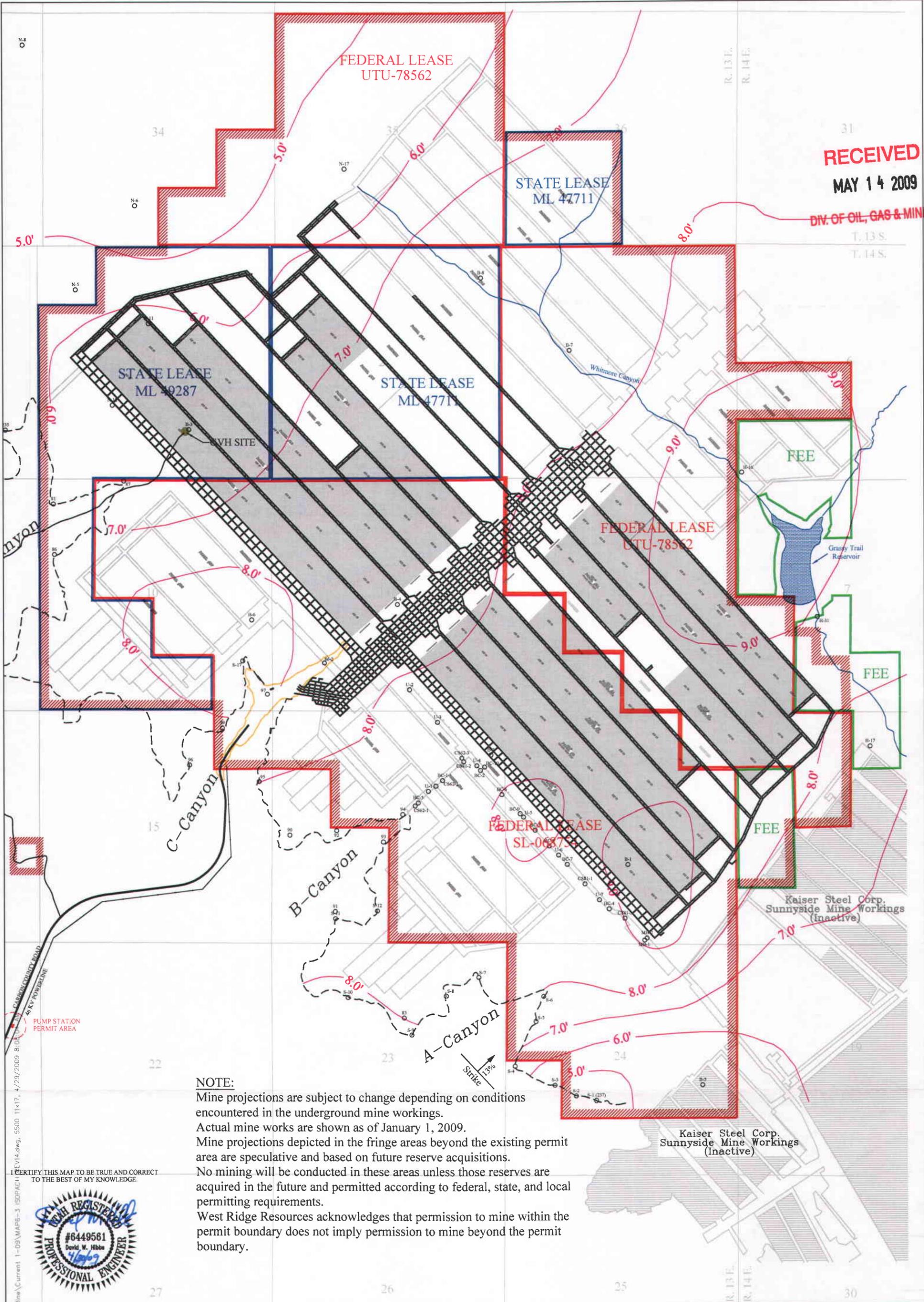
SCALE: 1"=2000'

**MAP 6-3**

**COAL SEAM ISOPACH**

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**NOTE:**

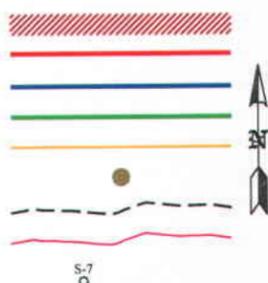
Mine projections are subject to change depending on conditions encountered in the underground mine workings. Actual mine works are shown as of January 1, 2009. Mine projections depicted in the fringe areas beyond the existing permit area are speculative and based on future reserve acquisitions. No mining will be conducted in these areas unless those reserves are acquired in the future and permitted according to federal, state, and local permitting requirements. West Ridge Resources acknowledges that permission to mine within the permit boundary does not imply permission to mine beyond the permit boundary.

CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.



**LEGEND:**

- Permit Boundary
- Federal Lease
- State Lease
- Penta Creek Fee
- Surface Facility Area
- GVH Site
- Outcrop
- Coal Isopachs
- Drill Hole/Channel Samples



**WEST RIDGE**  
RESOURCES, INC.

SCALE: 1"=2000'

**WEST RIDGE MINE**

**Map 6-3**

**Lower Sunnyside Coal Seam  
Isopach Map**

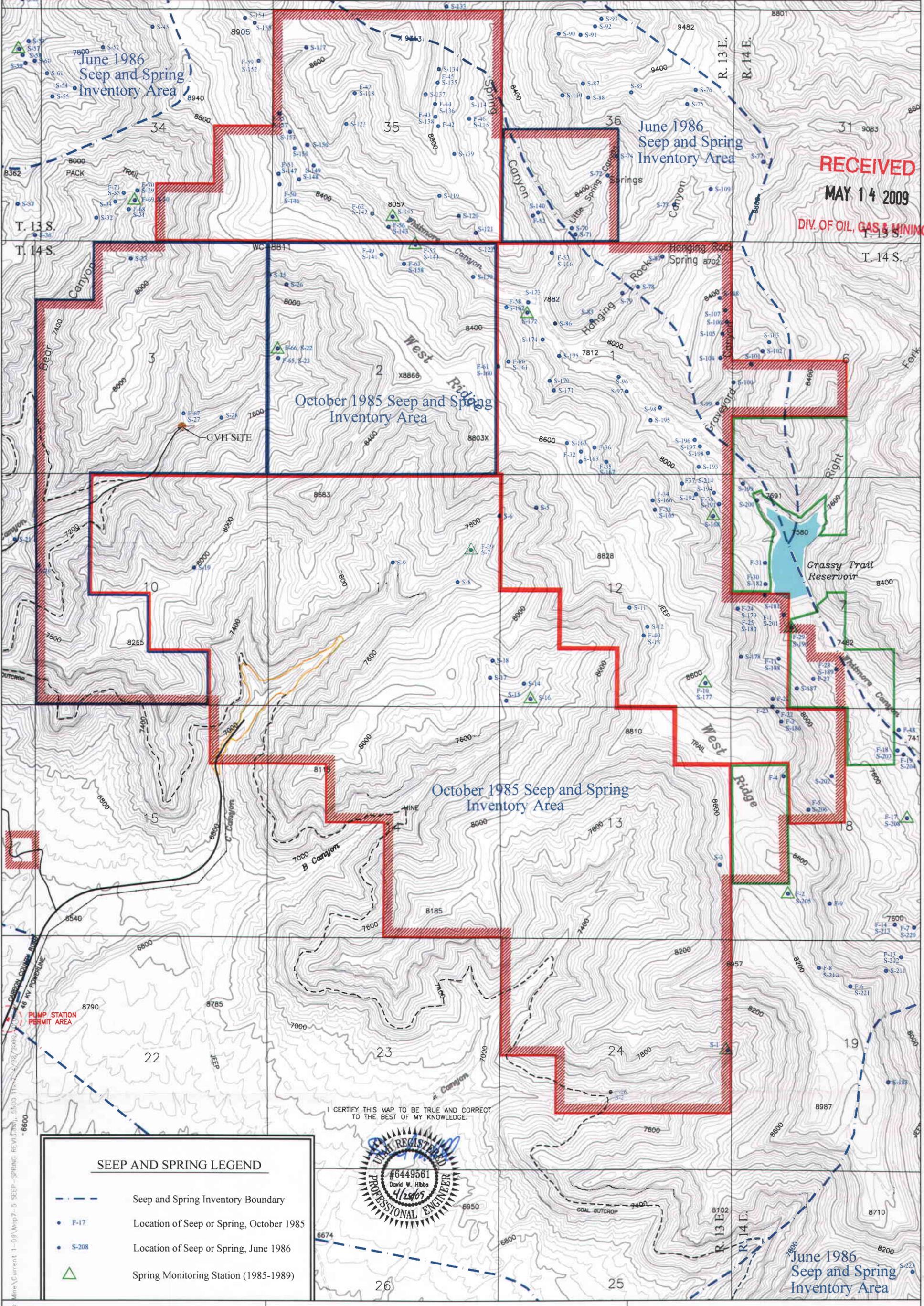
**MAP 7-3**

**WATER RIGHTS**



MAP 7-5

SEEP/SPRING SURVEY



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I CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.



SEEP AND SPRING LEGEND	
	Seep and Spring Inventory Boundary
	F-17 Location of Seep or Spring, October 1985
	S-208 Location of Seep or Spring, June 1986
	Spring Monitoring Station (1985-1989)

LEGEND:	
	Permit Boundary
	Federal Lease
	State Lease
	Penta Creek Fee
	Surface Facility Area
	GVH Site



