

APPLICATION FOR PERMIT CHANGE

Title of Change:

*SEDIMENT POND AMENDMENT
TOPSOIL STOCKPILE #4*

Permit Number: *ACT 10151032*

Mine: *CRANDALL CANYON NO. 1*

Permittee: *GENWAL RESOURCES*

Description, include reason for change and timing required to implement:

POND EXPANSION & TOPSOIL STORAGE

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 1. Change in the size of the Permit Area? <u>0.5</u> acres <input checked="" type="checkbox"/> increase <input type="checkbox"/> decrease. |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 2. Change in the size of the Disturbed Area? <u>0.5</u> acres <input checked="" type="checkbox"/> increase <input type="checkbox"/> decrease. |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 3. Will permit change include operations outside the Cumulative Hydrologic Impact Area? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. Will permit change include operations in hydrologic basins other than currently approved? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. Does permit change result from cancellation, reduction or increase of insurance or reclamation bond? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 6. Does permit change require or include public notice publication? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 7. Permit change as a result of a Violation? Violation # |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 8. Permit change as a result of a Division Order? D.O.# |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 9. Permit change as a result of other laws or regulations? Explain: |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 10. Does permit change require or include ownership, control, right-of-entry, or compliance information? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 11. Does the permit change affect the surface landowner or change the post mining land use? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 12. Does permit change require or include collection and reporting of any baseline information? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 13. Could the permit change have any effect on wildlife or vegetation outside the current disturbed area? |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 14. Does permit change require or include soil removal, storage or placement? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 15. Does permit change require or include vegetation monitoring, removal or revegetation activities? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 16. Does permit change require or include construction, modification, or removal of surface facilities? |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 17. Does permit change require or include water monitoring, sediment or drainage control measures? |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 18. Does permit change require or include certified designs, maps, or calculations? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 19. Does permit change require or include underground design or mine sequence and timing? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 20. Does permit change require or include subsidence control or monitoring? |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | 21. Have reclamation costs for bonding been provided or revised for any change in the reclamation plan? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 22. Is permit change within 100 feet of a public road or perennial stream or 500 feet of an occupied dwelling? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 23. Is this permit change coal exploration activity <input type="checkbox"/> inside <input type="checkbox"/> outside of the permit area? |

Attach 3 complete copies of proposed permit change as it would be incorporated into the Mining and Reclamation Plan.

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.

[Signature] 7-17-97
Signed - Name - Position - Date

My Commission Expires: _____
Attest: STATE OF _____
COUNTY OF _____

NOTARY PUBLIC
BARBARA J. ADAMS
15 North Main
Huntington, Utah 84520
My Commission Expires
October 13, 2000
STATE OF UTAH

Received by Oil, Gas & Mining

ASSIGNED PERMIT CHANGE NUMBER

APPLICATION FOR PERMIT CHANGE

Title of Change:

*SEDIMENT POND AMENDMENT
TOPSOIL STOCKPILE #4*

Permit Number: *ACT 10151032*

Mine: *CRANDALL CANYON NO.1*

Permittee: *GENWAL RESOURCES*

Description, include reason for change and timing required to implement:

POND EXPANSION & TOPSOIL STORAGE

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| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 4. Will permit change include operations in hydrologic basins other than currently approved? |
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | 5. Does permit change result from cancellation, reduction or increase of insurance or reclamation bond? |
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[Signature] 7-17-97
Signed - Name - Position - Date

I solemnly swear to before me this _____ day of _____
[Signature]
Notary Public
My Commission Expires: _____
Attest: STATE OF _____
COUNTY OF _____

NOTARY PUBLIC
BARBARA J. ADAMS
15 North Main
Huntington, Utah 84520
My Commission Expires
October 13, 2000
STATE OF UTAH

Received by Oil, Gas & Mining

ASSIGNED PERMIT CHANGE NUMBER

NOTE TO REVIEWER:

The attached submittal replaces the December 1996 submittal for the Genwal Crandall Canyon Mine No. 1 Surface Expansion Project ACT/015/032. This project includes the placement of a 72" bypass culvert and fill in order to expand the surface facility area.

A table of contents is included for each Chapter (Chapters 1-7) of this submittal. Included in the table of contents is a list of all Plates, Figures, Tables and Appendices that are included within that Chapter.

Not all Chapters have Tables associated with them. When they are used in Chapters, they are included within that Chapter on the page noted in the table of contents.

Not all Chapters have Figures. For those Chapters that do have Figures, the table of contents provides a list of Figures that accompany the text. The Figures have been grouped together and placed at the end of the Chapter text.

Each Chapter will have a listing for Plates and Appendices. Those Plates and Appendices highlighted in bold are included in this submittal. The Plates are provided in a separate binder. The Appendices that are bolded are included in this submittal and follow each Chapter. Those Plates and Appendices that are not bolded can be found in the previously existing volumes of the Mining and Reclamation Plan.

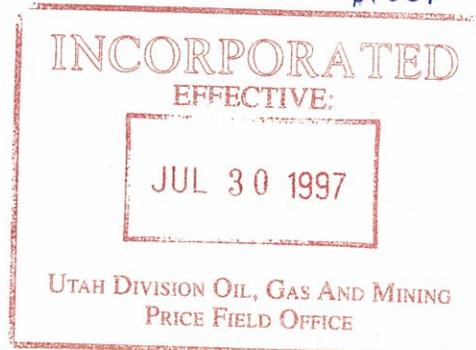
INTRODUCTION

The Crandall Canyon coal mine is owned jointly by Intermountain Power Authority (IPA) and Andalex Resources, Inc. (Andalex). The Crandall Canyon coal mine is operated by Genwal Resources, Inc. (applicant and permittee). Genwal Resources, Inc. (Genwal) is jointly owned by IPA and Andalex.

The Crandall Canyon coal mine is located 17 miles west of Huntington, Utah within the boundaries of the Manti-LaSal National Forest. Genwal's Crandall Canyon Mine consists of five (5) leased areas. Three of which are federal lease areas (U-54762, SLO62648, and UTU-68082) and two state lease areas (ML-21568 and ML-21569). One private surface fee area and four (4) Forest Service special use areas are located in Crandall Canyon while one other Forest Service special use area is located at the head of the left fork of Horse Canyon. Both Canyons are located in Emery County, Utah. Crandall Canyon, where Genwal's surface facilities and portals are located, is a westward trending side branch of Huntington Canyon, roughly 6.1 kilometers in length (refer to Figure 1).

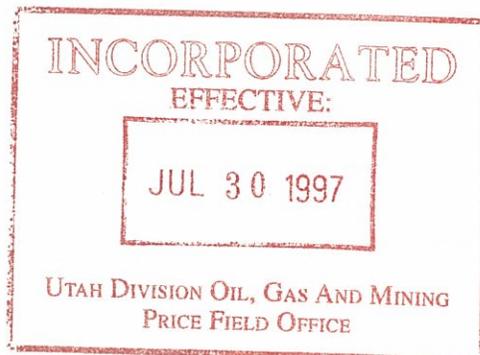
The following is a summary of areas included in this permit:

Federal Coal Lease SL-062648	161.17 acres ✓
Federal Coal Lease U-54762	256.49 acres ✓
Federal Coal Lease UTU-68082	2,978.45 acres 2,979.49
USFS special use area (Crandall Cyn)	1.50 acres
State Coal Lease ML-21568	997.69 acres ✓
State Coal Lease ML-21569	640.0 acres ✓
Genwal Fee Lands	160.0 acres ✓
Total	5,195.30 acres 6,126.7



Below is a list of disturbed areas included in the mine permit:

Surface Facilities Area	12.78 acres	
Topsoil Stockpile Areas	+0.90 acres	1.4
Total Area	13.68 acres	
less Unaffected Areas	-3.48 acres	
Total Disturbed Area	10.20 acres	10.7
less Road to be left in place	-1.20 acres	
less Trail Head	-0.27 acres	
Total Area to be Reclaimed	8.73 acres	



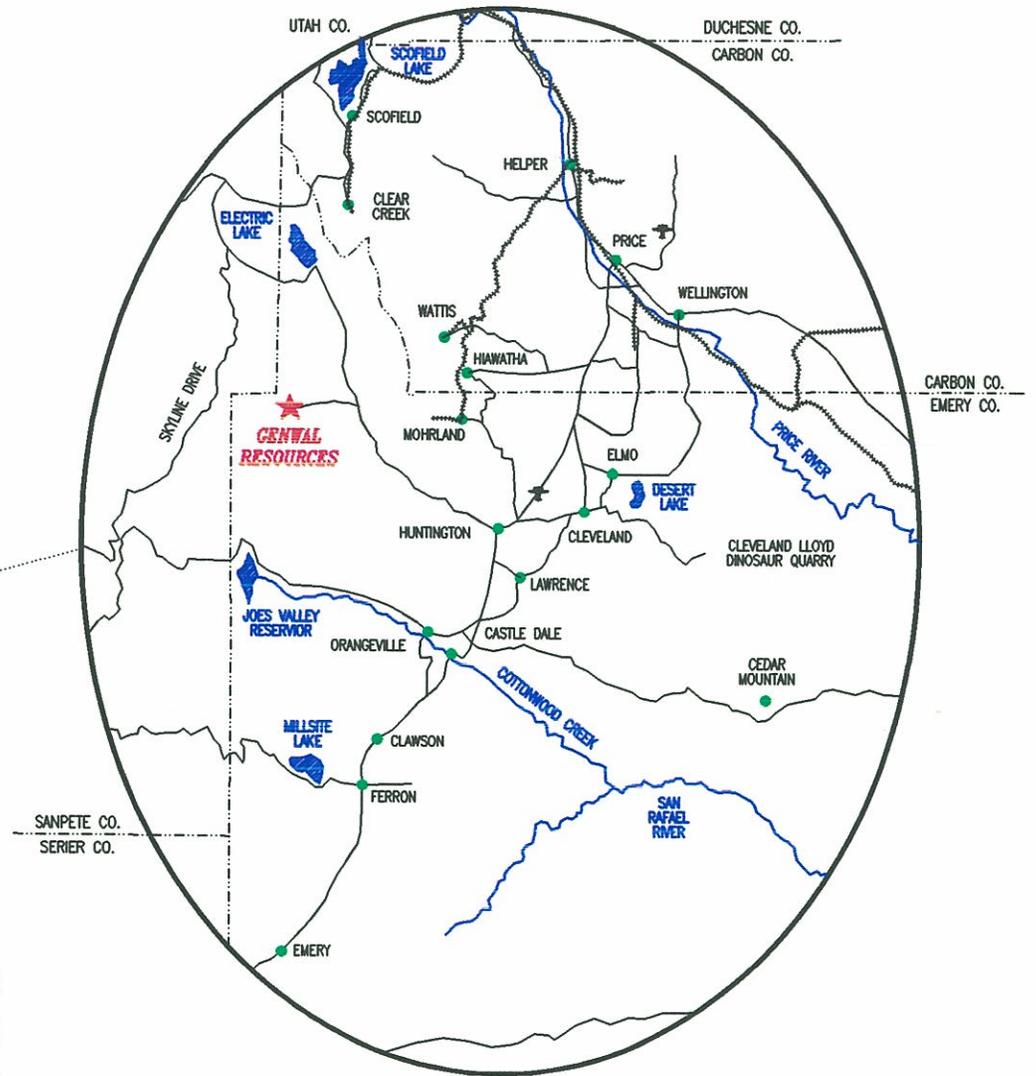
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EFFECTIVE-

JUL 30 1997

UTAH DIVISION OIL, GAS AND MINING
PRICE FIELD OFFICE

**GENWAL RESOURCES, INC.
CRANDALL CANYON MINE
LOCATION MAP**

FIGURE 1



CHAPTER 1

**LEGAL, FINANCIAL, COMPLIANCE, AND RELATED INFORMATION
(R645-301-100)**

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SEP 02 1999 99-1
UTAH DIVISION OIL, GAS AND MINING

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

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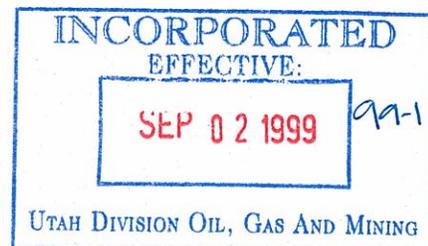


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CHAPTER 1

LIST OF PLATES

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PLATE 1-1	Lease Boundary Map

LIST OF APPENDICES

<u>APPENDIX NUMBER</u>	<u>DESCRIPTION</u>
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CHAPTER 1

LEGAL, FINANCIAL, COMPLIANCE, AND RELATED INFORMATION

1.12 Identification of Interest

1.12.1 Business entity

Applicant is a corporation, incorporated under the laws of the state of Utah, and registered to do business in Utah.

1.12.2 Applicant

Applicant:

GENWAL Resources, Inc.
P.O. Box 1077
Price, Utah 84501
Telephone (435) 888-4000
Employer I.D. #87-0533099

Operator:

GENWAL Resources, Inc.
P.O. Box 1077
Price, Utah 84501
Telephone (435) 888-4000

Resident Agent:

Gary E. Gray
GENWAL Resources, Inc.
P.O. Box 1077
Price, Utah 84501
Telephone (435) 888-4000

As operator of the mine, GENWAL Resources, Inc. will continue as Permittee under Permit No. ACT/015/032.

Revised 1/13/2004
Revised 4/05/2003

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1.12.23 Abandoned Mine Land Reclamation Fee

The abandoned mine land reclamation fee will be paid by Mr. Gary Gray, representing GENWAL Resources.

