

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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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:

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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 Manorly Cir SLC
My Commission Expires: 9/1/07
Ut.
84121

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

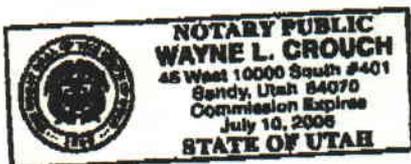
On this 20TH day of FEBRUARY, 2004, before me SCOTT M. CHILD
 , personally appeared DEE W. JENSE
 Known to me to be the PRES. INTEREST MINING CO of the corporation that executed the
 within instrument and acknowledged to me that such corporation executed the same.



[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

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