**WEST RIDGE**  
 RESOURCES, INC.

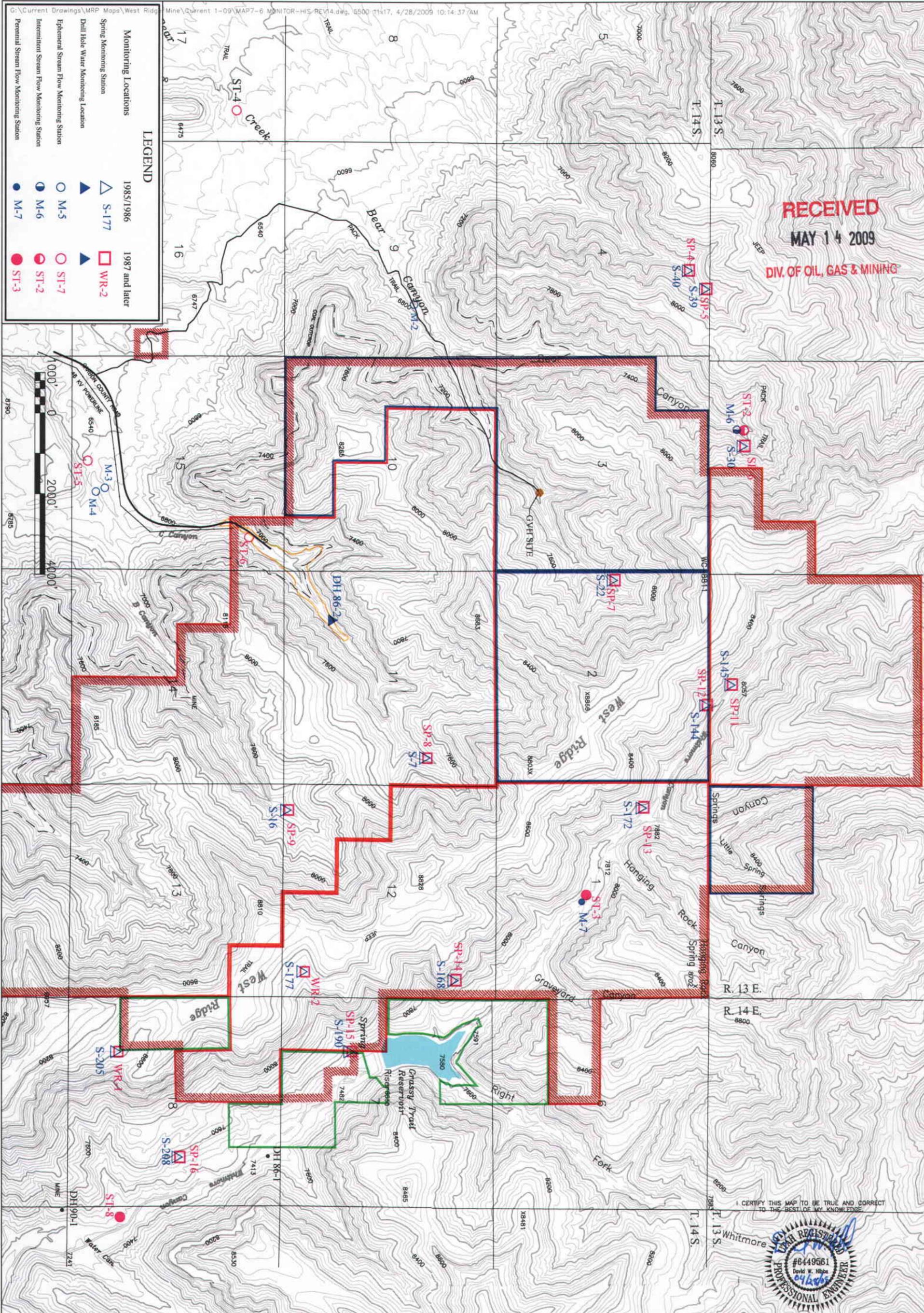


SCALE: 1"=2000'

**WEST RIDGE MINE**  
**Map 7-5**  
**Seep/Spring Survey Map**

**MAP 7-6**

**HYDROLOGIC MONITORING  
(HISTORICAL LOCATIONS)**



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**LEGEND**

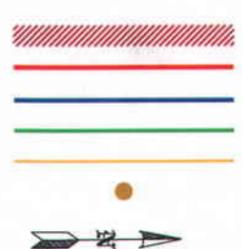
Monitoring Locations	1985/1986	1987 and later
Spring Monitoring Station	△ S-177	□ WR-2
Drill Hole Water Monitoring Location	▲	
Ephemeral Stream Flow Monitoring Station	○ M-5	○ ST-7
