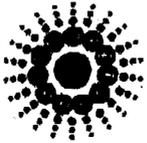


0029



ANDALEX
RESOURCES, INC.
Tower Division

P.O. BOX 902
PRICE, UTAH 84501
PHONE (435) 637-5385
FAX (435) 637-8860

CONFIDENTIALITY NOTICE: The information contained in this facsimile message, and in any accompanying documents, constitutes confidential information which belongs to ANDALEX Resources, Inc. This information is intended only for the use of the individual or entity named below. If you are not the intended recipient of this information, you are hereby notified that any disclosure, copying, distribution, or the taking of any action in reliance on this information is strictly prohibited. If you have received this facsimile message in error, please immediately notify us by telephone at (435) 637-5385 to arrange for its return. Thank you.

FACSIMILE TRANSMITTAL SHEET

DATE: 9/24/99

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: DARON HADDOCK

COMPANY: _____

FACSIMILE NUMBER: 359-3940

FROM: JEAN SEMBORSKI

TOTAL NUMBER OF PAGES (INCLUDING COVER SHEET): 11

HERE IS A COPY OF THE ROW. *Open Valley Fault*

50 AC. EBC

ACT/015/032 #2

*Copy
Daron*

BCM Row

issued 9/24/99

FORM 2800-14
(August 1985)

Issuing Office
Utah State Office
Price Field Office

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
RIGHT-OF-WAY
SERIAL NUMBER UTU- 77975

-
1. A right-of-way is hereby granted Title V of the Federal Land Policy and Management Act of October 21, 1976 (90 Stat. 2776; 43 U.S.C. 1761).

 2. Nature of Interest:
 - a. By this instrument, the holder:

Genwal Resources, Inc.
P. O. Box 1420
Huntington, Utah 84528

receives a right to construct, operate, maintain and a coal access (tunnel system) right-of-way on public lands described as follows:

Salt Lake Meridian, Utah
T. 16 S., R. 6 E.,

Sec. 3, E1/2E1/2SE1/4NE1/4, E1/2E1/2NE1/4SE1/4,
E1/2SE1/4SE1/4;
Sec. 10, NE1/4NE1/4NE1/4.

 - b. The right-of-way granted herein contains 50.0 acres, more or less.

 - c. This instrument shall terminate five (5) years from its effective date unless, prior thereto, it is relinquished, abandoned, terminated, or modified pursuant to the terms and conditions of this instrument or of any applicable Federal law or regulation.

- d. This instrument may be renewed. If renewed, the right-of-way or permit shall be subject to the regulations existing at the time of renewal and any other terms and conditions that the authorized officer deems necessary to protect the public interest.
- e. Notwithstanding the expiration of this instrument or any renewal thereof, early relinquishment, abandonment, or termination, the provisions of this instrument, to the extent applicable, shall continue in effect and shall be binding on the holder, its successors, or assigns, until they have fully satisfied the obligations and/or liabilities accruing herein before or on account of the expiration or prior termination of the grant.

3. Rental:

For and in consideration of the rights granted, the holder agrees to pay the Bureau of Land Management fair market value rental as determined by the authorized officer, unless specifically exempted from such payment by regulation. Provided, however, the rental may be adjusted by the authorized officer, whenever necessary, to reflect changes in the fair market rental value as determined by the application of sound business management principles, and so far as practicable and feasible, in accordance with comparable commercial practices.

4. Terms and Conditions:

- a. This grant or permit is issued subject to the holder's compliance with all applicable regulations contained in Title 43 Code of Federal Regulations, part 2800.
- b. Upon grant termination by the authorized officer, all improvements shall be removed from the public lands within 90 days, or otherwise disposed of as provided in paragraph (4)(d), or as directed by the authorized officer.
- c. Each grant issued for a term of 20 years or more shall, at a minimum, be reviewed by the authorized officer at the end of the 20th year and at regular intervals thereafter not to exceed 10 years. Provided, however, a right-of-way or permit granted herein may be reviewed at any time deemed necessary by the authorized officer.
- d. The stipulations, plans, maps, or designs set forth in Exhibit A and Exhibit B, dated September 24, 1999, attached hereto, are incorporated into and made a part of this grant instrument as fully and effectively as if they were set forth herein in their entirety.
- e. Failure of the holder to comply with applicable law or any provision of this right-of-way grant or permit shall constitute grounds for suspension or termination thereof.