1.12.3 Ownership and Control

The joint owners of applicant are Intermountain Power Agency and Andalex Resources, Inc.:

1. Intermountain Power Agency, Joint owner:

c/o Los Angeles Department of Water and Power
P.O. Box 111, Suite 1107
Los Angeles, California 90051-0100
Telephone (213)481-4104
Employee I.D. #87-0366288

Name and address of IPA's general manager:

Reed T. Searle
Intermountain Power Agency
480 East 6400 South, Suite 200
Murray, Utah 84107
Telephone (801)262-8807
Assumed position September, 1989

Resident Agent for IPA:

Mark Buchi
Holme, Roberts, and Owen
111 East Broadway, Suite 1100
Salt Lake City, Utah 84111
Assumed position January, 1988

2. Andalex Resources, Inc., Joint Owner:

Andalex Resources, Inc.
45 West 10000 South, Suite 401
Sandy, Utah 84070
Employer ID No. 61-0931325

INC
Feb 28 2005
SLO

Name and address of Andalex's President is:

Douglas H. Smith
Andalex Resources, Inc.
45 West 10000 South, Suite 401
Sandy, Utah 84070
Assumed position 07/01/94

Resident Agent of Andalex:

Mike Glasson
Andalex Resources, Inc.
P.O. Box 902
Price, Utah 84501
Telephone (435) 637-5385

Names and addresses of officers of GENWAL Resources, Inc.:

OFFICERS	TITLE	DATE POSITION WAS ASSUMED
Peter B. Green	Chairman of Board of Directors	01/09/95
Douglas H. Smith	President	01/09/95
John Bradshaw	Vice President Finance & Treasurer	01/09/95
Samuel C. Quigley	Vice President	01/09/95

DIRECTORS	TITLE	DATE POSITION WAS ASSUMED
Peter B. Green	Director	12/13/94
Ronald C. Beedie	Director	12/13/94
Douglas H. Smith	Director	12/13/94

The address for the above officers and directors is:

GENWAL Resources, Inc.
45 West 10000 South, Suite 401
Sandy, Utah 84070

Revised 4/05/2003

Names and addresses of officers, directors and principal shareholders of IPA: (R645-301-112-310)

Officers of IPA:

Reece D. Nielsen, Chairman
105 South 600 East
Hyrum, Utah 84319
Assumed position January, 1983

R. Leon Bowler, Vice-Chairman
Dixie-Escalante Rural Electric Assoc., Inc.
Beryl, Utah 84714
Assumed position January, 1983

Ray Farrell, Secretary
35 North 500 East
Heber, Utah 84032
Assumed position November, 1984

Clifford C. Michaelis, Treasurer
Bountiful Light & Power
198 South 200 West
Bountiful, Utah 84010
Assumed position January 1990

Directors of IPA:

Reece D. Nielsen, Chairman
105 South 600 East
Hyrum, Utah 84319
Assumed position January, 1983

R. Leon Bowler, Vice-Chairman
Dixie-Escalante Rural Electric Assoc., Inc.
Beryl, Utah 84714
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Ray Farrell, Secretary
35 North 500 East
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Assumed position November, 1984

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Clifford C. Michaelis, Treasurer
Bountiful Light & Power
198 South 200 West
Bountiful, Utah 84010
Assumed position January, 1990

Robert O. Christiansen, Director
269 West Center
Beaver, Utah 84713
Assumed position January, 1989

Russell F. Fieldsted, Director
The Sportsman
129 North Main
Logan, Utah 84321
Assumed position January, 1989

Ted L. Olson, Director
265 East 400 South (75-8)
Ephraim, Utah 84627
Assumed position January, 1989

Principle Shareholders of IPA:

IPA has no shareholders. IPA is a political subdivision of the State of Utah, and as such, has not issued stock.

Names and addresses of officers, directors, and principal shareholders of ANDALEX Resources, Inc:

OFFICERS	TITLE	DATE POSITION WAS ASSUMED
Peter B. Green	Chairman of Board of Directors, and Chief Executive Officer	05/11/90 09/30/96
Douglas H. Smith	President	07/01/94
John Bradshaw	Vice President of Finance	02/05/90
Samuel C. Quigley	Vice President of Western Operations	05/15/95

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FEB 28 2005

DIV OF OIL GAS & MINING

DIRECTORS	TITLE	DATE POSITION WAS ASSUMED
Peter B. Green	Director	05/11/90
Ronald C. Beedie	Director	01/05/88
John Bradshaw	Director	07/01/94

The principal shareholder of Andalex Resources, Inc. is as follows:

The capital stock of Andalex Resources, Inc. is one hundred percent (100%) owned and controlled by Prospect Holdings S.A. Prospect Holdings S.A. does not have an employer identification number. Andalex Resources, S.A. and Andalex Holdings, LTD, owners and controllers of the parent entity do not have employer identification numbers, Appendix 1-9 Section A.

Andalex Resources, Inc.
45 West 10000 South, Suite 401
Sandy, Utah 84070

Other names under which Andalex Resources, Inc. and Prospect Holdings S.A. is or has operated in the United States within the last five years preceding the date of this application are listed below:

Andalex Resources, Inc., Tower Division
Andalex Resources, Inc., Cimarron Division
AMCA Coal Leasing, Inc.
West Ken Coal Corporation
Andalex Resources, Inc., Little Creek Division

Legal owners of area to be affected by surface operations and facilities:

United States Government
Administered by the United States
Department of Agriculture, Forest Service,
Intermountain Region
Manti-La Sal National Forest
599 West River Drive
Price, Utah 84501

GENWAL Resources, Inc.
P.O. Box 1077
Price, Utah 84501
Telephone (435) 564-4000
Employer I.D. #87-0533099

Revised 4/05/2003

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1.12.4 List of current or previous coal mining permits and pending permit applications:

GENWAL Resources, Inc. has not previously held a mining permit.

A list of current and previous mining permits held by Andalex and its affiliates is included in Appendix 1-12.

Corporate Status of Joint Owners

IPA is a political subdivision of the State of Utah created under the Interlocal Cooperation Act, Title II, Chapter 13, Utah code Ann. 1953, as amended.

Andalex is a Delaware Corporation (The parent companies of Andalex Resources, Inc. do not have employer identification numbers).

1.12.5 Leasehold Interest

Holders of record of any leasehold interest in areas to be affected by surface operations or facilities:

U.S. Forest Service and GENWAL Resources, Inc are the surface owners in within the disturbed portions of the mine permit.

Holders of record of any leasehold interest in the coal to be mined:

The U.S. Forest Service, the State of Utah, and GENWAL Resources, Inc are surface owners within the permit area. The State of Utah, the BLM, and GENWAL Resources, Inc are the coal owners within the permit area (see Appendix 1-1).

1.12.6 Owners of Contiguous Areas Both Surface and Underground:

Surface Ownership:

United States Government
Administered by the United States
Dept. of Agriculture, Forest Service
Intermountain Region
Manti-La Sal National Forest
599 West Price River Drive
Price, Utah 84501

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GENWAL Resources, Inc.
P.O. Box 1077
Price, Utah 84501
Telephone (435) 888-4000

Mineral Ownership:

United States Government
Administered by the United States
Dept. of Interior, Bureau of Land Management
Moab District
P.O. Box AB
Price, Utah 84501

Dick Nielson
c/o Kris Lison
4819 Mandell Street
Houston, Texas 77006

Utah School and Institutional Trust Lands Administration (SITLA)
675 East 500 South
Salt Lake City, Utah 84102

Owners of contiguous areas both surface and underground:
See Plate 1-1

1.12.7 Mine Identification: MSHA Numbers

Crandall Canyon Mine 21 Nov, 1991
MSHA No. 42-01715

West Ridge Mine
MSHA No. 42-02356

South Crandall Canyon Mine
MSHA No. 42-02356

Andalex Resources, Inc. - Tower Division
MSHA No. 42-01474, 42-01750, 42-02028, 42-01864

1.12.8 Pending Interests of Lands Contiguous to Permit Area:

The applicant has no pending interests in lands contiguous to the permit area.

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1.13 Violation Information:

The applicant currently operates coal mining operations under ACT/015/032 for the Crandall Canyon Mine in Emery county, Utah. Permit ACT/015/032 was approved and issued May 13, 1993.

The Applicant, nor any subsidiary, affiliate, or persons controlled by or under common control with the applicant, has not had a Federal or State mining permit suspended or revoked in the last five years. Nor have they forfeited a mining bond or similar security deposited in lieu of a bond. There are no unabated cessation orders or air and water quality violation notices received prior to the date of the application, by any coal mining and reclamation operation owned or controlled by GENWAL or by any person who owns or controls GENWAL. Refer to Appendix 1-11 for a list of previous violations.

1.14 RIGHT OF ENTRY AND OPERATION

Applicant bases its legal right to enter and begin underground mining activities in the permit area upon the following documents:

Federal Coal Lease U-54762, issued to GENWAL on December 1, 1986, currently owned by Andalex and IPA. IPA and Andalex have undivided 50% interest as tenants in common of all leases previously under GENWAL's sole ownership (Andalex Resources, Inc has now assumed all leases or portions of the leases previously held by NEICO through the purchase and transfer of those rights to GENWAL Resources, Inc. effective 1/11/95). Federal coal lease UTU-78953 (also known as the South Crandall tract) was acquired in June 2003. (Refer to Appendix 1-13) A 40 acre parcel of the SITLA Millfork Lease was subleased from PacifiCorp in February, 2004. (Refer to Appendix 1-14). In December, 2004 the BLM issued a decision to approve Federal Lease UTU-68082, to include an additional 120 acres . (Refer to Appendix 15-A.) The approval became effective in the early part of 2005 (Refer to Appendix 1-15).

It should be noted that throughout this Mining and Reclamation Plan the combined area of Federal Lease UTU-78953 and the SITLA/PacifiCorp sublease are collectively referred to as the South Crandall lease area, the South Crandall tract, the South Crandall mining area, and similar such terms.

Assignment of Federal Lease SL-062648 and SL-050655 from heirs of John F. Sanders to applicant. BLM approval of assignment to applicant from heirs of John F. Sanders.

The Joint Owners will succeed to all the rights and duties held by Permittee by operation of law, including the legal right to enter and continue coal mining and reclamation operations. Permittee will continue to operate the mine under the direction of the Joint Owners.

The present Joint Owners (Andalex and IPA) base their legal right to enter and continue underground mining activities in the permit area upon the following documents and the NEICO/Andalex sales contract:

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Federal Coal Lease Assignments

Assignment of Federal Coal Lease U-54762 issued to GENWAL on December 1, 1986 and assigned to the Joint Owners (NEICO and IPA) on July 11, 1991.

Assignment of Federal Coal Lease SL-62648, assigned to the Joint Owners (NEICO and IPA) on July 11, 1991

Assignment of Federal Coal Lease UTU-68082, assigned to the Joint Owners (NEICO and IPA) in March, 1994.

State Coal Lease Assignments

Assignment of Utah State Coal Lease ML-21568, assigned to the Joint Owners (NEICO and IPA) on July 11, 1991

Assignment of Utah State Coal Lease ML-21569, assigned to the Joint Owners (NEICO and IPA) on July 11, 1991

Copies of the Assignments are included in Appendix 1-1. The Assignments are not subject to pending litigation. (However, reassignment of these leases does require BLM approval; reassignment of the leases is currently being processed by the BLM and based on contract documents from NEICO and verbal approval from BLM and State Lands, GENWAL Resources, Inc. has right of entry in the interim.

Special Use Permit Assignments

Special Use Permit, 1.5 acres, 150 x 400 ft adjacent to the eastern boundary of GENWAL's Federal Coal Lease SL-062648 (See Appendix 1-3)

Special Use Permit, .10 acres located in Section 6, SW quarter NE quarter T16S R7E SLBM (See Appendix 1-3).

Special Use Permit, 0.9 acres for stockpiles 1, 2, and 3 dated 8/17/87 (See Appendix 1-3)

Road Use Permit Assignment for F.S. No. 50248 road issued May 21, 1981 by the United States Forest Service (Appendix 1-2).

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Permit Legal Description

The permit area is located and described as follows:

<u>PARCEL</u>	<u>ACREAGE</u>	<u>LEGAL DESCRIPTION</u>
FEDERAL LEASE U-68082	2979.49	T 15 S, R 6 E Section 25: S ½ Section 26: S ½ Section 35: ALL T 15 S, R 7 E Section 30: Lots 7-12 SE ¼ Section 31: Lots 1-12 NE ¼ N½SE¼ SW¼SE¼ T 16 S, R 6 E Section 1: Lots 1-12 SW¼ T 16 S, R 7 E Section 6: Lots 2-4 SW¼NE¼
MODIFICATION TO U-68082	120.00	T15S, R7E Section 32: W½NW¼ NW¼SW¼

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FEDERAL LEASE U-54762

256.49

T 15 S, R 7 E

Section 31: SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 32: S $\frac{1}{2}$ SW $\frac{1}{4}$
SW $\frac{1}{4}$ SE $\frac{1}{4}$

T 16 S, R 7 E

Section 5: Lots 2, 3, and 8

FEDERAL LEASE SL-062648

161.17

T 16 S, R 7 E

Section 5: Lots 5 and 6

Section 6: Lot 1
SE $\frac{1}{4}$ NE $\frac{1}{4}$

FEDERAL LEASE U-78953

880.00

T 16 S, R 7 E

Section 4: W $\frac{1}{2}$ SW $\frac{1}{4}$
S $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$

Section 5: SE $\frac{1}{4}$
S $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$

Section 8: E $\frac{1}{2}$
NE $\frac{1}{4}$ NW $\frac{1}{4}$
S $\frac{1}{2}$ NW $\frac{1}{4}$

Section 9: NW $\frac{1}{4}$

STATE LEASE ML-21568

997.69

T 16 S, R 6 E

Section 2: ALL

STATE LEASE ML-21569

640.00

T 15 S, R 6 E

Section 36: ALL

FEE SURFACE AND COAL
(Dellenbach)

160.00

T 16 S, R 7 E

Section 5: SW $\frac{1}{4}$

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BLM RIGHT OF WAY UTU-77975 50.00
(underground mining rights)

T 16 S, R 6 E

Section 3: E¹/₂E¹/₂SE¹/₄NE¹/₄
E¹/₂E¹/₂NE¹/₄SE¹/₄
E¹/₂SE¹/₄SE¹/₄

Section 10: NE¹/₄NE¹/₄NE¹/₄

SITLA/PACIFICORP SUBLEASE: 40.0

T 16 S, R 7 E

Section 8: NW¹/₄NW¹/₄

FOREST SERVICE SPECIAL USE AREAS:
(all in T 16 S, R 7 E)

SEDIMENT POND (7/28/83) 1.5

Section 5: located within
SW¹/₄SW¹/₄SE¹/₄NW¹/₄,

TOPSOIL PILE #1 (8/17/87) 0.2

Section 5: located within
SE¹/₄SE¹/₄SE¹/₄NW¹/₄,

TOPSOIL PILE #2 (8/17/87) 0.2

Section 5: located within
SW¹/₄NW¹/₄SE¹/₄NE¹/₄,

TOPSOIL PILE #3 (8/17/87) 0.5

Section 4: located within
NW¹/₄NW¹/₄SE¹/₄NW¹/₄,

TOPSOIL PILE #4 (8/17/87) 0.5

Section 4: located within
SW¹/₄SW¹/₄NE¹/₄NW¹/₄

TOTAL PERMIT AREA 6287.74

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The right to continue underground mining operations will apply to the property attached hereto as Appendix 1-1.

The surface facility area and permit area is not within 300 feet of any occupied dwelling and is not subject to the prohibitions or limitations of the State and/or Federal Regulations.