Intermittent Stream Flow Monitoring Station	● M-6	● ST-2
Perennial Stream Flow Monitoring Station	● M-7	● ST-3

I CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE



**WEST RIDGE MINE**  
**Map 7-6**  
**Hydrologic Monitoring Map**  
**(Historical Monitoring Locations)**

**LEGEND:**  
 Permit Boundary  
 Federal Lease  
 State Lease  
 Penta Creek Fee  
 Surface Facility Area  
 GVH Site



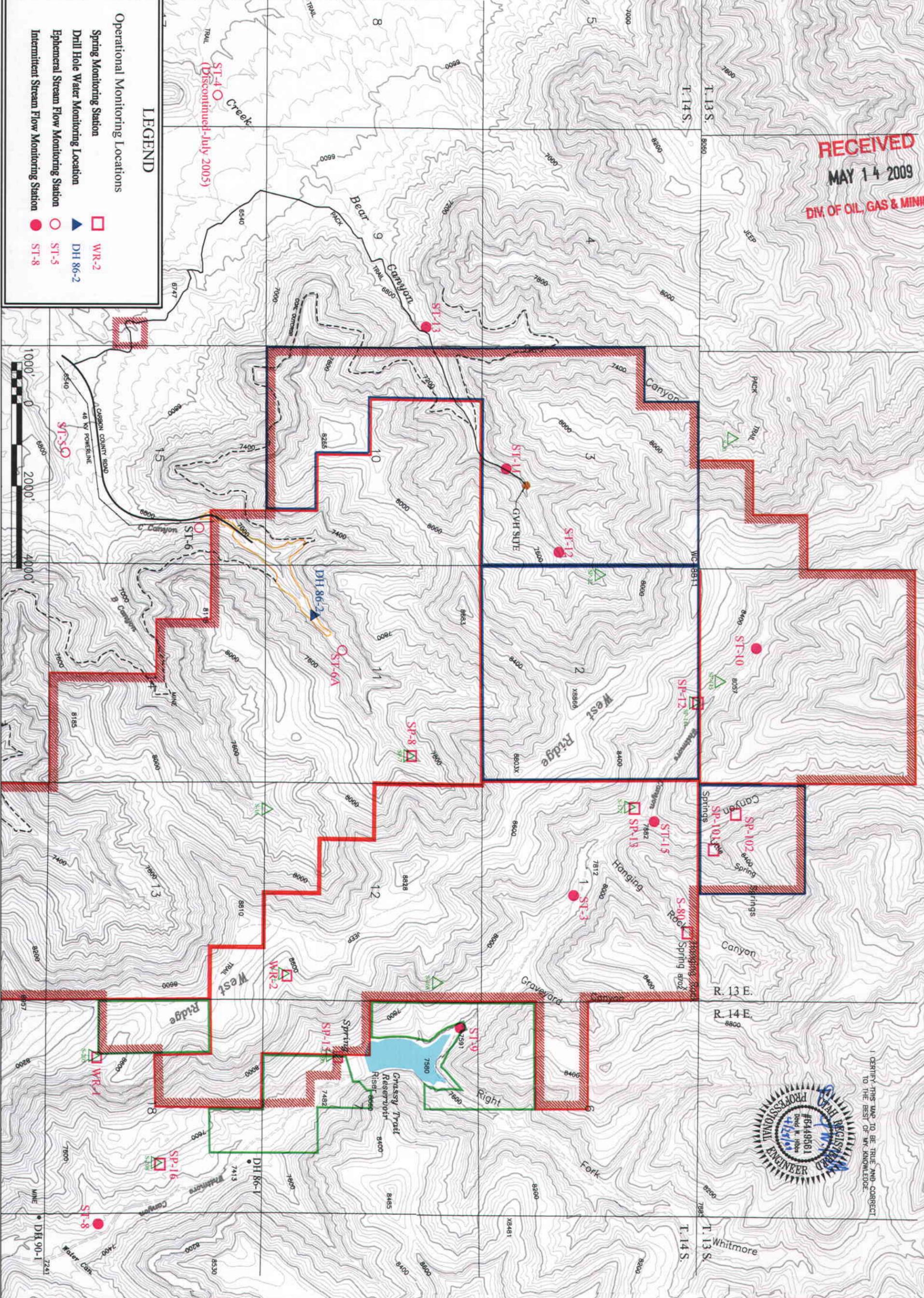
**WEST RIDGE**  
 RESOURCES, INC.

