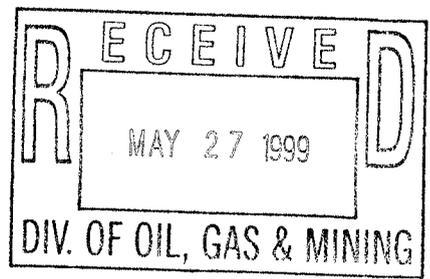




May 24, 1999



Ms. Pamela Grubaugh-Littig  
Utah Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

Copy Pam

**RE: Application for Approval of Transfer, Assignment or Sale of Mine Permit - White Oak Mines, Permit No. ACT/007/001 #2**

Dear Ms. Littig:

As we discussed on Thursday, May 20, 1999, White Oak Mining & Construction Co., Inc. ("White Oak"), a Nevada corporation, the permittee of the White Oak Mine Permit No. ACT/007/001, has entered into negotiations with Lodestar Energy, Inc., a Delaware corporation ("Lodestar"), to sell the White Oak Mine and associated permit rights. Under the terms of the proposed Asset Purchase Agreement ("Agreement"), White Oak will agree to assign to Lodestar all right, title and interest in Mine Permit No. ACT/007/001 subject to the approval of the Division of Oil, Gas & Mining. Lodestar will agree to assume the reclamation liability and obtain personal injury and property damage insurance for the White Oak Mine as required by R645-301-117.

Please consider this letter, together with the attached document containing Lodestar's ownership and control structure, compliance status and other required information, as an application for pre-approval of the proposed transfer, assignment or sale of Permit No. ACT/007/001 as set forth at R645-303-321. Also enclosed for your review is a draft Notice of Publication which will be advertised pursuant to R645-303-322.

Please let us know if you need anything further. We will keep you apprised of the status of our negotiations.

Very truly yours,

LODESTAR ENERGY, INC.

WHITE OAK MINING & CONSTRUCTION CO.,  
INC.

BY R. Ebarley Davis  
R. Ebarley Davis Vice Pres.

BY Larry G. Jones  
Larry G. JONES  
V.P. Mining

Enclosures  
/jmc:91852

Lodestar Energy, Inc.  
333 West Vine Street, Suite 1700 ■ Lexington, Kentucky 40507-1628  
tel. 606/255-4006 ■ fax. 606/255-0330

## APPLICATION FOR PERMIT CHANGE

Permit Change	New Permit <input type="checkbox"/>	Renewal <input type="checkbox"/>	Transfer XXX	Exploration <input type="checkbox"/>	Bond Release <input type="checkbox"/>	Permit Number: ACT/007/001
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Title of Change:  TRANSFER OF MINE PERMIT	Mine: White Oak No. 1 Mine and White Oak No. 2 Mine  Permittee: White Oak Mining & Construction Co., Inc.
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Description, include reason for application and timing required to implement::  
 SALE OF MINE TO LODESTAR ENERGY, INC.

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

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 1. Change in the size of the Permit Area? _____ acres Disturbed Area? _____ acres <input type="checkbox"/> ncrease <input checked="" type="checkbox"/> e crease. |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 2. Is the application submitted as a result of a Division Order? DO #  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 3. Does the application include operations outside a previously identified Cumulative Hydrologic Impact Area?  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 4. Does the application include operations in hydrologic basins other than as currently approved?  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 5. Does the application result from cancellation, reduction or increase of insurance or reclamation bond?  |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            | 6. Does the application require or include public notice/publication?  |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            | 7. Does the application require or include ownership, control, right of entry or compliance information?   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling?  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 9. Is the application submitted as a result of a Violation? NOV #  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 10. Is the application submitted as a result of other laws or regulations or policies? Explain:  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 11. Does the application affect the surface landowner or change the post mining land use?  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2?)  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 13. Does the application require or include collection and reporting of any baseline information?  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 14. Could the application have any effect on wildlife or vegetation outside the current disturbed area?  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 15. Does the application require or include soil removal, storage or placement?  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 16. Does the application require or include vegetation monitoring, removal or revegetation activities?   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 17. Does the application require or include construction, modification or removal of surface facilities?   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 18. Does the application require water monitoring, sediment or drainage control measures?  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 19. Does the application require or include certified designs, maps or calculations?   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 20. Does the application require or include subsidence control or monitoring?  |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            | 21. Have reclamation costs for bonding been provided for?  |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 22. Does the application involve a perennial stream, a stream buffer zone or discharges to a stream?   |
| <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No | 23. Does the application affect permits issued by other agencies or permits issued to other entities?  |

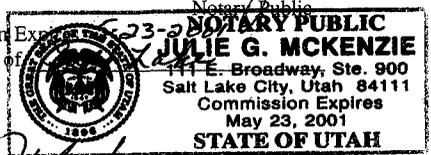
Attach 5 complete copies of the application.

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

*Larry G. Jones*      5-25-99  
 Signed - Larry G. Jones, Mine Manager - Date

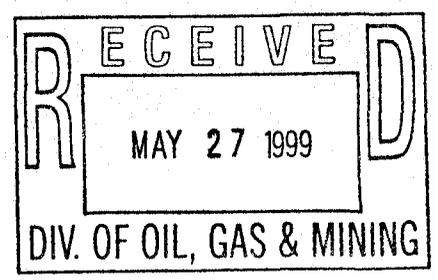
Subscribed and sworn to before me this 25<sup>th</sup> day of May, 1999.

*Julie G. McKenzie*  
 Notary Public



My Commission Expires \_\_\_\_\_  
 Attest: County of \_\_\_\_\_  
 State of Utah

Received by Oil, Gas & Mining



ASSIGNED PERMIT CHANGE NUMBER

