

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
 Utah State Office
 P.O. Box 45155
 Salt Lake City, UT 84145-0155
<http://www.blm.gov>

IN REPLY REFER TO:

3480
 UT (923)

JUL 18 2008

Certified Mail—Return Receipt Requested 7007 3020 0000 4147 5963

Mr. David Hibbs
 Andalex Resources
 Genwal Resources, INC.
 P.O. Box 1077
 Price, Utah 84501

Re: Drill hole plugging plan on Federal Coal Lease UTU-68082

NOTICE OF NONCOMPLIANCE

On October 26, 2007, the Bureau of Land Management (BLM) issued a notice of non-compliance to Andalex Resources for failure to comply with the approved exploration plan dated September 28, 2007 which was received by your company on October 3, 2007.

Summary of Events

BLM received a request to plug the drill holes that were drilled relative to the rescue effort at the Crandall Canyon mine, Federal Coal Lease UTU-68082 on September 27, 2007. BLM approved the plan with a condition on the approval that referenced 43 CFR 3484.1(a)(3) verbatim (which basically states that the holes must be plugged from top to bottom with isolation of the coal and aquifer). It is our understanding, based on BLM's witness of the hole plugging, that this was not accomplished.

Previously Stated Requirements to Correct the Mining Plan Noncompliance with *Response by Andalex Resources*:

- 1) Within 30 days of receipt of this letter Andalex Resources (Genwal Resources) must submit the data obtained from the drilling. This includes but not limited to the surface and underground location, size of the hole, date the drilling took place, starting elevation and ending elevation, total depth of the hole, drillers logs and/or e-logs, depth of hole if circulation was lost, depth where water was encountered, water quality of water encountered, video tapes of the wells, type of drilling fluids used, and depth and type of the plug for each of the drill holes located on the lease.

Andalex Resources has provided and reviewed the required information with BLM.

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- 2) Any other evidence that Andalex Resources may deem important to support the position that the current plugging is adequate.

Andalex Resources has provided and reviewed the information with BLM.

BLM has reviewed the information submitted by Andalex and forwarded the information to the Forest Service for their review and recommendation on the adequacy of the existing drill hole plugs. The Manti LaSal National Forest acting supervisor responded and indicated that they would consider the existing plugs adequate if Andalex would commit to additional monitoring of springs in the vicinity of the drill hole.

To complete the effort to come into compliance, Andalex Resources is required to meet with BLM and Manti-La Sal National Forest personnel to determine an appropriate supplemental surface water monitoring program for the area near the drill holes to ensure the hydrology has not been adversely affected. Andalex Resources is to contact BLM within 15 days to establish the date and time of the initial meeting. BLM will coordinate with and invite Manti LaSal National forest personnel to participate in the meeting.

Upon determination of and commitment to the supplemental surface water monitoring plan by Andalex Resources, the notice of non-compliance will be corrected. Andalex Resources will provide a written summary of and commitment to the plan requesting BLM confirm the non-compliance notice is corrected.

If you have any questions, feel free to contact Mr. Steve Falk (435) 636-3605539-4036.

James F. Kohler

JAMES F KOHLER

Chief, Solid Minerals Branch

cc: PFO

Manti-La Sal National Forest (Attn. Dale Harber)
599 West Price River Road
Price, Utah 84501

Utah Division of Oil, Gas, and Mining (Attn. Daron Haddock), 1594 West North
Temple, Suite 1210, Box 145801, Salt Lake City, UT 84114-5801
Files - UTU-68082
Chron File