SCALE: 1"=2000'

**MAP 7-7**

**OPERATIONAL MONITORING LOCATIONS**

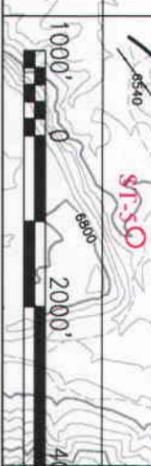
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**LEGEND**

Operational Monitoring Locations

- Spring Monitoring Station □ WR-2
- Drill Hole Water Monitoring Location ▲ DH 86-2
- Ephemeral Stream Flow Monitoring Station ○ ST-5
- Intermittent Stream Flow Monitoring Station ● ST-8



I CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

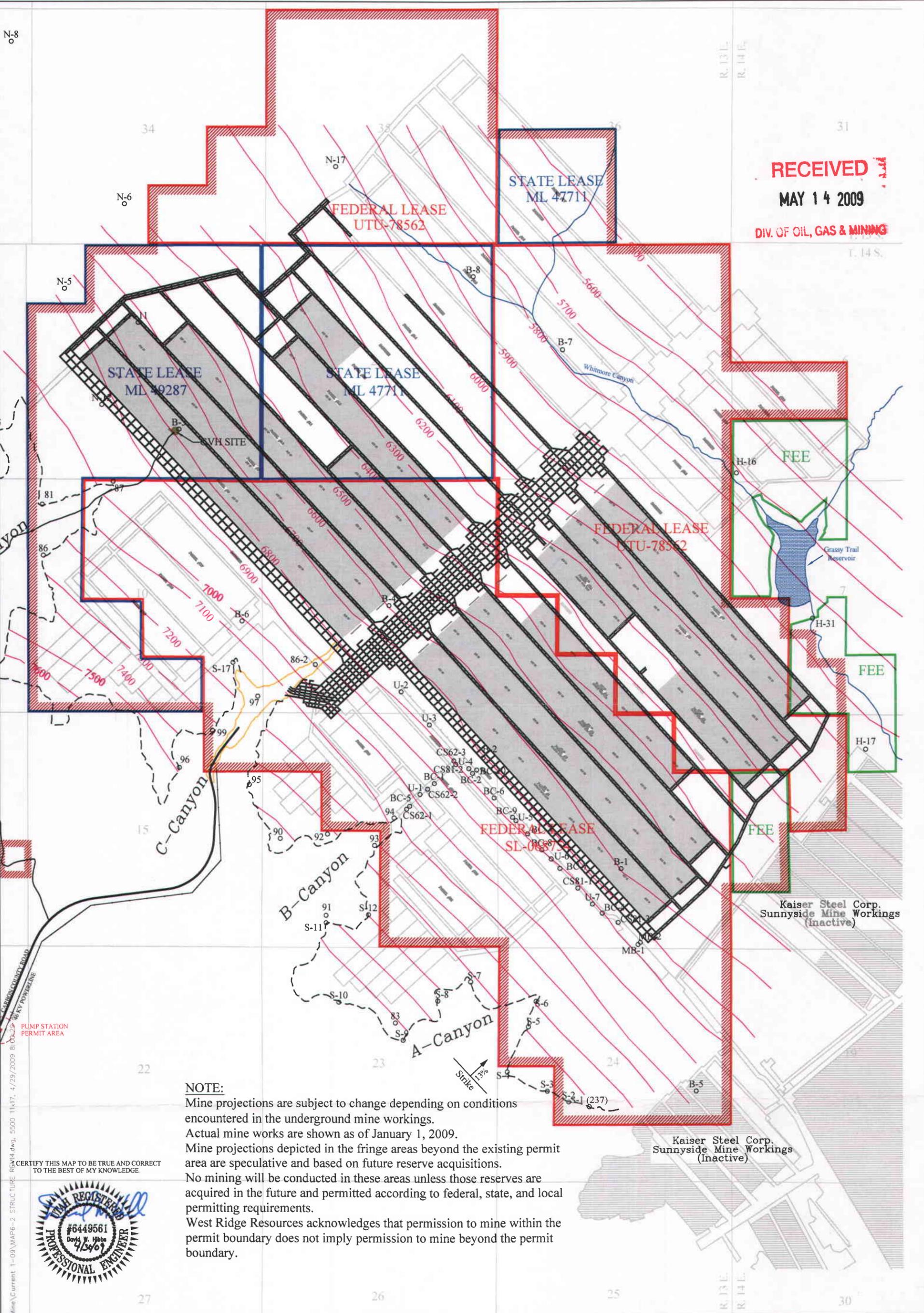
<p><b>WEST RIDGE MINE</b>                  Map 7-7                  Operational Monitoring Locations</p>	<p><b>LEGEND:</b></p> <ul style="list-style-type: none"> <li>Permit Boundary <span style="color: red;">▨</span></li> <li>Federal Lease <span style="color: red;">▬</span></li> <li>State Lease <span style="color: blue;">▬</span></li> <li>Penta Creek Fee <span style="color: green;">▬</span></li> <li>Surface Facility Area <span style="color: orange;">▬</span></li> <li>GVH Site <span style="color: orange;">●</span></li> </ul>	<p><b>WEST RIDGE</b>                  RESOURCES, INC.</p> <p style="text-align: right;">SCALE: AS SHOWN</p>
<p>DATE: 4-28-09    REV: 12    ACAD REF: MAP7-7 MONITOR-OP REV12</p>		