GENWAL DISTURBED ACREAGE

Area	Section	within	Acres	parcel
minesite	Section 5	NW ¼	7.778*	Fed Lease UTU-54762
		SW¼	6.086*	Dellenbach Fee
Topsoil Pile #1	Section 5	NW¼	0.2	Forest Service Special Use Permit
Topsoil Pile #2	Section 5	NE¼	0.2	Forest Service Special Use Permit
Topsoil Pile #3	Section 4	NW¼	0.5	Forest Service Special Use Permit
Topsoil Pile #4	Section 4	NW¼	0.5	Forest Service Special Use Permit
TOTAL			15.264	

* Includes all areas within “permitted” disturbed area. Not all acreage is presently disturbed. See Figure 8C.

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1.15 STATUS OF UNSUITABILITY CLAIMS

All available information concludes that the proposed permit area is not within an area designated as unsuitable for underground mining activities (refer to Appendix 1-7). The map required to be maintained by the regulatory authority under 764.25(b), does not indicate this permit area as unsuitable for underground mining. The regulatory authority has also stated that this area is not under study for designation in an administrative proceeding. The permit area is located in the Wasatch Plateau as described in the following, "Known Recoverable Coal Resource Area", as indicated in the San Rafael Planning Area Management

Framework Plan, published in July 1979, by the United States Department of Interior, Bureau of Land Management. Pages 43 and 44 of that publication, copies of which are included with this application and found at the end of this chapter as Appendix 1-6, indicate that none of the acreage in the KRCRA was determined to be unsuitable for underground mining. In addition, the Land Management Plan, Ferron-Price Planning Unit, Manti-La Sal National Forest, published in May 1979, by the United States Department of Agriculture, Forest Service, Intermountain Region. The Forest Service has stated that this permit area, which is included in the Section A3 minable coal area of this publication, will not be considered unsuitable for leasing or mining. Page 149 of the document is included with this application as Appendix 1-7.

The applicant was notified of a public hearing scheduled for June 2, 1981, at 3:00 p.m. in Huntington, Utah, at the Senior Citizens Center. An officer of GENWAL was present at the hearing. The public hearing dealt with the proposed mining activities of the Crandall Canyon Mine within 100 feet of a public road (Forest Service Development). The USFS has issued a Special Use Permit for the Crandall Canyon Mine and accepts that the operation will occur within 100 feet of the Forest Service Development road.

The surface facility area and permit area is not within 300 feet from any occupied dwelling and is not subject to the prohibitions or limitations of State and/or Federal Regulations.

The area to be included in the Incidental Boundary Change (IBC) is immediately adjacent to the current permit area. Since mining in the IBC will be primarily first mining (longwall setup entries and barrier pillars), no surface impacts are expected to occur. Protection of the resources in this IBC are provided under the Mining and Reclamation Permit as well as state and federal.

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1.16 PERMIT TERMS

The applicant requests a permit term of five years from the date of approval, however mining activities will continue longer than five years if the coal becomes available and feasible to mine. The starting and termination dates in one year increments is shown on Plate 5-2. The horizontal extent of the underground mine workings is also shown. GENWAL will commit to comply with all applicable standards during times of temporary and permanent cessation of operations. Further discussion may be found in Chapter 5, Engineering.

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DIV OF OIL GAS & MINING

1.17 INSURANCE, PROOF OF PUBLICATION

1.17.1 Insurance

A Certificate of Liability Insurance with Andalex and IPA is included in Appendix 1-10.

1.17.2 Proof of Publication

A copy of the newspaper advertisement of the application for a renewal of Crandall Canyon Mine permit was included in the permit package, as required under R645-300-121.100. Also, a copy of the newspaper advertisement for the permit amendment to install a culvert in Crandall Canyon has been included. See Appendix 1-8 for both copies.

1.18 FILING FEE

This permit application to conduct coal mining and reclamation operations pursuant to the State Program was accompanied by a fee of \$5.00.

1.20 APPLICATION FORMAT AND CONTENTS

This application is structured based on the R645 regulations of the Division of Oil, Gas, and Mining. The chapter divisions in the application are based on the different sections of the R645 regulations. Each section of the application is based on the corresponding sections of the GENERAL CONTENTS of the R645 regulations.

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FEB 23 2005

DIV OF OIL GAS & MINING

1.23

VERIFICATION OF APPLICATION

I hereby certify that I am a responsible official (Resident Agent) of the applicant (Andalex and IPA for GENWAL Resources, Inc.) and that the information contained in this application, inclusive of the Forest Service parking lot upgrade, 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.

By E.S. original agent 5/31/05
Signed - Name - Position - Date

Subscribed and sworn to before me this 31 day of May, 2005

Rada J. Rogers
Notary Public

My commission expires: 10/2, 2006

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



INCORPORATED

JUL 26 2005

DIV OF OIL GAS & MINING

APPENDIX 1-8

NEWSPAPER PUBLICATION

INCORPORATED

APR 15 2005

DIV OF OIL GAS & MINING

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

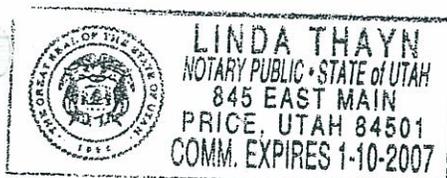
I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 16th day of December, 2003, and that the last publication of such notice was in the issue of such newspaper dated the 6th day of January, 2004.

Ken G. Larson
Ken G Larson - Publisher

Subscribed and sworn to before me this 6th day of January, 2004.

Linda Thayne
Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, \$ 420.16



PUBLIC NOTICE FOR PERMIT CHANGE

**CRANDALL CANYON MINE
P.O. BOX 1077
PRICE, UTAH 84528**

Notice is hereby given that Genwal Resources, Inc. P.O. Box 1077, Price, UT 84528, a subsidiary owned jointly by Intermountain Power Agency and Andalex Resources, Inc. has submitted with the Utah Division of Oil, Gas and Mining, a complete application for adding the South Crandall lease to the existing Mine and Reclamation Permit, ACT/015/032. The permit area is located around Crandall Canyon of the USGS topographic quadrangle map of Rilda Canyon. The description of the permitted area is as follows:

Township 15 South, Range 6 East, SLBM

- Section 25: S $\frac{1}{2}$
- Section 26: S $\frac{1}{2}$
- Section 35: All, and
- Section 36: All.

Township 15 South, Range 7 East, SLBM

- Section 30: Lots 7-12, SE $\frac{1}{4}$
- Section 31: All, and
- Section 32: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$.

Township 16 South, Range 6 East, SLBM

- Section 1: Lots 1-12, SW $\frac{1}{4}$, and
- Section 2: All.

Township 16 South, Range 7 East, SLBM

- Section 4: Part of NW $\frac{1}{4}$ containing Topsoil Piles #3 and #4, W $\frac{1}{2}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$,
- Section 5: SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, Part of NE $\frac{1}{4}$ containing Topsoil Pile #2, part of NW $\frac{1}{4}$ containing Topsoil Pile #1, part of SW $\frac{1}{4}$ containing Sediment Pond,
- Section 6: Lots 1-4 (NE $\frac{1}{4}$ NE $\frac{1}{4}$), S $\frac{1}{2}$ NE $\frac{1}{4}$
- Section 8: E $\frac{1}{2}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, and
- Section 9: NW $\frac{1}{4}$.

A copy of this application is available for inspection at the Division of Oil, Gas and Mining at 1594 West North Temple, Suite 1210, Salt Lake City, Utah. Comments, objections, or requests for an informal conference should be addressed to the Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, P.O. Box 145801, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate December 16, 23, 30, 2003 and January 6, 2004.

INCORPORATED

APR 15 2005

DIV OF OIL GAS & MINING

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

SS.

County of Emery,)

I, Ken Larson, on oath, say that I am the Publisher of the Emery County Progress, a weekly newspaper of general circulation, published at Castle Dale, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 16th day of December, 2003 and that the last publication of such notice was in the issue of such newspaper dated the 6th day of January, 2004.

Ken G. Larson

Ken G Larson - Publisher

Subscribed and sworn to before me this 6th day of January, 2004.

Linda Thayne

Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, \$ 301.08

PUBLIC NOTICE FOR PERMIT CHANGE

CRANDALL CANYON MINE

P.O. BOX 1077

PRICE, UTAH 84528

Notice is hereby given that Genwal Resources, Inc. P.O. Box 1077, Price, UT 84528, a subsidiary owned jointly by Intermountain Power Agency and Andalex Resources, Inc. has submitted with the Utah Division of Oil, Gas and Mining, a complete application for adding the South Crandall lease to the existing Mine and Reclamation Permit, ACT/015/032. The permit area is located around Crandall Canyon of the USGS topographic quadrangle map of Rilda Canyon. The description of the permitted area is as follows:

Township 15 South, Range 6 East, SLBM

- Section 25: S $\frac{1}{2}$
- Section 26: S $\frac{1}{2}$
- Section 35: All, and
- Section 36: All.

Township 15 South, Range 7 East, SLBM

- Section 30: Lots 7-12, SE $\frac{1}{4}$
- Section 31: All, and
- Section 32: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$.

Township 16 South, Range 6 East, SLBM

- Section 1: Lots 1-12, SW $\frac{1}{4}$, and
- Section 2: All.

Township 16 South, Range 7 East, SLBM

- Section 4: Part of NW $\frac{1}{4}$ containing Topsoil Piles #3 and #4, W $\frac{1}{2}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$,
- Section 5: SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, Part of NE $\frac{1}{4}$ containing Topsoil Pile #2, part of NW $\frac{1}{4}$ containing Topsoil Pile #1, part of SW $\frac{1}{4}$ containing Sediment Pond,
- Section 6: Lots 1-4 (NE $\frac{1}{4}$ NE $\frac{1}{4}$), S $\frac{1}{2}$ NE $\frac{1}{4}$
- Section 8: E $\frac{1}{2}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, and
- Section 9: NW $\frac{1}{4}$.

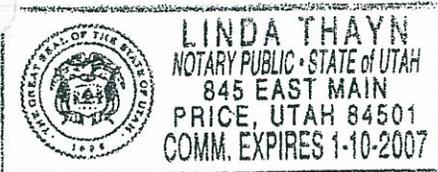
A copy of this application is available for inspection at the Division of Oil, Gas and Mining at 1594 West North Temple, Suite 1210, Salt Lake City, Utah. Comments, objections, or requests for an informal conference should be addressed to the Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, P.O. Box 145801, Salt Lake City, Utah 84114-5801.

Published in the Emery County Progress December 16, 23, 30, 2003 and January 6, 2004.

INCORPORATED

APR 15 2005

DIV OF OIL GAS & MINING



AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 8 (Eight) consecutive issues, and that the first publication was on the 15th day of April, 2003, and that the last publication of such notice was in the issue of such newspaper dated the 8th day of May, 2003.

Ken G. Larson

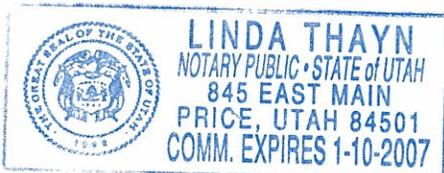
Ken G Larson - Publisher

Subscribed and sworn to before me this 8th day of May, 2003.

Linda Thayne

Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, \$ 775.68



**PUBLIC NOTICE FOR PERMIT RENEWAL
CRANDALL CANYON MINE
P.O. BOX 1077
PRICE, UTAH 84501**

Notice is hereby given that Genwal Resources, Inc. P.O. Box 1077, Price, UT 84501, a subsidiary owned jointly by Intermountain Power Agency and Andalex Resources, Inc. has submitted with the Utah Division of Oil, Gas and Mining, a complete application for the renewal of the existing Mine and Reclamation Permit, ACT/015/032. The permit area is located around Crandall Canyon of the USGS topographic quadrangle map of Rilda Canyon. The description of the permitted area is as follows:

Township 15 South, Range 6 East, SLBM

Section 25: S $\frac{1}{2}$
Section 26: S $\frac{1}{2}$
Section 35: All, and
Section 36: All.

Township 15 South, Range 7 East, SLBM

Section 30: Lots 7-12, SE $\frac{1}{4}$
Section 31: All, and
Section 32: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$.

Township 16 South, Range 6 East, SLBM

Section 1: Lots 1-12, SW $\frac{1}{4}$, and
Section 2: All.

Township 16 South, Range 7 East, SLBM

Section 4: Part of NW $\frac{1}{4}$ containing Topsoil Piles #3 and #4,
Section 5: N $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$,
Part of NE $\frac{1}{4}$ containing Topsoil Pile #2, part of NW $\frac{1}{4}$ containing
Topsoil Pile #1, part of SW $\frac{1}{4}$ containing Sediment Pond, and
Section 6: Lots 1-4 (NE $\frac{1}{4}$ NE $\frac{1}{4}$), S $\frac{1}{2}$ NE $\frac{1}{4}$.

A copy of this application is available for inspection at the Division of Oil, Gas and Mining at 1594 West North Temple, Suite 1210, Salt Lake City, Utah. Comments, objections, or requests for an informal conference should be addressed to the Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, P.O. Box 145801, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate April 15, 17, 22, 24, 29, May 1, 6 and 8, 2003.

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 8 (Eight) consecutive issues, and that the first publication was on the 15th day of April, 2003, and that the last publication of such notice was in the issue of such newspaper dated the 8th day of May, 2003.

Ken G. Larson

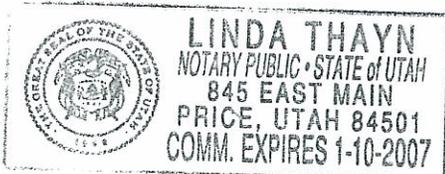
Ken G Larson - Publisher

Subscribed and sworn to before me this 8th day of May, 2003.

Linda Thayne

Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, \$ 775.68



**PUBLIC NOTICE FOR PERMIT RENEWAL
CRANDALL CANYON MINE
P.O. BOX 1077
PRICE, UTAH 84501**

Notice is hereby given that Genwal Resources, Inc. P.O. Box 1077, Price, UT 84501, a subsidiary owned jointly by Intermountain Power Agency and Andalex Resources, Inc. has submitted with the Utah Division of Oil, Gas and Mining, a complete application for the renewal of the existing Mine and Reclamation Permit, AQT/015/032. The permit area is located around Crandall Canyon of the USGS topographic quadrangle map of Rilda Canyon. The description of the permitted area is as follows:

Township 15 South, Range 6 East, SLBM

Section 25: S $\frac{1}{2}$
Section 26: S $\frac{1}{2}$
Section 35: All, and
Section 36: All.

Township 15 South, Range 7 East, SLBM

Section 30: Lots 7-12, SE $\frac{1}{4}$
Section 31: All, and
Section 32: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$.

