



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

bcc:  
Steve  
Pam  
Daron  
Joe

Michael O. Leavitt  
Governor  
Kathleen Clarke  
Executive Director  
Lowell P. Braxton  
Division Director

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)

June 24, 1999

J. Craig Smith  
Neilsen and Senior  
60 East South Temple, Suite 1100  
Salt Lake City, Utah 84111

Re: Response on Permit Transfer/ Permit Renewal Concerns, White Oak Mining and Construction Company, Inc., White Oak Mine, ACT/007/001-TR99, Folder #2, Carbon County, Utah

Dear Mr. Smith:

The Division has received your letter, dated June 15, 1999, concerning the Permit Transfer and Permit Renewal for the White Oak Mine. As outlined in your letter, Huntington-Cleveland Irrigation Company is concerned about adverse impacts to the hydrologic balance caused by this mine in the Hughes Canyon area of the Huntington Creek Drainage. The Division is looking into this matter and will be sending you a letter with our findings in the near future. This concern will be handled pursuant to the Permit Renewal scheduled for August 24, 1999.

If you would like an opportunity to present information on this issue in an informal conference please contact Tiffini Moss at (801) 538-5289 prior to July 9, 1999.

To best consider any information you wish to present, we need to hold a conference or meeting, at the latest, by July 28, 1999.

Sincerely,

Mary Ann Wright  
Associate Director, Mining

tam  
cc: Mike Malmquist, Parsons, Behle and Latimer  
Denise Drago, Snell and Wilmer  
O:\007001.WO\FINAL\SMITHLTT.WPD

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

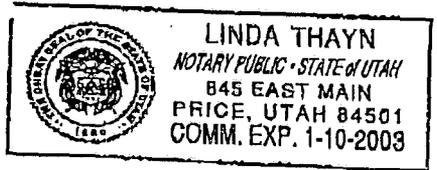
I, Kevin Ashby, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 1 (One) consecutive issues, and that the first publication was on the 27th day of May, 1999 and that the last publication of such notice was in the issue of such newspaper dated the 27th day of May, 1999.

*Kevin Ashby*  
Kevin Ashby - Publisher

Subscribed and sworn to before me this 27th day of May 1999.

*Linda Thayne*  
Notary Public My commission expires January 10, 2003 Residing at Price, Utah

Publication fee, \$ 110.40



NOTICE

Notice is hereby given that WHITE OAK MINING & CONSTRUCTION CO., INC., a Nevada corporation ("White Oak"), permittee of the White Oak No. 1 and No. 2 Mines, has submitted an application to the Division of Oil, Gas & Mining under the provisions of the Utah Coal Regulatory Program at Rule 645-303-300 for transfer of Permit No. ACT/007/001 ("Permit"), to Lodestar Energy, Inc. ("Lodestar"), whose address is 333 West Vine Street, Suite 1700, Lexington, Kentucky 40507. Upon approval of the Permit transfer and consummation of a business transaction being negotiated between White Oak and Lodestar that would convey the Permit, the Permit and permit area would be owned or controlled by Lodestar, a Delaware corporation. The permit area is located in Carbon County, Utah, and is described as follows:

- Township 13 South, Range 6 East, SLBM
  - Section 24: SE 1/4, and portions of S 1/2 NE 1/4, NW 1/4 NE 1/4, and E 1/2 SW 1/4
  - Section 25: E 1/2, portion of W 1/2
  - Section 35: Portions of E 1/2 E 1/2, and SW 1/4 SE 1/4
  - Section 36: All
- Township 13 South, Range 7 East, SLBM
  - Section 8: E 1/2 SE 1/4, portion of SW 1/4 SE 1/4
  - Section 9: W 1/2 SW 1/4
  - Section 16: W 1/2 W 1/2, NE 1/4 NW 1/4, NW 1/4 NE 1/4
  - Section 17: NE 1/4 excluding parts of SW 1/4 NE 1/4 and NE 1/4 NE 1/4, N 1/2 SE 1/4,
  - Section 19: S 1/2 SW 1/4, NE 1/4 SW 1/4, and portions of W 1/2 E 1/2, E 1/2 NW 1/4,
  - Section 20: Portions of NE 1/4 NE 1/4
  - Section 21: Portions of NW 1/4 NW 1/4
  - Section 30: W 1/2 W 1/2, SE 1/4 SW 1/4, NE 1/4 NW 1/4
  - Section 31: W 1/2 NW 1/2, SW 1/4
- Township 14 South, Range 6 East, SLBM
  - Section 1: E 1/2 NE 1/4, NE 1/4 SE 1/4
- Township 14 South, Range 7 East, SLBM
  - Section 6: W 1/2, W 1/2 E 1/2
  - Section 7: NW 1/4, NW 1/4 NE 1/4

Perinent comments are solicited from anyone affected by this proposal. Such comments should be filed within the next thirty (30) days with:

State of Utah  
Department of Natural Resources  
Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

Published in the Sun Advocate May 27, 1999.

**RECLAMATION AGREEMENT  
(COAL)**

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# RECLAMATION AGREEMENT

Permit Number: ACT/007/001

Date Original Permit Issued: August 24, 1984

Effective Date of Agreement: July 14, 1999

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS & MINING  
1594 West North Temple, Suite 1210  
Salt Lake City, Utah 84114-5801  
(801) 538-5340

## COAL RECLAMATION AGREEMENT

--ooOOoo--

For the purpose of this RECLAMATION AGREEMENT the terms below are defined as follows:

“PERMIT”: (Mine Permit No.) ACT/007/001 (County) Carbon

“MINE”: (Name of Mine) White Oak No. 1 and No. 2 Mines

“PERMITTEE”: (Company or Name) Lodestar Energy, Inc.