- f. The holder shall perform all operations in a good and workmanlike manner so as to ensure protection of the environment and the health and safety of the public.
- g. Ninety (90) days prior to termination of the right-of-way, the holder shall contact the authorized officer to arrange a joint inspection of the right-of-way area. This inspection will be held to agree to an acceptable termination (and rehabilitation) plan. This plan shall include, but is not limited to, removal of facilities, drainage structures or surface material, recontouring, topsoiling, or seeding. The authorized officer must approve the plan in writing prior to the holder's commencement of any termination activities.

IN WITNESS WHEREOF, The undersigned agrees to the terms and conditions of this right-of-way grant or permit.

Samuel Quiley
(Signature of Holder)

Dean Nyffeler
(Signature of Authorized Officer)

Vice President Operations
(Title)

for
Field Manager
(Title)

9-24-99
(Date)

24 September 1999
(Effective Date of Grant)

SEP 24 1999

2890

UTU-77975

(UT-070)

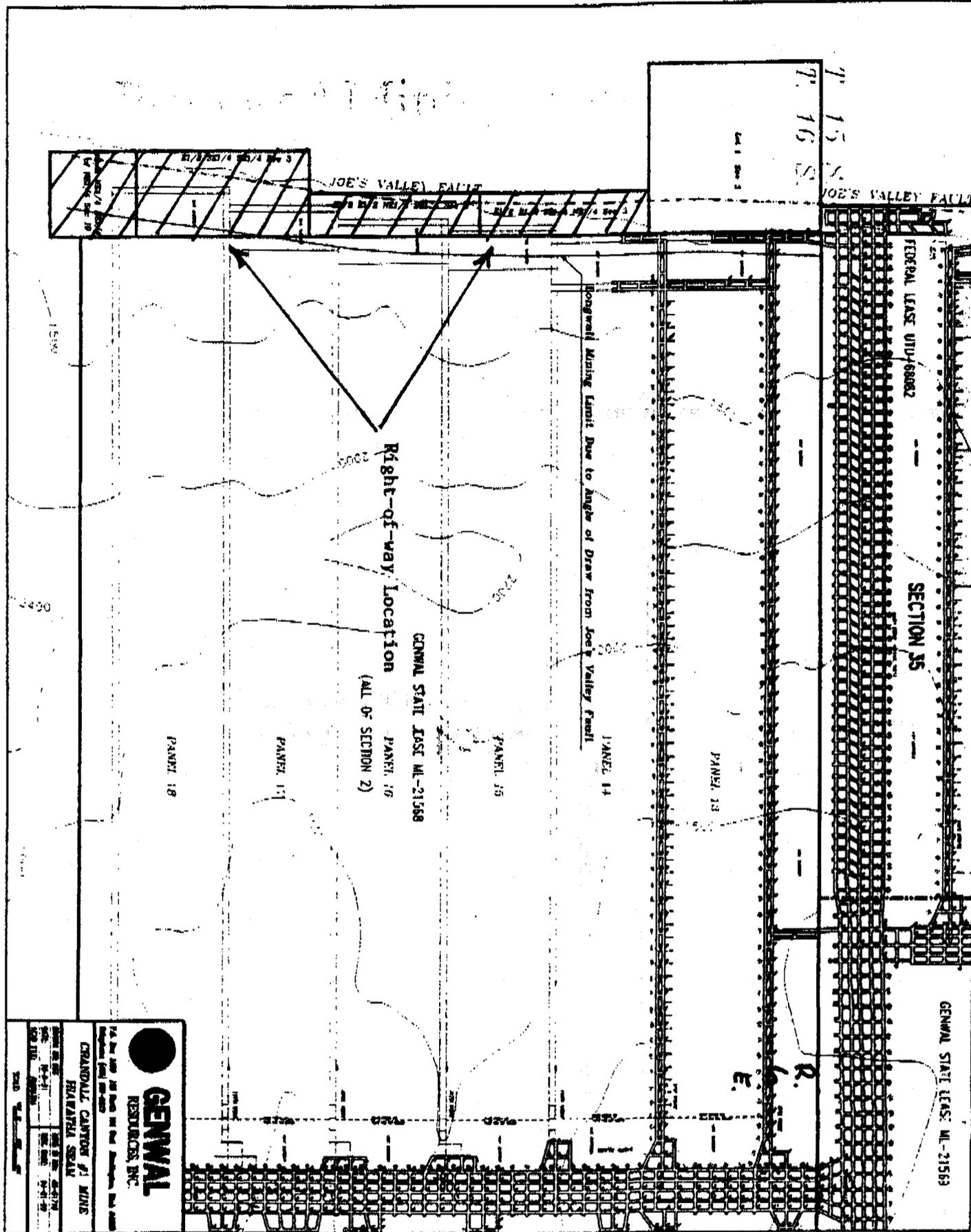
**EXHIBIT A
STIPULATIONS**

1. The holder shall operate, and maintain the facilities, improvements, and structures within this right-of-way in strict conformity with its mine permit plan (Utah Division of Oil Gas and Mining No. ACT/015/032). Any relocation, additional construction, or use that is not in accord with the approved permit shall not be initiated without the prior written approval of the authorized officer. A copy of the complete right-of-way grant, including all stipulations and approved mine plan shall be made available to the authorized officer during construction, operation, and termination of the right-of-way. Noncompliance with the above will be grounds for an immediate temporary suspension of activities if it constitutes a threat to public health and safety or the environment.
2. The holder shall contact the authorized officer at least seven (7) days prior to the anticipated start of underground development activities. The authorized officer may require and schedule a premining conference with the holder prior to the holder's commencing mining activities on the right-of-way. The holder and/or his representative shall attend this conference. The holder's contractor, or agents involved with mining activities associated with the right-of-way, shall also attend this conference to review the stipulations of the grant including the mine plan.
3. The holder shall designate a representative(s) who shall have the authority to act upon and to implement instructions from the authorized officer. The holder's representative shall be available for communication with the authorized officer within a reasonable time when underground development occurs.
4. The holder shall not initiate any mining activities on the right-of-way without the prior written authorization of the authorized officer. Such authorization shall be a written notice to proceed issued by the authorized officer. Any notice to proceed shall authorize mining or use only as therein expressly stated and only for the particular location or use therein described.