Township 16 South, Range 6 East, SLBM

Section 1: Lots 1-12, SW $\frac{1}{4}$, and
Section 2: All.

Township 16 South, Range 7 East, SLBM

Section 4: Part of NW $\frac{1}{4}$ containing Topsoil Piles #3 and #4,
Section 5: N $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$,
Part of NE $\frac{1}{4}$ containing Topsoil Pile #2, part of NW $\frac{1}{4}$ containing
Topsoil Pile #1, part of SW $\frac{1}{4}$ containing Sediment Pond, and
Section 6: Lots 1-4 (NE $\frac{1}{4}$ NE $\frac{1}{4}$), S $\frac{1}{2}$ NE $\frac{1}{4}$.

A copy of this application is available for inspection at the Division of Oil, Gas and Mining at 1594 West North Temple, Suite 1210, Salt Lake City, Utah. Comments, objections, or requests for an informal conference should be addressed to the Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, P.O. Box 145801, Salt Lake City, Utah 84114-5801.

Published in the Sun Advocate April 15, 17, 22, 24, 29, May 1, 6 and 8, 2003.

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

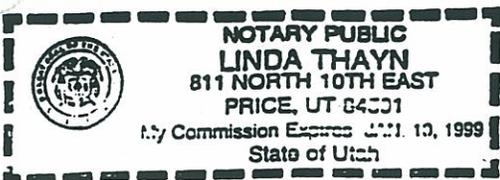
I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 8 (Eight) consecutive issues, and that the first publication was on the 13th day of August, 1996 and that the last publication of such notice was in the issue of such newspaper dated the 5th day of September, 1996.

Kevin Ashby
Kevin Ashby - Publisher

Subscribed and sworn to before me this 5th day of September, 1996.

Linda Thayne
Notary Public My commission expires January 10, 1999 Residing at Price, Utah

Publication fee, \$365.44



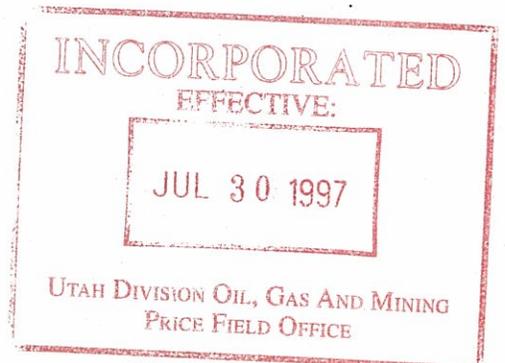
**PUBLIC NOTICE FOR SIGNIFICANT REVISION
CRANDALL CANYON NO. 1 MINE
P.O. BOX 1420
HUNTINGTON, UTAH 84528**

Notice is hereby given that Genwal Resources, Inc. P.O. Box 1420, Huntington, Utah 84528, a subsidiary owned jointly by Intermountain Power Agency and Andalex Resources, Inc. has submitted with the Utah Division of Oil, Gas and Mining, a complete application for revision to the existing Mine and Reclamation Plan, ACT/015/032. The existing plan is approved under the permanent program of the Utah Department of Natural Resources, Division of Oil, Gas and Mining. The expansion area will disturb an additional 4.70 acres on the following tracts of land:

T.16 S., R.7 E., SLB&M UTAH
 Sec. 5, SW 1/4 of NW 1/4
 Sec. 5, NW 1/4 of SW 1/4

The proposed modification will consist of a new coal loading and stockpile area, truck turn around, and support facilities. Approximately 1200' of Upper Crandall Creek would be culverted for the life of this operation. The proposed expansion is located within 100 feet of the U.S. Forest Service (Public) road, and may cause some disruption of public access during the construction timeframe. Proposed surface disturbance is located on Genwal Fee Land. A copy of this revision is available for inspection at the Emery County Courthouse, Castle Dale, Utah and the Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, P.O. Box 145801, Salt Lake City, Utah 84114-5801. Comments, objections or requests for an informal conference should be addressed to the Utah Division of Oil, Gas and Mining at the address above.

Published in the Sun Advocate August 13, 15, 20, 22, 27, 29 and September 3 and 5, 1996.



APPENDIX 1-11

LIST OF PREVIOUS VIOLATIONS

INCORPORATED
JUL 20 2005
DIV OF OIL GAS & MINING

CRANDALL CANYON MINE
PERMIT NUMBER 015/032

DOGM VIOLATIONS 2001 THROUGH MAY 2005

VIOLATION/ CESSATION NO.	DATE ISSUED	ABATEMENT DATE	VIOLATION DESCRIPTION
NO3-49-2-1	7/30/03	8/20/03	Failure to submit surface blast plan pf more than 5 pounds. Abated with submittal and approval of plan.
NO3-49-1-1	1/8/03	4/15/03	Failure to request permit renewal 120 days prior to permit expiration. Abated with submittal of permit renewal application.
NO4-49-4-1	8/19/04	8/23/04	Employee Parking in Forest Service trail-head. Vehicle removed from trail-head.
NO4-49-5-1	9/8/04	9/13/04	Failure to control non-coal waste. Non-coal waste was picked up and stored in appropriate area.

INCORPORATED

JUL 28 2005

DIV OF OIL GAS & MINING

WESTRIDGE MINE
PERMIT NUMBER 007/041

DOGM VIOLATIONS 2001 THROUGH ~~OCTOBER-FEBRUARY~~ 2005

May

VIOLATION/ CESSATION NO.	DATE ISSUED	ABATEMENT DATE	VIOLATION DESCRIPTION
NO2-49-2-1	11/19/02	2/18/02	Diverting mine water through channels and culverts and storing in sediment pond. Abated with submittal of permit change allowing use.
NO2-49-1-1	2/19/02	5/20/02	Failure to maintain or construct diversions according to approved MRP. Abated with the completion of a permit change approval and construction measures.
NO4-49-1-1	1/22/04	1/22/04	Failure to request permit renewal 120 prior to permit expiration. Abated with submittal of permit renewal application.
NO5-39-1-1	4/6/05	4/15/05	Failure to submit 4 th quarter water monitoring data via EDI.

INCORPORATED

JUL 28 2005

DIV OF OIL GAS & MINING

CENTENNIAL MINES
PERMIT NUMBER 007/019

DOGM VIOLATIONS 2001 THROUGH MAY 2005

VIOLATION/ CESSATION NO.	DATE ISSUED	ABATEMENT DATE	VIOLATION DESCRIPTION
NO4-49-2-1	1/24/04	3/25/04	Failure to maintain disturbed diversion DD-4 and culvert.
NO5-49-1-1	4/22/05	4/22/05	Failure to monitor water monitoring sites 31-1, AC-1, and B-263.

INCORPORATED
JUL 28 2005
DIV OF OIL GAS & MINING

04/99

APPENDIX 1-12
CURRENT AND PREVIOUS COAL MINING PERMITS

INCORPORATED
EFFECTIVE:
SEP 02 1999 99-1
UTAH DIVISION OIL, GAS AND MINING

List all permits issued within the five (5) years preceding the date of this application for coal mining operations in the United States owned or controlled by the applicant.

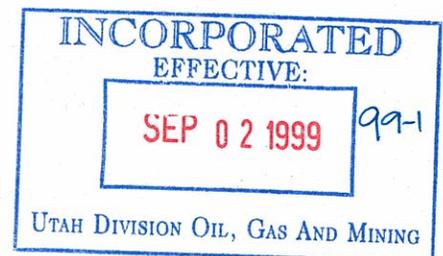
Name of Applicant or Person: Cimarron Coal Corporation
 Permittee Cimarron Coal Corporation Employer ID No. 62-0785949
 Address P.O. Box 89
 City Madisonville State Kentucky Zip 42431

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
454-0139	KY	KY DSMRE	15-02013	9-18-67
854-0139	KY	KY DSMRE	15-02013	9-18-67
854-0094	KY	KY DSMRE	15-02013	9-18-67
854-0091	KY	KY DSMRE	15-02013	9-18-67



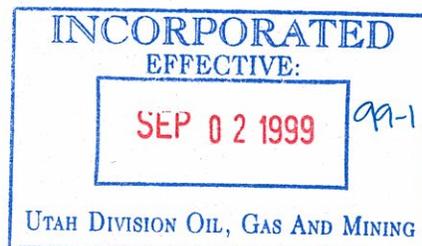
Name of Applicant or Person: West Ken Coal Corporation
 Permittee West Ken Coal Corporation Employer ID No. 61-0402550
 Address P.O. Box 217
 City Madisonville State Kentucky Zip 42431

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
489-9001	KY	KY DSMRE	15-02063	1-14-59
889-0016	KY	KY DSMRE	15-02063	1-14-59
889-0035	KY	KY DSMRE	15-02063	1-14-59
889-0040	KY	KY DSMRE	15-02063	1-14-59
889-0041	KY	KY DSMRE	15-02063	1-14-59
889-0043	KY	KY DSMRE	15-02063	1-14-59
889-0049	KY	KY DSMRE	15-02063	1-14-59



Name of Applicant or Person: West Ken Coal Corporation
 Permittee West Ken Coal Corporation Employer ID No. 61-0402550
 Address P.O. Box 217
 City Madisonville State Kentucky Zip 42431

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
889-8001	KY	KY DSMRE	15-02063	1-14-59
889-9000	KY	KY DSMRE	15-02063	1-14-59
889-9001	KY	KY DSMRE	15-02063	1-14-59
489-0026	KY	KY DSMRE	15-12302	4-28-80
875-0001	KY	KY DSMRE	15-03998	4-01-71



Name of Applicant or Person: Andalex Resources, Inc. - Cimarron Division
 Permittee Andalex Resources-Cimarron Div. Employer ID No. 61-0931325
 Address P.O. Box 89
 City Madisonville State Kentucky Zip 42431

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
854-0023	KY	KY DSMRE	15-02013	9-18-67
854-0039	KY	KY DSMRE	15-02013	9-18-67
854-0051	KY	KY DSMRE	15-02013	9-18-67
854-0088	KY	KY DSMRE	15-02013	9-18-67
854-0091	KY	KY DSMRE	15-02013	9-18-67
854-0094	KY	KY DSMRE	15-02013	9-18-67
854-0100	KY	KY DSMRE	15-02013	9-18-67
854-0115	KY	KY DSMRE	15-02013	9-18-67
854-0119	KY	KY DSMRE	15-02013	9-18-67



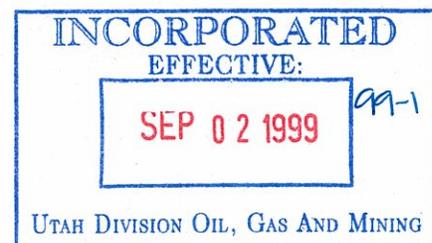
Name of Applicant or Person: Andalex Resources, Inc. - Cimarron Division
 Permittee Andalex Resources-Cimarron Div. Employer ID No. 61-0931325
 Address P.O. Box 89
 City Madisonville State Kentucky Zip 42431

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
854-0121	KY	KY DSMRE	15-02013	9-18-67
854-0139	KY	KY DSMRE	15-02013	9-18-67
854-0140	KY	KY DSMRE	15-02013	9-18-67
854-0144	KY	KY DSMRE	15-02013	9-18-67
854-0151	KY	KY DSMRE	15-02013	9-18-67
854-5012	KY	KY DSMRE	15-02013	9-18-67
854-7000	KY	KY DSMRE	15-02013	9-18-67



Name of Applicant or Person: Andalex Resources, Inc. - Cimarron Division
 Permittee Andalex Resources-Cimarron Div. Employer ID No. 61-0931325
 Address P.O. Box 89
 City Madisonville State Kentucky Zip 42431

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
854-7001	KY	KY DSMRE	15-02013	9-18-67
854-7002	KY	KY DSMRE	15-02013	9-18-67
854-7005	KY	KY DSMRE	15-02013	9-18-67
854-9000	KY	KY DSMRE	15-02013	9-18-67
854-0183	KY	KY DSMRE	15-02013	9-18-67
854-5012	KY	KY DSMRE	15-17515	3/28/94
454-0139	KY	KY DSMRE	15-02013	9-18-67



Name of Applicant or Person: Andalex Resources, Inc.
 Permittee Andalex Resources, Inc. Employer ID No. 61-0931325
 Address P.O. Box 711
 City Madisonville State Kentucky Zip 42431

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
854-0024	KY	KY DSMRE	15-08046	3-01-75

INCORPORATED
 EFFECTIVE:
SEP 02 1999 ⁹⁹⁻¹
 UTAH DIVISION OIL, GAS AND MINING

Name of Applicant or Person: Andalex Resources, Inc. - Little Creek Div.

