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State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

INSPECTION REPORT

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

Michael O. Leavitt
Governor
Lowell P. Braxton
Division Director

Partial: Complete: xxx Exploration:

Inspection Date & Time: 9/23/99 / 9:00A.M. -3:00P.M.

Date of Last Inspection: 8/11/99

Mine Name: White Oak #1 & #2 County: Carbon Permit Number: ACT/007/001⁸⁶

Permittee and/or Operator's Name: Lodestar Energy, Inc. and subsidiaries

Business Address: Scotfield Route, Helper, Utah 84526

Type of Mining Activity: Underground XXX Surface Prep. Plant Other

Company Official(s): Vicky Miller, David Miller

State Officials(s): Steve Demczak Federal Official(s): None

Weather Conditions: Warm, 70's

Existing Acreage: Permitted- 3746 Disturbed- 140.2 Regraded- 0 Seeded- 0 Bonded- 140.2

Increased/Decreased: Permitted- Disturbed- Regraded- Seeded- Bonded-

Status: Exploration/ XXX Active/ Inactive/ Temporary Cessation/ Bond Forfeiture

Reclamation (Phase I/ Phase II/ Final Bond Release/ Liability Year)

REVIEW OF PERMIT, PERFORMANCE STANDARDS & PERMIT CONDITION REQUIREMENTS

Instructions

1. Substantiate the elements on this inspection by checking the appropriate performance standard.
 - a. For complete inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check N/A.
 - b. For partial inspections check only the elements evaluated.
2. Document any noncompliance situation by referencing the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Division Orders, and amendments.

	EVALUATED	N/A	COMMENTS	NOV/ENF
1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. SIGNS AND MARKERS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3. TOPSOIL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. HYDROLOGIC BALANCE:				
a. DIVERSIONS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. SEDIMENT PONDS AND IMPOUNDMENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c. OTHER SEDIMENT CONTROL MEASURES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d. WATER MONITORING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e. EFFLUENT LIMITATIONS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. EXPLOSIVES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6. DISPOSAL OF EXCESS SPOIL/FILLS/BENCHES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8. NONCOAL WASTE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. PROTECTION OF FISH, WILDLIFE AND RELATED ENVIRONMENTAL VALUES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. SLIDES AND OTHER DAMAGE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. CONTEMPORANEOUS RECLAMATION	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. BACKFILLING AND GRADING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. REVEGETATION	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. SUBSIDENCE CONTROL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. CESSATION OF OPERATIONS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16. ROADS:				
a. CONSTRUCTION/MAINTENANCE/SURFACING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. DRAINAGE CONTROLS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17. OTHER TRANSPORTATION FACILITIES	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18. SUPPORT FACILITIES/UTILITY INSTALLATIONS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
19. AVS CHECK (4th Quarter-April, May, June) _____ (date)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20. AIR QUALITY PERMIT	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
21. BONDING & INSURANCE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

INSPECTION REPORT

(Continuation sheet)

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PERMIT NUMBER: ACT/007/001

DATE OF INSPECTION: 9/23/99

(Comments are Numbered to Correspond with Topics Listed Above)

1. PERMIT-

The mine permit was issued August 24, 1999. It has been signed by the permittee and the Division. This permit will expire on August 24, 2004.

There is a culvert amendment being reviewed by the Division. The permittee must address deficiencies from the Division's first review.

The permittee will be submitting changes to the water monitoring schedule. The reason for this change is to gain access to Forest Service property.

Recently, the permittee has submitted an amendment to change the configuration of the outside conveyor belt.

2. SIGNS AND MARKERS -

Identification signs meet the requirements of the R645 Coal Rules. The perimeter markers were spot-checked and are located around the perimeter of the disturbed area.

3. TOPSOIL -

The topsoil piles were inspected with no signs of wind or water erosion. These piles are protected by berms and or silt fences. The topsoil piles are well vegetated.

The silt fence around the topsoil pile at the railroad loadout needs to be replaced.

4A. DIVERSIONS -

The diversions were spot-checked; some maintenance work is needed throughout the property.

4B. SEDIMENT PONDS -

Sediment pond 004A was discharging during the inspection. There were no signs of any hazardous conditions occurring to the sediment ponds during the inspection. The second quarter sediment pond inspection was done on June 30, 1999 and is P.E. certified.

4C. OTHER SEDIMENT CONTROL MEASURES -

White Oak Mining uses straw bales, rock check dams, silt fences, and berms as its alternate sediment control measures. These areas were spot-inspected and complied with the R645 Coal Rules. The permittee has installed several straw bales throughout the mine site.

4D. WATER MONITORING -

The second quarter water monitoring report was sent to the Division.