5. The authorized officer may suspend or terminate in whole, or in part, any notice to proceed which has been issued when, in his judgement, unforeseen conditions arise which result in the approved terms and conditions being inadequate to protect the public health and safety or to protect the environment.

6. Any paleontological resource discovered by the holder, or any person working on his behalf, on public or Federal land shall be immediately reported to the authorized officer. Holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. An evaluation of the discovery will be made by the authorized officer to determine appropriate actions to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any decision as to proper mitigation measures will be made by the authorized officer after consulting with the holder.
7. The holder shall develop underground entries in accordance with information provided in the right-of-way application. The underground access-way shall be limited to full-support first mining associated with development of mains and cross-cuts. Pillar design will be approved by BLM before mining is initiated. Any modification to the proposed design must be approved by the authorized officer.
8. The holder shall provide maps to the authorized officer showing development progress of the right-of-way entries. Maps shall be provided on a monthly basis for the purpose of estimating production by volumetric calculation. Scale weight for total mine production shall also be provided on a monthly basis.
9. The holder shall pay fair market value for the Federal coal removed from the right-of-way as provided in 43 CFR 3431.2 (a). The basis for the price of the coal is the estimated F.O.B. selling price of the coal removed less direct mining costs for removal of the coal. It has been estimated that 40,000 tons of coal will be removed from the right-of-way. Fair market value is determined to be \$1.40 per ton of coal or not less than 8 percent of the selling price of the coal plus \$0.25 per ton. It is estimated that the total payment will be \$56,000.
10. The holder shall remit a check in the amount of \$14,000.00, determined to be 25 percent of the estimated total payment, prior to commencement of mining. Payment shall be made to the Price Field Office, 125 South, 600 West, Price, Utah 84501. The holder will be billed for the remainder of the payment upon completion of mining activities within the right-of-way area.
11. A bond in the amount of \$52,000.00 shall be provided with this initial payment as security for the remainder of the total estimated payment. This can be accomplished by providing a surety bond in the amount, submitting a cash bond, or providing a personal right-of-way bond secured by negotiable U.S. Bonds of a par value equal to the amount required.
12. The holder shall be subject to the Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 *et seq.*) in the removal of all coal within the right-of-way as required in 43 CFR 3431.2 (c).