Permittee Andalex Resources-Little Creek Employer ID No. 61-0931325

Address P.O. Box 68

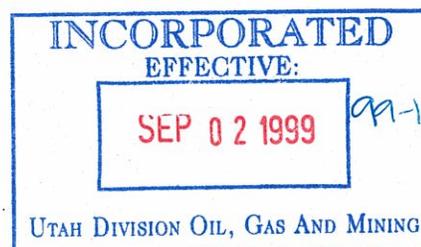
City Beverly State Kentucky Zip 40913

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
066-0045	KY	KY DSMRE	N/A	N/A
066-0055	KY	KY DSMRE	N/A	N/A
066-0147	KY	KY DSMRE	N/A	N/A
266-5052	KY	KY DSMRE	N/A	N/A
807-5116	KY	KY DSMRE	N/A	N/A
807-8015	KY	KY DSMRE	15-09546	6-14-91
807-8016	KY	KY DSMRE	15-09546	6-14-91



Name of Applicant or Person: Andalex Resources, Inc. - Little Creek Division
 Permittee Andalex Resources-Little Creek Employer ID No. 61-0931325
 Address P.O. Box 68
 City Beverly State Kentucky Zip 40913

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
3449-75	KY	KY DSMRE	N/A	N/A
807-0229	KY	KY DSMRE	15-16882	6-14-91
807-5113	KY	KY DSMRE	N/A	N/A
807-5114	KY	KY DSMRE	15-15519	2-28-90
807-5115	KY	KY DSMRE	15-16235	8-21-89
826-5029	KY	KY DSMRE	15-16896	6-14-91
826-5033	KY	KY DSMRE	15-16805	6-14-91



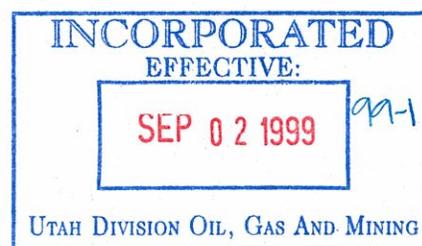
Name of Applicant or Person: Andalex Resources, Inc. - Little Creek Division
 Permittee Andalex Resources-Little Creek Employer ID No. 61-0931325
 Address P.O. Box 68
 City Beverly State Kentucky Zip 40913

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
826-7000	KY	KY DSMRE	N/A	N/A
826-8006	KY	KY DSMRE	15-18047	6-14-91
826-8007	KY	KY DSMRE	1211-KY7-0705205	N/A
866-0185	KY	KY DSMRE	15-07724	3-19-90
866-0192	KY	KY DSMRE	15-17004	7-22-91
866-5069	KY	KY DSMRE	15-12397	1-17-90
866-5070	KY	KY DSMRE	N/A	N/A



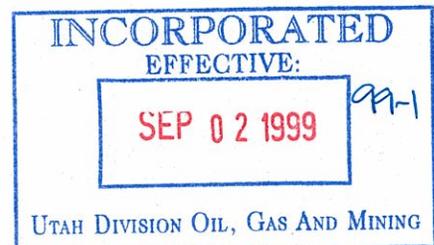
Name of Applicant or Person: Andalex Resources, Inc. - Little Creek Division
 Permittee Andalex Resources-Little Creek Employer ID No. 61-0931325
 Address P.O. Box 68
 City Beverly State Kentucky Zip 40913

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
866-5071	KY	KY DSMRE	N/A	N/A
866-5072	KY	KY DSMRE	N/A	N/A
866-5073	KY	KY DSMRE	15-16609	3-19-90
866-7004	KY	KY DSMRE	N/A	N/A
866-7005	KY	KY DSMRE	N/A	N/A
KY-073	KY	OSM	15-16805	6-14-91
807-5134	KY	KY DSMRE	N/A	N/A
807-5117	KY	KY DSMRE	N/A	N/A



Name of Applicant or Person: Andalex Resources, Inc. - Tower Division
 Permittee Andalex Resources-Tower Division Employer ID No. 61-0931325
 Address P.O. Box 902
 City Price State Utah Zip 84501

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
ACT/007/019	Utah	Department of Natural Resources - Division of Oil, Gas and Mining	42-01750 42-01474 42-02028	May 1981 July 1979 April 1988
ACT/007/033	Utah	Department of Natural Resources -Division of Oil, Gas and Mining	42-01864	April 1984
PRO/025/002 (With-drawn)	Utah	Department of Natural Resources - Division of Oil, Gas and Mining		



Name of Applicant or Person: Genwal Resources, Inc.
 Permittee: Genwal Resources, Inc.
 Address P.O. Box 1420
 City Huntington State Utah Zip 84501

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
ACT/015/ 032	Utah	Department of Natural Resources - Division of Oil, Gas and Mining	42-01715	Nov. 21, 1991

Name of Applicant or Person: Intermountain Power Agency
 Permittee: Intermountain Power Agency
 Address 480 East 6400 South, Suite 200
 City Murray State Utah Zip 84107

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
ACT/007/ 013	Utah	Department of Natural Resources - Division of Oil, Gas and Mining	42-00100	April 1, 1973



Name of Applicant or Person: Nevada Electric Investment Company

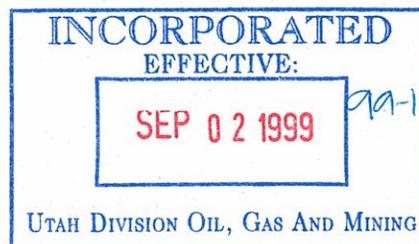
Permittee: Nevada Electric Investment Company

Address 6226 West Sahara Avenue

City Las Vegas State Nevada Zip 89102

Phone 702/367-5626

PERMIT NUMBER	STATE	REGULATORY AUTHORITY	MSHA NUMBER	DATE MSHA NO. ISSUED
ACT/007/ 012	Utah	Department of Natural Resources - Division of Oil, Gas and Mining	42-00099	4/1/73
		Plant Refuse Pile	1211-UT-09-00099-01	06/06/86
		Clear Water Pond	1211-UT-09-00099-02	06/06/86
		Lower Refuse Pond	1211-UT-09-00099-03	06/06/86
		Upper Refuse Pond	1211-UT-09-00099-04	06/06/86
		Pond Refuse Pile	1211-UT-09-00099-05	10/01/86



APPENDIX 1-13

SOUTH CRANDALL FEDERAL LEASE

UTU-78953

INCORPORATED

APR 15 2005

DIV OF OIL GAS & MINING

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number

UTU-78953

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 84070

Intermountain Power Agency (50%)
10653 S. River Parkway, Suite 120
South Jordan, Utah 84095

hereinafter called lessee, is effective (date) **AUG 1 2003**, 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. 16 S., R. 7 E., SLM, UT
Sec. 4, W2SW, S2SWNW;
Sec. 5, SE, S2SENE;
Sec. 8, E2, NENW, S2NW;
Sec. 9, NW.

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING

containing 880.00 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 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 \$ 5,255,000. 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 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. 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.

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 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 initial and final reclamation procedures. Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral interests 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.

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 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.).

INCORPORATED

APR 15 2005

DIV OF OIL GAS & MINING

SEE ATTACHED STIPULATIONS

ANDALEX Resources, Inc.
Company or Lessee Name

Douglas H. Smith

(Signature of Lessee)

Douglas H. Smith, President

(Title)

July 8, 2003

(Date)

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING

Intermountain Power Agency

Company or Lessee Name

Reed J. Searle

(Signature of Lessee)

Gen. Manager

(Title)

7-14-03

(Date)

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

By

Robert J. ...

(Signing Officer)
Chief, Branch of
Minerals Adjudication

(Title)

JUL 30 2003

(Date)

44 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.

SPECIAL COAL LEASE STIPULATIONS

Federal Regulations 43 CFR 3400 pertaining to Coal Management make provisions for the Surface Management Agency, the surface of which is under the jurisdiction of any Federal agency other than the Department of Interior, to consent to leasing and to prescribe conditions to insure the use and protection of the lands. All or part of this lease contain lands the surface of which are managed by the United States Department of Agriculture, Forest Service, Manti-La Sal National Forest.

The following stipulations pertain to the Lessee responsibility for mining operations on the lease area and on adjacent areas as may be specifically designated on National Forest System lands.

Stipulation #1

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 appropriate authority. 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.

Stipulation #2

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.

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Stipulation #3

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.

Stipulation #4

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.

Stipulation #5

The limited area available for mine facilities at the coal outcrop, steep topography, adverse winter weather, and physical limitations on the size and design of access roads, are factors which will determine the ultimate size of the surface area utilized for the mine. A site-specific environmental analysis will be prepared for each new mine site development and for major improvements to existing developments to examine alternatives and mitigate conflicts.

Stipulation #6

Consideration will be given to site selection to reduce adverse visual impacts. Where alternative sites are available, and each alternative is technically feasible, the alternative involving the least damage to the scenery and other resources shall be selected. Permanent structures and facilities will be designed, and screening techniques employed to reduce visual impacts and, where possible, achieve a final landscape compatible with the natural surroundings. The creation of unusual, objectionable, or unnatural landforms and vegetative landscape features will be avoided.

Stipulation #7

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.

Stipulation #8

The Lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities. On Forest Service Roads (FSR), Lessees may perform their share of road maintenance by a commensurate share agreement if a significant degree of traffic is generated that is not related to their activities.

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Stipulation #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, and perennial streams are not damaged.

Mining must be conducted in a manner necessary to prevent subsidence in the Little Bear Canyon area of the lease with overburden less than 600 feet, unless it can be demonstrated to the satisfaction of the Authorized Officer, with concurrence of the surface management agency, that the effects of subsidence to Little Bear Creek and the associated ecosystem would be negligible. This requirement shall apply to each seam mined.

Stipulation #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 specific approved locations.

Stipulation #11

If removal of timber is required for clearing of construction sites, etc., such timber shall be removed in accordance with the regulations of the surface management agency.

Stipulation #12

The coal contained within, and authorized for mining under this lease shall be extracted only by underground mining methods.

Stipulation #13

Existing Forest Service owned or permitted surface improvements will need to be protected, restored, or replaced to provide for the continuance of current land uses.

Stipulation #14

In order to protect big-game wintering areas, elk calving and deer fawning areas, sagegrouse strutting areas, and other key wildlife habitat and/or activities, specific surface uses outside the mine development area may be curtailed during specified periods of the year.

Stipulation #15

Support facilities, structures, equipment, and similar developments will be removed from the lease area within two 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 re-established, and the areas returned to a premining land use.

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Stipulation #16

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, 1/4 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 a professional land surveyor registered in the State of Utah, and to the standards and guidelines found in the Manual of Surveying Instructions, United States Department of the Interior.

Stipulation #17

The Lessee, at their expense, will be responsible to replace surface and/or developed groundwater sources identified for protection that may be lost or adversely affected by mining operations, with water from an alternative source in sufficient quantity, flow rate, and quality to maintain existing riparian habitat, fishery habitat, livestock and wildlife use, and other land uses (authorized by 36 CFR 251).

In order to adequately protect flow from Little Bear Spring, the Lessee must enter into a written agreement with the Castle Valley Special Services District (CVSSD) to assure an uninterrupted supply of culinary water equivalent to historical flows from the spring. The agreement must be in place prior to mining.

If the provisions of the agreement are not implemented and/or a replacement water source immediately available, before the Lessee begins mining in the areas described below, they must submit a plan to the Authorized Officer to identify measures to be taken by the Lessee to ensure that potential water sources for Little Bear Spring are not impacted by mining. If necessary, this additional plan will be required for mining in areas described as:

- Mill Fork Graben - Area within 1,000 feet of the southeast corner of the lease in Section 8 (corner of Sections 8, 9, 17, and 16 in T, 16 S., R. 7 E., SLM).
- North of Little Bear Spring (possible water-bearing fracture system) - Area within 1,000 feet of the southern boundary of the lease in Section 9, T. 16 S., R. 7 E., SLM).

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Stipulation #18
STIPULATION FOR LANDS OF THE NATIONAL FOREST SYSTEM
UNDER JURISDICTION OF
THE DEPARTMENT OF AGRICULTURE

The licensee/permittee/lessee must comply with all the rules and regulations of the Secretary of Agriculture set forth at Title 36, Chapter II, of the Code of Federal Regulations governing the use and management of the National Forest System (NFS) when not inconsistent with the rights granted by the Secretary of the Interior in the license/permit/lease. The Secretary of Agriculture's rules and regulations must be complied with for (1) all use and occupancy of the NFS prior to approval of a permit/operation plan by the Secretary of Interior, (2) uses of all existing improvements, such as Forest Development Roads, within and outside the area licensed, permitted or leased by the Secretary of Interior, and (3) use and occupancy of the NFS not authorized by a permit/operating plan approved by the Secretary of the Interior.

All matters related to this stipulation are to be addressed to:

Forest Supervisor
Manti-La Sal National Forest
599 West Price River Drive
Price, Utah 84501

Telephone Number: 801-637-2817

who is the authorized representative of the Secretary of Agriculture

Douglas H. Smith
ANDALUSIA RESOURCES, INC.

Douglas H. Smith, President

Reed Seale
LPA

Signature

Licensor/Permittee/Lessee

Stipulation #19

ABANDONMENT OF EQUIPMENT:

The lessee/operator is responsible for compliance and reporting regarding toxic and hazardous material and substances under Federal Law and all associated amendments and regulations for the handling of 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. Any on-site disposal of non-coal waste must comply with 30CFR § 817.89 and must be approved by the regulatory authority responsible for the enforcement of the Surface Mining Control and Reclamation Act (30 U.S.C. 1201, et seq.). Creation of a situation that would prevent removal of such material and equipment 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.

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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 certify through documentation any equipment/machinery, hazardous substances, and used oil that is intended to be left underground. The Authorized Officer 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 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.

Stipulation #20

WASTE CERTIFICATION:

The lessee shall provide on a yearly basis and prior to lease 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 defined as 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.

Stipulation #21

MAXIMUM ECONOMIC RECOVERY

Notwithstanding the approval of a resource recovery and protection plan (R2P2) by the BLM, Lessor reserves the right to seek damages against the operator/lessee in the event (1) the operator/lessee fails to achieve maximum economic recovery (MER) [as defined at 43 CFR § 3480.0-5(21) of the recoverable coal reserves or (2) 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.

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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 of 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.

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APPENDIX 1-14
SITLA/PACIFICORP SUBLEASE

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING

**SUBLEASE FOR UTAH STATE LEASE FOR COAL
ML 48258**

This Sublease of Utah State Lease for Coal, ML-48258, ("Sublease") is dated as of October 1, 2003 and becomes effective upon receipt of written consent from the School and Institutional Trust Lands Administration. The Sublease is by and between PACIFICORP, an Oregon corporation, having an address at One Utah Center, 201 South Main Street, Suite 2300, Salt Lake City, Utah 84111 as "Sublessor" and ANDALEX Resources, Inc., ("ANDALEX") a Delaware corporation, with offices at 45 West 10000 South, Suite 401, Sandy, Utah 84070, and Intermountain Power Agency, ("IPA"), a political subdivision of the State of Utah, with offices at 10653 South River Front Parkway, Suite 120, South Jordan, Utah 84095 (each as to an undivided fifty percent (50%) interest), with ANDALEX and IPA being collectively hereinafter referred to as "Sublessee."

RECITALS

- A. Utah State Lease for Coal ML 48258 (the "Mill Fork Lease") was issued to PacificCorp effective as of April 1, 1999 by the State of Utah acting by and through the School and Institutional Trust Land Administration. A copy of the Mill Fork Lease is attached to this Sublease as Exhibit "A".
- B. The United States of America, acting through the Bureau of Land Management, issued to the Sublessee United States Coal Lease UTU-78953 effective as of August 1, 2003, on lands identified as the South Crandall Canyon Tract. A copy of Lease UTU-78953 is attached as Exhibit "B."
- C. The Mill Fork Lease contains a 40 acre parcel that is surrounded on three sides by lands under lease to the Sublessee and is readily accessible for mining operations from these lands.
- D. Extraction of the coal resource from this 40 acre parcel appears to be most logical from the South Crandall Canyon Tract.
- E. It is in the mutual best interest of Sublessor, Sublessee, and the School and Institutional Trust Lands Administration for Sublessor to Sublease to Sublessee the 40 acre parcel as described herein and to allow it to be mined in due course through the operations of Sublessee.

AGREEMENT

In consideration of the premises and the rights and obligations and mutual covenants and conditions set forth herein and for other good and valuable consideration, Sublessor and Sublessee agree as follows:

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APR 15 2005

DIV OF OIL GAS & MINING

1. Sublease Lands. The "Sublease Lands" consist of a 40 acre parcel located in Emery County, Utah more particularly described as follows:

Township 16 South, Range 7 East, SLB&M:
Section 8: NW1/4NW1/4
Containing 40 acres more or less.