4E. EFFLUENT LIMITATION -

ACORD CERTIFICATE OF LIABILITY INSURANCE

PRODUCER
 Willis Corroon Corporation of New York
 7 Hanover Square
 New York NY 10004
 (212) 344-8888

96879

PAGE 1 OF 2 DATE (MM/DD/YY) 23-SEP-1999

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

- COMPANY A Reliance National Indemnity Company
- COMPANY B Reliance National Insurance Company
- COMPANY C
- COMPANY D

Daniel Leung

INSURED

Lodestar Energy, Inc. and subsidiaries
 333 West Vine Street
 Suite 1700
 Lexington KY 40507

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY	NGB0158323	31-AUG-1999	31-AUG-2000	GENERAL AGGREGATE \$ 2,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				PRODUCTS-COMP/OP AGG \$ 2,000,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				PERSONAL & ADV INJURY \$ 2,000,000
	<input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT				EACH OCCURRENCE \$ 1,000,000
					FIRE DAMAGE (Any one fire) \$ 500,000
					MED EXP (Any one person) \$ 5,000
A	AUTOMOBILE LIABILITY	NKA0158324	31-AUG-1999	31-AUG-2000	COMBINED SINGLE LIMIT \$ 1,000,000
	<input checked="" type="checkbox"/> ANY AUTO				BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident) \$
	<input type="checkbox"/> SCHEDULED AUTOS				PROPERTY DAMAGE \$
	<input checked="" type="checkbox"/> HIRED AUTOS				AUTO ONLY - EA ACCIDENT \$
	<input checked="" type="checkbox"/> NON-OWNED AUTOS				OTHER THAN AUTO ONLY: \$
	GARAGE LIABILITY				EACH ACCIDENT \$
	<input type="checkbox"/> ANY AUTO				AGGREGATE \$
	EXCESS LIABILITY				EACH OCCURRENCE \$
	<input type="checkbox"/> UMBRELLA FORM				AGGREGATE \$
	<input type="checkbox"/> OTHER THAN UMBRELLA FORM				
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	NWA0157326	15-JUL-1999	15-JUL-2000	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER \$
	THE PROPRIETOR/PARTNERS/EXECUTIVE OFFICERS ARE: <input type="checkbox"/> INCL <input type="checkbox"/> EXCL				EL EACH ACCIDENT \$ 1,000,000
					EL DISEASE-POLICY LIMIT \$ 1,000,000
					EL DISEASE-EA EMPLOYEE \$ 1,000,000
					OTHER

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS
SEE ATTACHED

CERTIFICATE HOLDER
 Utah Division of Oil, Gas and Mining
 1594 W. North Temple
 Suite 1210
 Salt Lake City UT 84114-8801

CANCELLATION
 SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL endeavor to MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.
 AUTHORIZED REPRESENTATIVE
Hary Langels

INSPECTION REPORT
(Continuation sheet)

Page 3 of 3

PERMIT NUMBER: ACT/007/001

DATE OF INSPECTION: 9/23/99

(Comments are Numbered to Correspond with Topics Listed Above)

There was discharge during second quarter from point sources 004A of the UPDES permit. The sediment pond was in compliance with the requirements of the permit.

There are five point sources at the White Oak site as indicated in the UPDES permit. All point sources are sediment ponds. This permit was renewed on August 7, 1998. The permit will expire on April 30, 2003 (UTG04000).

5. **EXPLOSIVES -**

There are no explosives boxes on the property. No explosives were used during second quarter.

7. **SPOIL PILE -**

The spoil pile was inspected for second quarter with no hazardous conditions being noticed. This inspection document was P.E. certified on June 6, 1999.

8. **NON-COAL WASTE -**

The site had small amounts of non-coal waste throughout the property. Permittee was advised to clean up the material.

18. **SUPPORT FACILITIES -**

There will be a change in the configuration of the outside belt conveyor.

20. **AIR QUALITY -**

The permittee is in compliance with the air quality approval order.

21. **INSURANCE -**

The insurance acord form was inspected and complies with the R645 Coal Rules, you will find a copy attached to this inspection report. The acord form identifies that explosives can be used. This policy will expire on August 31, 2000.

The Reclamation Agreement has been updated July 14, 1999. It was signed by both parties. The bonding amount is \$4,292,000.

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas, and Mining.

Copy of this Report:

Mailed to: David Miller/Vicky Miller (White Oak/EarthFax) Henry Austin (OSM)

Given to: Pam Grubaugh-Littig (DOGM)

Filed to: Price Field Office

Date: September 24, 1999

Inspector's Signature: _____

Stephen J. Demczak
Stephen J. Demczak

#39

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED 96879 Lodestar Energy, Inc. and subsidiaries 333 West Vine Street Suite 1700 Lexington KY 40507	PRODUCER Willis Corroon Corporation of New York 7 Hanover Square New York NY 10004 (212) 344-8888 Daniel Leung
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COVERAGES
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TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
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DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

*Limits shown are excess of the Insured's Self Insured Retention.
General Liability includes Blasting Operations.
Permit # Act/007/001, White Oak Mines Complex.
Permit # Act/007/020 Horizon Coal Mine.

CERTIFICATE HOLDER Utah Division of Oil, Gas and Mining 1594 W. North Temple Suite 1210 Salt Lake City UT 84114-8801	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL REQUIRE MAIL <u>30</u> DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE <i>Daniel Leung</i>
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