13. The holder shall conduct all activities associated with the operation and termination of the right-of-way within the authorized limits of the right-of-way.
14. Upon completion of the R/W entries, a final determination as to the total coal removed in connection with the R/W shall be made by BLM. An invoice representing payment for the total coal removed less the initial payment shall be sent to the R/W holder. Final payment shall be due within 30 days of receipt of the billing statement. Upon receipt of the final payment, the bond shall be released.

EXHIBIT B



Form 2800-13
(August 1985)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RIGHT-OF-WAY NOTICE TO PROCEED

Right-of-Way or Temporary Use Permit (TUP) Serial Number
UTU-77975

Date **September 24, 1999** Issuing Office **Price Field Office**

Right-of-Way or TUP name
Genwal Tunnel Right-of-way

Certified/Registered Mail-Return Receipt Requested

INSTRUCTIONS — Use Certified or Registered Mail or hand deliver. Send or give original to Holder. Distribute other copies as indicated after receipt date.

Holder: **Genwal Resources Inc.**

In accordance with the terms and conditions of the above referenced right-of-way grant or TUP you are hereby authorized to proceed with the activities noted below in the locations specified. Map(s) are attached. Yes No

Activity	Location
All activity associated with the construction, operation and maintenance of facilities authorized under right-of-way UTU-77975	

Authorized officer is:

Richard Manus

Name

Field Manager

Title

Onsite inspection and compliance of the Right-of-Way or TUP stipulations will be conducted by the authorized officer's representative.

Mark A. Mackiewicz

Name of Authorized Officer's Representative

125 S. 600 W. Price, UT 84501

Office, Street Address, City, State, Zip

(435) 636-3616

Office Phone Number

Home Phone Number (optional)

September 24, 1999

Date

[Handwritten Signature]
Authorized Officer's or Representative's Signature

Holder's Acknowledgement when notice is delivered in person.

[Handwritten Signature]
Signature of Recipient

GENWAL RESOURCES INC
Firm Name

Laine Adair
Name of Recipient

9-24-99
Date

HOLDER



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Price Field Office
125 South 600 West
Price, Utah 84501
(435) 636-3600

2890
UTU-77975
(UT-070)

CERTIFIED MAIL--Return Receipt Requested
Certification No. Z 580 924 492

SEP 24 1999

NOTICE

Mr. Laine Adair
Genwal Resources, Inc
P. O. Box 1420
Huntington, Utah 84528

Application UTU-77975

Right-of-Way Offered: Stipulations Required
Advance Rental Required
Coal Payment Required

On April 30, 1999, right-of-way application UTU-77975 was filed for a coal access right-of-way on public lands in Emery County, Utah.

The Bureau of Land Management proposes to issue the enclosed right-of-way for the application referenced above. If you are in agreement with the proposed terms, conditions, and stipulations, please execute and return two copies of the enclosed grant. This grant, along with the authority to use the lands described in the document, becomes effective on the date it is signed by the BLM authorized officer. A copy of the grant will be returned to you when signed.

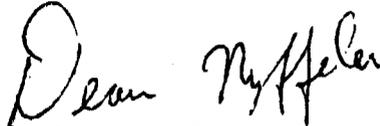
Section 4a of the enclosed grant incorporates by reference all of the regulations contained in Chapter 43 of the Code of Federal Regulations (CFR) part 2800. These regulatory provisions are mandatory and apply whether or not they are specifically mentioned in the grant. You should be familiar with 43 CFR 2800 before signing the grant.

Regulations at 43 CFR 2803.1-2 require the right-of-way holder to pay fair market rental value as determined by the authorized officer. Rental in the amount of \$625 is due for the rental period of September 24, 1999 through December 31, 1999.

Regulations at 43 CFR 3431.2 require payment for the coal removed from the right-of-way. The holder shall remit a check in the amount of \$14,000.00, determined to be 25 percent of the estimated total payment for the coal to be removed from the right-of-way prior to commencement of mining. Payment shall be made to the Price Field Office, 125 South, 600 West, Price, Utah 84501. Please make your check payable to U.S. Department of the Interior-BLM.

You are allowed thirty (30) days from the receipt of this notice to sign and return both copies of the right-of-way and required payments or the application shall be rejected in its entirety.

If you have any questions, please feel free to contact Mark Mackiewicz of my staff at (435) 636-3616.


Acting Field Manager

Enclosure:
Proposed right-of-way (in duplicate)