2. Granting Clause. Sublessor hereby subleases the Sublease Lands to Sublessee, subject to the terms and conditions of the Mill Fork Lease. Sublessee will have the rights hereunder to exercise all operating rights held by Sublessor as the Lessee under the Mill Fork Lease.

3. Term. This Sublease shall become effective upon approval by the School and Institutional Trust Lands Administration. The initial term under this Sublease shall, unless terminated earlier as provided herein, terminate at 11:59 p.m. December 31, 2013. If Sublessee has not given Sublessor not less than 6 months prior written notice of Sublessee's intent to terminate this Sublease at the conclusion of the initial term then this Sublease shall automatically be extended for an additional term of 10 years.

4. Bonus. Sublessee shall pay to Sublessor as consideration for the execution of this Sublease a one time "Bonus" in the amount of [REDACTED], which shall be payable within 15 days following the effective date of this Sublease. Payment from Sublessee to Sublessor may be made by check or by wire transfer in accordance with instructions received by Sublessee from Sublessor.

5. Conduct of Operations. Sublessee shall conduct, and shall cause its operators and contractors to conduct, all operations under this Sublease in a lawful, prudent, good, efficient and workmanlike manner and in compliance with all applicable federal, state and local laws and regulations, including the Utah Coal Mining and Reclamation Act.

6. Compliance with Mill Fork Lease. On the Sublease Lands, Sublessee shall perform and satisfy all of the Sublessor's obligations under the Mill Fork Lease to maintain the Mill Fork Lease in good standing and free of breeches. Sublessor agrees to make payment of all fees, rentals, and royalties becoming due under the Mill Fork Lease save and except the payment of royalties on production from the Sublease Lands which Sublessee agrees to make directly to the School and Institutional Trust Lands Administration. Upon receipt of an invoice from Sublessor, Sublessee will reimburse Sublessor for the proportionate share of any such fees and rentals attributable to the Subleased Lands.

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7. Termination or Partial Surrender or Relinquishment by Sublessee. Sublessee may surrender and terminate this Sublease at any time by giving 90 days prior written notice to Sublessor. Sublessee may surrender and terminate this Sublease as to a portion of the Sublease Lands only with the prior consent of Sublessor, which shall not be unreasonably withheld.

8. Default. In the event of failure of Sublessee to make the payment of the Bonus to Sublessor, or a failure of Sublessee to make a payment of the royalty due to the School and Institutional Trust Lands Administration hereunder within the time herein fixed for such payments, Sublessor may give written notice to Sublessee of such default and Sublessee shall have a period of 10 days after its receipt of such notice of payment default to correct such payment default. In the event of failure of Sublessee to comply with provisions hereunder other than those requiring payments, Sublessor may give written notice to Sublessee of such default and Sublessee shall have a period of 30 days after its receipt of said notice to correct such default. If Sublessee does not correct such payment default within 10 days after its receipt of such notice, or such other defaults within 30 days after its receipt of such notice, Sublessor may, at its option and without waiver or limitation of any other remedies, terminate this Sublease without further notice.

9. Assignment. Sublessee shall not assign this Sublease or any interest held hereunder without the prior written consent of Sublessor, which consent shall not be unreasonably withheld. Subject to the foregoing, this Sublease shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns down the line.

10. Exchange Agreement. This Sublease is executed in accordance with the terms and conditions of that certain Exchange Agreement executed among the parties concurrently with the execution of this Sublease. In the event of conflict, the terms and conditions of the Exchange Agreement shall prevail.

IN WITNESS WHEREOF, Sublessee and Sublessor have executed this Sublease effective as of the date stated above.

SUBLESSOR:

PACIFICORP, an Oregon corporation

By: [Signature]

Title: President, PacifiCorp Mining Co.

SUBLESSEE:

INCORPORATED

APR 15 2005

DIV OF OIL GAS & MINING

INTERMOUNTAIN POWER AGENCY

By: Reed T. Searle
Reed T. Searle
Title: General Manager

ANDALEX RESOURCES, INC.

By: Douglas H. Smith
Douglas H. Smith
Title: Douglas H. Smith, President

State of Utah)
County of Salt Lake) ss.

On this 17 day of February, 2004, before me Krista R. Paul
personally appeared Reed T. Searle
Known to me to be the General Manager of the corporation that executed the
within instrument and acknowledged to me that such corporation executed the same.



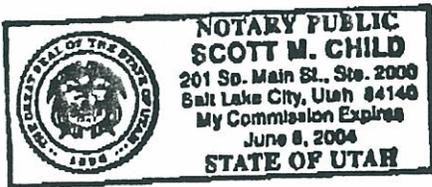
Krista R. Paul
Notary Public
Residing at: 6796 Manerly Cir SLC
My Commission Expires: 9/1/07
Ut.
84121

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING

State of UTAH)
) ss.
County of SALT LAKE)

On this 20TH day of FEBRUARY, 2004, before me SCOTT M. CHILD
 , personally appeared DEE W. JENSE

Known to me to be the PRES. INTERWEST MINING CO of the corporation that executed the
within instrument and acknowledged to me that such corporation executed the same.

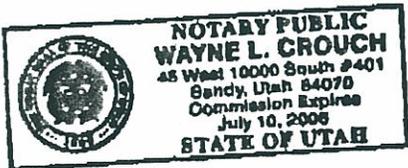


[Signature]
Notary Public
Residing at: 201 So. MAIN ST. SLC, UT.
My Commission Expires: 6-8-2004

State of Utah)
) ss.
County of Salt Lake)

On this 10th day of February, 2004, before me Wayne L Crouch
 , personally appeared Douglas H. Smith

Known to me to be the President of the corporation that executed the
within instrument and acknowledged to me that such corporation executed the same.



[Signature]
Notary Public
Residing at: State of Utah
My Commission Expires: 10 July 2006

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING

APPENDIX 1-14
SITLA/PACIFICORP SUBLEASE

INCORPORATED

APR 15 2005

DIV OF OIL GAS & MINING

**SUBLEASE FOR UTAH STATE LEASE FOR COAL
ML 48258**

This Sublease of Utah State Lease for Coal, ML-48258, ("Sublease") is dated as of October 1, 2003 and becomes effective upon receipt of written consent from the School and Institutional Trust Lands Administration. The Sublease is by and between PACIFICORP, an Oregon corporation, having an address at One Utah Center, 201 South Main Street, Suite 2300, Salt Lake City, Utah 84111 as "Sublessor" and ANDALEX Resources, Inc., ("ANDALEX") a Delaware corporation, with offices at 45 West 10000 South, Suite 401, Sandy, Utah 84070, and Intermountain Power Agency, ("IPA"), a political subdivision of the State of Utah, with offices at 10653 South River Front Parkway, Suite 120, South Jordan, Utah 84095 (each as to an undivided fifty percent (50%) interest), with ANDALEX and IPA being collectively hereinafter referred to as "Sublessee."

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- A. Utah State Lease for Coal ML 48258 (the "Mill Fork Lease") was issued to PacificCorp effective as of April 1, 1999 by the State of Utah acting by and through the School and Institutional Trust Land Administration. A copy of the Mill Fork Lease is attached to this Sublease as Exhibit "A".
- B. The United States of America, acting through the Bureau of Land Management, issued to the Sublessee United States Coal Lease UTU-78953 effective as of August 1, 2003, on lands identified as the South Crandall Canyon Tract. A copy of Lease UTU-78953 is attached as Exhibit "B."
- C. The Mill Fork Lease contains a 40 acre parcel that is surrounded on three sides by lands under lease to the Sublessee and is readily accessible for mining operations from these lands.
- D. Extraction of the coal resource from this 40 acre parcel appears to be most logical from the South Crandall Canyon Tract.
- E. It is in the mutual best interest of Sublessor, Sublessee, and the School and Institutional Trust Lands Administration for Sublessor to Sublease to Sublessee the 40 acre parcel as described herein and to allow it to be mined in due course through the operations of Sublessee.

AGREEMENT

In consideration of the premises and the rights and obligations and mutual covenants and conditions set forth herein and for other good and valuable consideration, Sublessor and Sublessee agree as follows:

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING

1. Sublease Lands. The "Sublease Lands" consist of a 40 acre parcel located in Emery County, Utah more particularly described as follows:

Township 16 South, Range 7 East, SLB&M:
Section 8: NW1/4NW1/4
Containing 40 acres more or less.

2. Granting Clause. Sublessor hereby subleases the Sublease Lands to Sublessee, subject to the terms and conditions of the Mill Fork Lease. Sublessee will have the rights hereunder to exercise all operating rights held by Sublessor as the Lessee under the Mill Fork Lease.

3. Term. This Sublease shall become effective upon approval by the School and Institutional Trust Lands Administration. The initial term under this Sublease shall, unless terminated earlier as provided herein, terminate at 11:59 p.m. December 31, 2013. If Sublessee has not given Sublessor not less than 6 months prior written notice of Sublessee's intent to terminate this Sublease at the conclusion of the initial term then this Sublease shall automatically be extended for an additional term of 10 years.

4. Bonus. Sublessee shall pay to Sublessor as consideration for the execution of this Sublease a one time "Bonus" in the amount of [REDACTED], which shall be payable within 15 days following the effective date of this Sublease. Payment from Sublessee to Sublessor may be made by check or by wire transfer in accordance with instructions received by Sublessee from Sublessor.

5. Conduct of Operations. Sublessee shall conduct, and shall cause its operators and contractors to conduct, all operations under this Sublease in a lawful, prudent, good, efficient and workmanlike manner and in compliance with all applicable federal, state and local laws and regulations, including the Utah Coal Mining and Reclamation Act.

6. Compliance with Mill Fork Lease. On the Sublease Lands, Sublessee shall perform and satisfy all of the Sublessor's obligations under the Mill Fork Lease to maintain the Mill Fork Lease in good standing and free of breeches. Sublessor agrees to make payment of all fees, rentals, and royalties becoming due under the Mill Fork Lease save and except the payment of royalties on production from the Sublease Lands which Sublessee agrees to make directly to the School and Institutional Trust Lands Administration. Upon receipt of an invoice from Sublessor, Sublessee will reimburse Sublessor for the proportionate share of any such fees and rentals attributable to the Subleased Lands.

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7. Termination or Partial Surrender or Relinquishment by Sublessee. Sublessee may surrender and terminate this Sublease at any time by giving 90 days prior written notice to Sublessor. Sublessee may surrender and terminate this Sublease as to a portion of the Sublease Lands only with the prior consent of Sublessor, which shall not be unreasonably withheld.

8. Default. In the event of failure of Sublessee to make the payment of the Bonus to Sublessor, or a failure of Sublessee to make a payment of the royalty due to the School and Institutional Trust Lands Administration hereunder within the time herein fixed for such payments, Sublessor may give written notice to Sublessee of such default and Sublessee shall have a period of 10 days after its receipt of such notice of payment default to correct such payment default. In the event of failure of Sublessee to comply with provisions hereunder other than those requiring payments, Sublessor may give written notice to Sublessee of such default and Sublessee shall have a period of 30 days after its receipt of said notice to correct such default. If Sublessee does not correct such payment default within 10 days after its receipt of such notice, or such other defaults within 30 days after its receipt of such notice, Sublessor may, at its option and without waiver or limitation of any other remedies, terminate this Sublease without further notice.

9. Assignment. Sublessee shall not assign this Sublease or any interest held hereunder without the prior written consent of Sublessor, which consent shall not be unreasonably withheld. Subject to the foregoing, this Sublease shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns down the line.

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IN WITNESS WHEREOF, Sublessee and Sublessor have executed this Sublease effective as of the date stated above.

SUBLESSOR:

PACIFICORP, an Oregon corporation

By: [Handwritten Signature]

Title: President, PacifiCorp Mining Co.

SUBLESSEE:

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING

INTERMOUNTAIN POWER AGENCY

By: Reed T. Searle
Reed T. Searle
Title: General Manager

ANDALEX RESOURCES, INC.

By: Douglas H. Smith
Douglas H. Smith
Title: Douglas H. Smith, President

State of Utah)
County of Salt Lake) ss.

On this 17 day of February, 2004, before me Krista R. Paul
personally appeared Reed T. Searle
Known to me to be the General Manager of the corporation that executed the
within instrument and acknowledged to me that such corporation executed the same.



Krista R. Paul
Notary Public
Residing at: 6796 Manerly Cir SLC
My Commission Expires: 9/1/07 Ut.
84121

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING

State of UTAH)
) ss.
County of SALT LAKE)

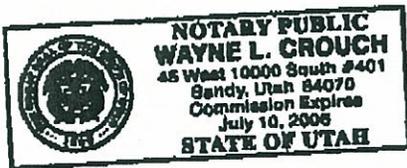
On this 20TH day of FEBRUARY, 2004, before me SCOTT M. CHILD
 , personally appeared DEE W. JENSE
Known to me to be the PRES. INTERWEST MINING CO of the corporation that executed the
within instrument and acknowledged to me that such corporation executed the same.



[Signature]
Notary Public
Residing at: 201 So. MAIN ST. SLC, UT.
My Commission Expires: 6-8-2004

State of Utah)
) ss.
County of Salt Lake)

On this 10th day of February, 2004, before me Wayne L Crouch
 , personally appeared Douglas H. Smith
Known to me to be the President of the corporation that executed the
within instrument and acknowledged to me that such corporation executed the same.



[Signature]
Notary Public
Residing at: State of Utah
My Commission Expires: 10 July 2006

INCORPORATED
APR 15 2005
DIV OF OIL GAS & MINING

APPENDIX 1-15
MODIFICATION OF FEDERAL LEASE U-68082

INCORPORATED

FEB 28 2005

DIV OF OIL GAS & MINING

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial No. UTU-68082

Date of Lease March 1, 1994

MODIFIED COAL LEASE

PART I.

THIS MODIFIED COAL LEASE is entered into on November 29, 2004, by and between the UNITED STATES OF AMERICA, hereinafter called the Lessor, through the Bureau of Land Management, and Intermountain Power Agency (50%) ANDALEX Resources, Inc. (50%)
Los Angeles Dept. of Water and Power 45 West 10000 South, Suite 401
111 North Hope Street, Room 1263 Sandy, UT 84070
Los Angeles, CA 90012-2694

hereinafter called Lessee.

This modified lease shall retain the effective date of March 1, 1994, of the original COAL LEASE UTU- 68082, 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 (September 1, 1976), 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.)