**MAP 6-2**

**COAL SEAM STRUCTURE**

N-8

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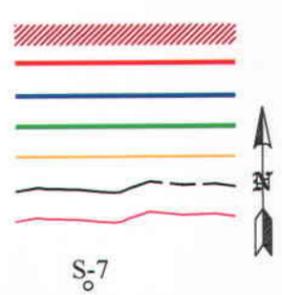
**NOTE:**  
 Mine projections are subject to change depending on conditions encountered in the underground mine workings. Actual mine works are shown as of January 1, 2009. Mine projections depicted in the fringe areas beyond the existing permit area are speculative and based on future reserve acquisitions. No mining will be conducted in these areas unless those reserves are acquired in the future and permitted according to federal, state, and local permitting requirements. West Ridge Resources acknowledges that permission to mine within the permit boundary does not imply permission to mine beyond the permit boundary.

CERTIFY THIS MAP TO BE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE



**WEST RIDGE MINE**  
**Map 6-2**  
**Coal Seam Structure Map**

- LEGEND:**
- Permit Boundary
  - Federal Lease
  - State Lease
  - Penta Creek Fee
  - Surface Facility Area
  - Outcrop
  - Structure Contour
  - (Base of Lower Sunnyside Seam)
  - Drill Hole/Channel Samples



**WEST RIDGE**  
RESOURCES, INC.

SCALE: 1"=2000'