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. Lessee as the holder of Coal Lease UTU- 68082, issued effective March 1, 1994, 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. 15 S., R. 6 E., SLM, Utah
Sec. 25, S $\frac{1}{4}$,
Sec. 26, S $\frac{1}{4}$,
Sec. 35, all.
T. 15 S., R. 7 E., SLM, Utah
Sec. 30, lots 7-12, SE;
Sec. 31, lots 1-12, NE, N $\frac{1}{4}$ SE, SWSE.

T. 16 S. R. 6 E., SLM, Utah
Sec. 1, lots 1-12, SW;

T. 16 S., R. 7 E., SLM, Utah
Sec. 6, lots 2-4, SWNE

Tract 2: T. 15 S., R. 7 E., SLM, Utah
Sec. 32, W $\frac{1}{2}$ NW, NWSW.

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containing 3,099.49 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

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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 \$139,000. The authorized officer may require an increase in this amount when additional coverage is determined appropriate.

Sec. 4. DILIGENCE - This lease achieved diligent development August 31, 1994, and is subject to the conditions of 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.

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 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 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 insure to,

ATTACHMENT
STANDARD BLM AND SPECIAL FS
COAL LEASE STIPULATIONS
FOR FEDERAL COAL LEASE UTU-68082

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1. The Regulatory Authority shall mean the State Regulatory Authority pursuant to a cooperative agreement approved under 30 CFR Part 745 or in the absence of a cooperative agreement, Office of Surface Mining. The authorized officer shall mean the State Director, Bureau of Land Management. The authorized officer of the Surface Management Agency shall mean the Forest Supervisor, Forest Service. Surface Management Agency for private surface is the Bureau of Land Management. For adjoining private lands with Federal minerals and which primarily involve National Forest Service issues, the Forest Service will have the lead for environmental analysis and, when necessary, documentation in an environmental assessment or environmental impact statement.
2. The authorized officers, of the Bureau of Land Management, Office of Surface Mining (Regulatory Authority), and the Surface Management Agency (Forest Service) respectively, shall coordinate, as practical, regulation of mining operations and associated activities on the lease area.
3. 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 the 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.
4. Federal Regulations 43 CFR 3400 pertaining to Coal Management make provisions for the Surface Management Agency, the surface of which is under the jurisdiction of any Federal agency other than the Department of Interior, to consent to leasing and to prescribe conditions to insure the use and protection of the lands. All or part of this lease contain lands the surface of which are managed by the United States Department of Agriculture, Forest Service Manti-La Sal National Forest.

The following stipulations pertain to the lessee responsibility for mining operations on the lease area and on adjacent areas as may be specifically designated on the National Forest System lands.

5. 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 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 appropriate authorities. 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.

6. 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.

7. 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.

8. 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.
9. The limited area available for mine facilities at the coal outcrop, steep topography, adverse winter weather, and physical limitations on the size and design of the access road, are factors which will determine the ultimate size of the surface area utilized for the mine. A site specific environmental analysis will be prepared for each new mine site development and for major modifications to existing developments to examine alternatives and mitigate conflicts.
10. Consideration will be given to site selection to reduce adverse visual impacts. Where alternative sites are available, and each alternative is technically feasible, the alternative involving the least damage to the scenery and other resources shall be selected. Permanent structures and facilities will be designed, and screening techniques employed, to reduce visual impacts, and where possible achieve a final landscape compatible with the natural surroundings. The creation of unusual, objectionable, or unnatural land forms and vegetative landscape features will be avoided.
11. 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.
12. The lessee shall provide for the suppression and control of fugitive dust on haul roads and at coal handling and storage facilities. On Forest Development Roads (FDR), lessees may perform their share of road maintenance by a commensurate share agreement if a significant degree of traffic is generated that is not related to their activities.
13. 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. The lessee shall provide specific measures for the protection of escarpments, and determine corrective measures to assure that hazardous conditions are not created.
14. 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.
15. If removal of timber is required for clearing of construction sites, etc., such timber shall be removed in accordance with the regulations of the surface management agency.
16. The coal contained within, and authorized for mining under this lease, shall be extracted only by underground mining methods.
17. Existing Forest Service owned or permitted surface improvements will need to be protected, restored, or replaced to provide for the continuance of current land uses.
18. In order to protect big game wintering areas, elk calving and deer fawning areas, sage grouse strutting areas, and other critical wildlife habitat and/or activities, specific surface uses outside the mine development area may be curtailed during specific periods of the year.
19. 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

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facilities will be stabilized and rehabilitated, drainages reestablished, and the areas returned to a pre-mining land use.

20. The lessee at the conclusion of the mining operations, 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 a professional land surveyor registered in the State of Utah and to the standards and guidelines found in the manual of surveying instruction, U.S. Department of Interior.
21. The lessee at his expense will be responsible to replace any surface water identified for protection, that may be lost or adversely affected by mining operations, with water from an alternate source in sufficient quantity and quality to maintain existing riparian habitat, fishery habitat, livestock and wildlife use, or other land uses.
22. The lessee must comply with all the rules and regulations of the Secretary of Agriculture set forth at Title 36, Chapter II, of the Code of Federal Regulations governing the use and management of the National Forest System (NFS) when not inconsistent with the rights granted by the Secretary of the Interior in the lease. The Secretary of Agriculture's rules and regulations must be complied with for (1) all use and occupancy of the NFS prior to approval of a permit/operation plan by the Secretary of Interior, (2) uses of all existing improvements, such as Forest Development Roads, within and outside the area licensed, permitted or leased by the Secretary of Interior, and (3) use and occupancy of the NFS not authorized by a permit/operation plan approved by the Secretary of the Interior.

All matters related to this stipulation are to be addressed to :

Forest Supervisor
Manti-La Sal National Forest
599 West Price River Drive
Price, Utah 84501
Telephone No.: (435) 637-2817

who is the authorized representative of the Secretary of Agriculture.

23. The lessee/operator will be required to drill horizontally ahead of the advance of development workings to the west in the vicinity of the Joes Valley fault zone to locate any faults and determine if they contain significant amounts of water. If significant water is encountered, the operator will be required to take appropriate measures, subject to approval of the Bureau of Land Management and Forest Service, to prevent diverting this water into the mine workings.
24. Except at specifically approved locations, mining that would cause subsidence will not be permitted within a zone along the Joes Valley Fault determined by projecting a 22 degree angle-of-draw (from vertical) eastward from the surface expression of the Joes Valley Fault, down to the top of the coal seam to be mined.

ATTACHMENT
SUPPLEMENTAL FS STIPULATION
MODIFICATION OF FEDERAL COAL LEASE UTU-68082

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Stipulation:

Except at locations specifically approved by the Authorized Officer, with concurrence of the surface management agency, full extraction mining will not be authorized where the fracture zone created by subsidence is projected to reach the surface, as calculated by 50 times the thickness of coal removed plus 50 feet.

ANDALEX Resources, Inc.
Company or Lessee Name

Doug H. Smith
(Signature of Lessee)

Douglas H. Smith, President
(Title)

January 12, 2005
(Date)

Intermountain Power Agency
Company or Lessee Name

Reed J. Seale
(Signature of Lessee)

Gen. Manager
(Title)

JAN 12, 2005
(Date)

The United States of America

BY *James F. Kowler*

JAMES F. KOWLER
(Signing Officer)

CHIEF, BRANCH OF SOLID MINING
(Title)

Feb. 28, 2005
(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.

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he 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

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APPENDIX 1-15A

**BLM/FOREST SERVICE JOINT DECISION
UTU-68082 LEASE MODIFICATION**

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**JOINT DECISION NOTICE/FINDING OF NO
SIGNIFICANT IMPACT**

**MODIFICATION OF FEDERAL COAL LEASE UTU-68082
CRANDALL CANYON MINE
EMERY COUNTY, UTAH**

**USDA FOREST SERVICE, INTERMOUNTAIN REGION
MANTI-LA SAL NATIONAL FOREST
FERRON-PRICE RANGER DISTRICT**

**BUREAU OF LAND MANAGEMENT
UTAH STATE OFFICE**

Responsible Officials:

Alice B. Carlton
Forest Supervisor
Manti-La Sal National Forest
599 West Price River Drive
Price, Utah 84501
435-637-2817

Sally A. Wisely
Utah State Director
Bureau of Land Management
Utah State Office
324 South State Street
P.O. Box 45155
Salt Lake City, Utah 84145-0155

Cooperating Agency:

Office of Surface Mining
1999 Broadway, suite 3320
Denver, Colorado 80202



I. INTRODUCTION

Genwal Resources, Inc. (Genwal) submitted an application for modification of Federal Coal Lease UTU-68082 to the Bureau of Land Management (BLM) on February 27, 2004. The lease modification lies entirely within the boundaries of the Manti-La Sal National Forest. The proposed modification area, located immediately adjacent to the east side of UTU-68082, was originally excluded from the delineated tract due to low coal seam thickness.

The proposed lease modification involves adding 120 acres of National Forest System lands administered by the Manti-La Sal National Forest in Emery County, Utah described as follows (General Location Map, Attachment 1):

T. 15 S., R. 7 E., SLM, UT
Section 32, W1/2 NW1/4; NW1/4 SW1/4

The coal reserves in the proposed 120 acre lease modification would be approached from the south or west through existing underground mine workings in the Crandall Canyon Mine. No roads or portal facilities would be constructed for this project. The proposed lease modification area is an isolated area adjacent to the current lease. The proposed action would not lead to other future mining actions.

The Forest Service (FS) and the BLM, jointly prepared an Environmental Assessment (EA) that discusses the effects of the lease modification area. The Office of Surface Mining Reclamation and Enforcement (OSM) participated as a cooperating agency.

II. AUTHORITIES AND DECISIONS TO BE MADE

The lease modification is subject to the following authorities: Mineral Leasing Act of 1920, as amended; Federal Coal Leasing Amendments Act of 1976 (FCLAA); Multiple-Use Sustained Yield Act of 1960; National Forest Management Act of 1976 (NFMA); National Environmental Policy Act of 1969 (NEPA); and Federal Regulations 43 CFR 3400. Development of the lease modification, which is a separate permitting action, would be subject to these authorities and the following: Federal Land Policy and Management Act of 1976 (FLPMA); Surface Mining Control and Reclamation Act of 1977 (SMCRA); Federal Regulations 30 CFR 700 to End (SMCRA Regulations), and the State of Utah Coal Mining and Reclamation Regulatory Program.

The Utah State Director of BLM must decide whether or not to modify the lease and under what terms, conditions, and stipulations. The Bureau of Land Management is responsible for issuance and administration of coal leases under the Mineral Leasing Act of 1920, as amended and Federal Regulations 43 CFR 3400. The Forest Supervisor of the Manti-La Sal National Forest must decide whether or not to consent to the lease modification by BLM, and under what terms and conditions as needed to protect non-coal resources. The Federal Coal Leasing Amendments Act of 1975 that amended the Mineral Leasing Act of 1920 provides Forest Service consent authority.

The Forest Supervisor would also consent to any approval of the associated permit revision by Utah Division of Oil, Gas, and Mining, which would involve including this lease modification area in the permit area.

III. DECISION

After careful review of the proposal, public comments, and the analysis contained in the Environmental Assessment, and the project file, the responsible officials of the FS and BLM have decided on the following:

Alice B. Carlton, Forest Supervisor, Manti-La Sal National Forest has selected Alternative 3 and decided to consent to the lease modification subject to the Supplemental Coal Lease Stipulation (Attachment 3).

Sally A. Wisely, Utah State Director, BLM, has selected Alternative 3 and decided to approve the lease modification subject to terms and conditions of Federal Coal Lease UTU-68082 (Attachment 2) including Coal Lease Stipulations prescribed by the Forest Plan, as limited by the Supplemental Stipulation (Attachment 3), to mitigate effects to surface waters and riparian management units.

This alternative would make additional Federal coal reserves available, provide an opportunity to extend the life of the Crandall Canyon Mine, and would be consistent with Forest Plan management goals and prescriptions for the area. Under this alternative, full extraction mining would not be authorized where the fracture zone is projected to reach the surface.

IV. DECISION RATIONALE

These decisions provide for recovery of a coal resource needed for energy production and economic benefit. If leasing of these lands for coal mining were not allowed it would shorten the life of the Crandall Canyon Mine. This would impact existing jobs, revenue, and tax base in Emery County. By consenting to, and leasing these lands, the mine life will extend and continue to provide jobs and continued economic benefits to the Federal Government, State of Utah, and Emery County. Recoverable coal reserves are estimated to be 389,528 tons. The economic value of this coal based on a present spot price of \$33 per ton is estimated at \$12,854,408. The bonus and royalties are estimated to be \$1,101,048. It is in the public interest to lease these lands to recover mineable coal that otherwise would never be mined. The Multiple Use Sustained Yield Act of 1960 provides for mineral activity on National Forest System Lands.

Alternative 1 (No Action) was not chosen because it would not have met the purpose and need, and would not have benefited the local economy by bypassing usable reserves.

Alternative 2 was not chosen because subsidence and cracking of the surface could cause

disruption of stream channels, ground water flow paths, and cause morphological changes where overburden is insufficient to protect surface water and riparian management units.

Alternative 3 was chosen because it offers environmental protection of National Forest System resources while providing for the maximum utilization of recoverable coal reserves and associated economic benefits.

V. ALTERNATIVES CONSIDERED

Based on analyses of issues raised during public scoping and by the interdisciplinary team, three action alternatives were developed. As a result, the no action alternative and the two action alternatives represent a reasonable range of alternatives. The alternatives are discussed below.

Alternative 1 – No Action

Alternative 1 addresses the need to provide a "No Action" alternative (40 CFR 1502.14). The Forest Service would not consent to, and the BLM would not approve the coal lease modification. Alternative 1 would not allow for mining within the modification area, and therefore not provide coal reserves for the mine.

Alternative 2 – Consent/Approval of the Lease Modification as Proposed

This alternative represents Genwal's proposal to modify Federal Coal Lease UTU-68082 to provide coal reserves for the Crandall Canyon Mine so that current production levels are maintained, and to recover Federally owned coal deposits that may otherwise be bypassed.

The 120 acre area would be added to Federal Coal Lease UTU-68082 for mining through the Crandall Canyon Mine. The modification would be subject to those lease terms and conditions (stipulations) contained in Federal Coal Lease UTU-68082. This list of stipulations is found in Appendix B of the Environmental Assessment and included as Attachment 2 of this Decision Notice.

Alternative 3 – Consent/Approval of the Proposed Lease Modification with Supplemental Forest Service Stipulations

This alternative is similar to Alternative 2 with application of additional mitigation measures designed to ensure surface water is not diverted into the mine workings and protect riparian management units.

VI. PUBLIC PARTICIPATION

Project scoping was conducted from May 4 to July 8, 2004. Comments were requested from Interdisciplinary Team (IDT) members, other Federal agencies, State, county and local agencies within Utah, Indian tribes, environmental groups, and interested individuals. Requests for

comments were published in the *Sun Advocate* and *Emery County Progress* newspapers on May 4 and June 8, 2004. The project has been listed in the Forest Service Quarterly Schedule of Proposed Actions. Letters requesting comments were sent to 77 interested parties. Four outside responses were received. From these outside responses and the internal scoping, the IDT identified potential issues.

The following is a summary of the outside responses that were received:

- 1) Utah Environmental Congress (UEC) requested that a cumulative effects analysis be completed for Management Indicator Species (MIS), wolverines, and Threatened, Endangered, and Protected Species (TEPS) on the Forest, and for the watersheds originating on the Wasatch Plateau. They also requested that the analysis address potential disruption to suitable habitat for migratory birds.
- 2) The Hopi Tribe requested a copy of the Cultural Resource Survey Report of the project to assist them in determining whether the area of potential effect contained any cultural resources significant to the Hopi Tribe.
- 3) The U.S. Fish and Wildlife Service was primarily concerned with the loss of perennial surface water and the disruption of springs and seeps due to mining subsidence, and the effects that the loss of water would have on wildlife habitat.
- 4) The Navajo Nation stated that they did not have any immediate concerns with the project and that the project area would not impact any Navajo Traditional Cultural Properties.

VII. FINDING OF NO SIGNIFICANT IMPACT

The need for an EIS is, in part, based on the potential for significant impacts as revealed by an analysis of impacts disclosed in an Environmental Assessment (EA). If significant impacts are not disclosed in the EA, then the EA is sufficient documentation upon which to base a finding of no significant impact and decision. Based on the following discussion and the direct, indirect, and cumulative effects disclosed in the EA, a finding regarding "significance" was made. Implementation of Alternative 3 was determined not to be a major Federal action that would significantly affect the quality of the human environment; therefore, an Environmental Impact Statement is not needed. This determination was made based on the following considerations:

Significance, as used in NEPA, defines and requires consideration of both context and intensity. Context means the significance of the action must be analyzed in several contexts such as the affected region, interests, and locality. Intensity refers to the severity of the impacts disclosed in the analysis.

Context:

Coal mining and related activities have been intensive and common on the Wasatch Plateau since

the late 1800's; county and city governments, and local residents are accustomed to these activities and their environmental, social, and economic effects. The potential environmental effects to affected surface resources are local in scope, that is, the effects are limited to the Huntington drainage. Social and economic effects are also local in scope, primarily involving Carbon, Emery, and Sanpete counties. Some indirect economic effects may be distributed elsewhere as a function of sale and transport of the coal, or generated power.

Individual coal leases have ranged in size from 40 to 9,905 acres. This coal lease modification, as delineated is 120 acres, making it a small tract. Additionally, this lease modification would not involve any new or unusual developments; it merely provides additional reserves for an existing mine, extending its life.

This decision is local in effect; all underground, no new surface disturbance, no subsidence in areas with insufficient overburden, short-term compared to the 100 plus year history of contemporary human activities in the area, and will not negatively affect city and county governments. Therefore, in context, this decision is not significant.

Intensity:

Intensity is evaluated by comparing and contrasting the following ten criteria (**in bold**) from 40 CFR 1508.27 with the issues and effects disclosed in the EA and project file.

1. "Impacts that may be both beneficial and adverse. A significant effect may exist even if the Federal agency believes that on balance the effect will be beneficial".

The action will create a beneficial impact by extending the production of coal from the Crandall Canyon Mine that provides jobs and economic health to local communities. Under the selected alternative, there will be no significant impacts to non-mineral resources. Neither the beneficial or negative impacts are extraordinary. The impacts and benefits are typical and reasonable for underground coal mining activity on the Wasatch Plateau.

2. "The degree to which the proposed action affects public health or safety".

Under the selected alternative, there would be negligible risk of effects to public health and safety. Some rocks along the Castlegate Sandstone escarpment could be dislodged by subsidence, but safety risks would be negligible due to the remoteness of the canyon.

3. "Unique characteristics of the geographic area such as proximity to historical or cultural resources, park lands, or prime farmlands, wetlands, wild and scenic rivers, or ecologically critical areas".

No significant historical or cultural resources will be affected. The entire Forest, including the lease modification area, does not contain prime farmland, rangeland and forestlands (Forest Plan page II-57). Nor does the site contain any areas eligible or designated wild or scenic rivers, or ecologically critical areas. Several springs occur within the modification area.

4. "The degree to which the effects on the quality of the human environment are likely to be highly controversial".

Information received during scoping indicated concern for the impacts to water resources due to mining, most notably for the effects to the surface water and ground water supporting the springs and seeps in Shingle Canyon drainage. As discussed in Sections 4.2.1 and 4.2.2 of the EA, impacts to water resources in the lease modification area will be mitigated by application of the FS Supplemental Stipulation preventing full extraction mining in areas with insufficient overburden. There were no other controversies identified among resource professionals addressing the anticipated direct, indirect, or cumulative effects, or the effectiveness of the proposed mitigation measures designed to address the resource issues.

5. "The degree to which the possible effects on the human environment are highly uncertain or involve unique or unknown risks".

Coal mining has been a common and important element of the local economy and culture since the late 1800s. The impacts of underground coal mining on the National Forest have been observed and monitored for many years, and the effects and risks are well understood. Enhanced understanding of the local ecosystems and selection of the alternative to maximize and protect the environment ensures that the human environment will not be effected by unique or unknown risks.

6. "The degree to which the action may establish a precedent for future actions with significant effects or represents a decision in principle about a future consideration".

The Forest Plan designated the area available for further consideration for coal leasing, and made findings relative to unsuitability criteria. Leasing of specific tracts is authorized on a case-by-case basis, and environmental analyses are completed based on site-specific information. Coal leasing has been conducted in this area since 1920; therefore leasing this tract is not precedent setting. This action will not influence future considerations of coal leasing.

7. "Whether the action is related to other actions with individually insignificant but cumulatively significant impacts. Significance exists if it is reasonable to anticipate a cumulatively significant impact on the environment. Significance cannot be avoided by terming an action temporary or by breaking it down into small component parts".

The EA addressed the cumulative effects of the existing mining operation, other resource activities proposed in the vicinity of the project area, and mining of the lease modification area under each alternative in Chapter 4. The discussions of impacts in Chapter 4 consider all activities. The expected effects are consistent within the limits analyzed in the Forest Plan FEIS. Under the selected alternative, there will be minimal impacts on resources that will not lead to cumulatively significant impacts.

8. "The degree to which the action may adversely affect districts, sites, highways, structures, or objects listed in or eligible for listing in the National Register of Historic Places or may cause loss or destruction of significant scientific, cultural, or historic

resources".

No known objects on or adjacent to the lease tract are listed in or are eligible for the National Register of Historic Places. No significant heritage resources will be affected by the action. A Forest Service coal lease stipulation provides a measure to protect heritage resources in case they are unexpectedly encountered.

9. "The degree to which the action may adversely affect an endangered or threatened species or its habitat that has been determined to be critical under the Endangered Species Act of 1973".

The Biological Evaluation/Biological Assessment completed for this project has a no effect / no impact determination.

A survey was performed for the spotted bat and Townsend's big-eared bat (USDA-FS Sensitive Species). Suitable roosting and hibernating habitat does not exist in the lease modification area for the Townsend's big-eared bat. Suitable habitat exists in the lease modification area for the spotted bat.

Observations made during the 1997 surveys on the National Forest indicated that Spotted bats were common enough throughout the general area (Crandall Canyon, Huntington Canyon) that current mining practices are not believed to pose a serious threat to the sustainability of viable populations of the spotted bat.

10. "Whether the action threatens a violation of Federal, State, or local law or requirements imposed for the protection of the environment".

The analysis did not identify any adverse effects that threaten a violation of Federal or State laws designed to protect the environment.

VIII. IRREVERSIBLE AND IRRETRIEVABLE COMMITMENTS OF RESOURCES

Coal is not a renewable resource. Mining will be an irreversible commitment of the coal itself and other energy resources used in the mining process. Approximately 390,000 tons of recoverable coal would be left in the ground if the lease modification were not approved. Under the current economic environment and mining technologies, benefits from these reserves would be irretrievably lost by excluding the lease modification area from mining. Once the mine is shut down and reclaimed, it would not be economically feasible to re-open the mine at some future date to obtain coal from the lease modification area.

Changes in elevation due to subsidence would be irreversible.

IX. FINDINGS REQUIRED BY OTHER LAWS AND REGULATIONS

This analysis tiers to the Forest-wide direction and management area goals and standards of the Forest Plan and incorporates by reference the analysis disclosed in the FEIS and Record of Decision (1986), as amended.

The lease modification area is completely within the RNG (Range) Forest Plan Management Unit except for approximately 5.8 acres adjacent to springs/seeps that are within the RPN (Riparian) Forest Plan Management Unit as defined in the Land and Resource Management Plan on Page III-69. The selected alternative is consistent with Forest Plan direction for these management units.

The majority of the proposed coal modification area is within the East Mountain Inventoried Roadless Area. However, no roads, surface facilities or portals would be constructed and there would be no change in undeveloped character resulting from this action.

This action is in compliance with Section 106 of the National Historic Preservation Act of 1966. The area was surveyed for potential historic or archaeological resources in June 2004. None were found and the potential effects have been determined to be negligible. No known objects on or adjacent to the lease tract are listed in or are eligible for the National Register of Historic Places. No significant heritage resources will be affected by the action. A letter received from the Utah State Historic Preservation Office states that no historic properties would be affected in the area.

The unsuitability criteria for coal mining contained in Federal Regulations 43 CFR 3461 were addressed in the Forest Plan, Forest Plan FEIS, and the Mill Fork Tract and Crandall Canyon EAs. No areas were determined to be unsuitable for mining based on the criteria.

The potential adverse effects of the proposal are effectively mitigated by the included special lease stipulations and implementation of the SMCRA Regulations (30 CFR 700 to End) and State of Utah Federal Coal Mining and Reclamation Regulatory Program.

The leasing action and anticipated lease development will have no affect to known paleontological resources, floodplains, prime or unique rangelands, farmlands, or timberlands, or alluvial valley floors.

Compliance with the terms and conditions of the lease and other administrative actions associated with the lease, in accordance with Federal Regulations 43 CFR 3400, are the responsibility of the Bureau of Land Management. The review, approval, and enforcement of mining operations within the lease are the responsibility of the Department of Interior, Office of Surface Mining Reclamation and Enforcement under Federal Regulations 30 CFR 700 to End. As required under the Federal Coal Leasing Amendments Act of 1975 and the above regulations, future actions related to the lease that could affect surface resources require consultation and consent of the Forest Service.

A Biological Assessment (BA) was prepared, addressing the potential impacts to federally listed species. The BA concluded that this project would have no effect on the listed species that could occur in the project area. The potential effects on sensitive species have been analyzed and documented in a Biological Evaluation (BE) and referenced in the EA. The BE concluded that this project would have no effect on sensitive species that may occur in the project area.

The decision is consistent with the National Forest Management Act requirements as expressed in 36 CFR 219.27. There will be no impact to Management Indicator Species or their habitat. There will be no change in population trends in the Forest Plan Monitoring Report(s) resulting from implementation of this decision.

Environmental Justice: Based on experience with similar projects on the Ferron-Price Ranger District, it is believed that this project would not have any disparate impacts on individual groups of peoples or communities. Implementation of this project will produce no adverse effects on minorities, low-income individuals, Native Americans or women. No civil liberties will be affected.

X. IMPLEMENTATION DATE

If no appeals of this decision are filed, implementation of the decision may occur on, but not before, 5 business days after the close of the appeal filing period.

XI. ADMINISTRATIVE REVIEW OR APPEAL OPPORTUNITIES

- Appeal of BLM decision:

The BLM decision is subject to appeal in part or full, to the Board of Land Appeals, Office of the Secretary, in accordance with the regulation at 43 CFR Part 4 and the enclosed Form 1842-1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) within 30 calendar days following the expiration of the compliance period. The appellant has the burden of showing that the decision appealed from is in error.

If you wish to file a petition (request) pursuant to regulation 43 CFR 4.21 (59 FR 4939, January 19, 1993) for a stay (suspension) of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and the petition for a stay must also be submitted to the Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay

Except as otherwise provided by law or other pertinent regulation, a petition for a stay of a

Decision pending appeal shall show sufficient justification based on the following standards;

- (1) The relative harm to the parties if a stay is granted or denied;
- (2) The likelihood of the appellant's success on the merit;
- (3) The likelihood of the immediate and irreparable harm if the stay is not granted, and;
- (4) Whether the public interest favors granting the stay.

• Appeal of Forest Service decision:

- 1) This decision is subject to appeal pursuant to Forest Service regulations at 36 CFR 215.7. Any written appeal must be postmarked or received by the Appeal Deciding Officer within 45 days of the publication of this notice in The Sun Advocate, Price Utah. The Appeal Deciding Officer is: Regional Forester, Intermountain Region 324 25th Street, Ogden, UT 84401. Appeals must meet the content requirements of 36 CFR 215.14.
- 2) This decision is subject to appeal pursuant to 36 CFR 251.82. Notice of appeal must be postmarked or received by the Appeal Reviewing Officer within 45 days of the date of this decision. A notice of appeal, including the reasons for appeal, must be filed with the Regional Forester, Intermountain Region, Federal Building, 324 25th Street, Ogden, UT 84401. A copy of the notice of appeal must be filed simultaneously with Alice B. Carlton, Forest Supervisor, Manti-La Sal National Forest, 599 West Price River Drive, Price, Utah 84501. Appeals must meet the content requirements of 36 CFR 251.90.
- 3) Those who are eligible to appeal under 36 CFR 251.82 are also eligible to appeal under 36 CFR 215.7, but not under both parts.

This decision notice, FONSI, and EA are available for review at the Forest Service office in Price and the BLM, Utah State Office, in Salt Lake City, Utah. Any persons with questions related to this decision or project may contact Karl Boyer or Dale Harber at the Manti-La Sal National Forest, 599 W. Price River Drive, Price, UT 84501, 435-637-2817 or Gregg Hudson at the Bureau of Land Management, State Office, 324 South State Street, Salt Lake City, Utah, 801-539-4037.

ALICE CARLTON, Forest Supervisor
USDA Forest Service, Manti-La Sal National Forest

Date: _____

SALLY WISELY, Utah State Director
Bureau of Land Management

Date: _____