(Address) 333 W. Vine Str., Suite 1700, Lexington,

KY 40507

### “PERMITTEE’S REGISTERED

AGENT”: (Name) CT Corporation System

(Address) 50 West Broadway, 8th Floor, Salt Lake

City, UT 84101

(Phone) (801) 364-5101

“COMPANY OFFICER(S)”: R. Eberley Davis, Vice President and

Assistant Secretary

“BOND TYPE”: (Form of Bond) Surety

“BOND”: (Bond Amount-Dollars) \$4,292,000

(Escalated to Year) 2004

“INSTITUTION”: (Bank or Agency) [NA]

“POLICY OR ACCOUNT NUMBER”: [NA]

# RECLAMATION AGREEMENT

Permit Number: ACT/007/001

Date Original Permit Issued: \_\_\_\_\_

Effective Date of Agreement: July 14, 1999

**"LIABILITY INSURANCE":** (Exp.) 08/31/1999  
(Insurance Company) Reliance National

**"STATE":** Utah Department of Natural Resources

**"DIVISION":** Division of Oil, Gas & Mining

**"DIVISION DIRECTOR":** Lowell Braxton

EXHIBITS:	Revision Dates
<b>"SURFACE DISTURBANCE"</b>	Exhibit "A" _____
<b>"BONDING AGREEMENT"</b>	Exhibit "B" _____
<b>"LIABILITY INSURANCE"</b>	Exhibit "C" _____
<b>"POWER OF ATTORNEY"</b>	_____

## RECLAMATION AGREEMENT

This **RECLAMATION AGREEMENT** (hereinafter referred to as Agreement) is entered into by the Permittee.

**WHEREAS**, on July 14, 1999, the Division approved the Permit Application Package, hereinafter PAP, submitted by Lodestar Energy, Inc., hereinafter Permittee; **and**

**WHEREAS**, prior to issuance of a permit to conduct mining and reclamation operations on the property described in the PAP, hereinafter Property, the Permittee is obligated by Title 40-10-1, et seq., Utah Code Annotated (1953, as amended), hereinafter Act, to file with the Division a bond ensuring the performance of the reclamation obligations in the manner and by the standards set forth in the PAP, the Act, and the State of Utah Division of Oil, Gas and Mining Rules pertaining to Coal Mining and Reclamation Activities, hereinafter Rules; **and**

**WHEREAS**, the Permittee is ready and willing to file the bond in the amount and in a form acceptable to the Division and to perform all obligations imposed by the Division pursuant to applicable laws & regulations relating to the reclamation or the Property; **and**

**WHEREAS**, the Division is ready and willing to issue the permittee a mining and reclamation permit upon acceptance and approval of the bond.

**NOW, THEREFORE**, the Division and the Permittee agree as follows:

1. The provisions of the Act and the Rules are incorporated by reference herein and hereby made a part of this Agreement. Provisions of the Act or Rules shall supersede conflicting provisions of the Agreement.
2. The Permittee agrees to comply with all terms and provisions of the PAP, the Act, and the Rules, including the reclamation of all areas disturbed by surface coal mining and reclamation operations despite the eventuality that the cost of actual reclamation exceeds the bond amount.
3. The Permittee has provided a legal description of the property including the number of acres approved by the Division to be disturbed by surface mining and reclamation operations during the permit period. The description is attached as Exhibit A, and is incorporated by reference and shall be referred to as the Surface Disturbance.
4. The Permittee agrees to provide a bond to the Division in the form and amount acceptable to the Division ensuring the performance of the reclamation

## RECLAMATION AGREEMENT

obligations in the manner and by the standard set forth in the PAP, the Act, and the Rules. Said bond is attached as Exhibit B and is incorporated by reference.

5. The Permittee agrees to maintain in full force and effect the public liability insurance policy submitted as part of the permit application. The Division shall be listed as an additional insured on said policy.
6. In the event that the Surface Disturbance is increased through expansion of the coal mining and reclamation operations or decreased through partial reclamation, the Division shall adjust the bond as appropriate.
7. The Permittee does hereby agree to indemnify and hold harmless the State of Utah and the Division from any claim, demand, liability, cost, charge, or suit initiated by a third party as a result of the Permittee or Permittee's agent or employees failure to abide by the terms and conditions of the approved PAP and this Agreement.
8. The terms and conditions of this Agreement are non-cancelable until such time as the Permittee has satisfactorily, as determined by the Division, reclaimed the Surface Disturbance in accordance with the approved PAP, the Act, and the Rules. Notwithstanding the above, the Division may direct, or the Permittee may request and the Division may approve, a written modification to this Agreement.
9. The Permittee may, at any time, submit a request to the Division to substitute the bonding method. The Division may approve the substitution if the bond meets the requirement of the Act and the Rules, but no bond shall be released until the Division has approved and accepted the replacement bond.
10. Any revision in the Surface Disturbance, the bond amount, the bond type, the liability insurance amount coverage, and/or the liability insurance company, or other revisions affecting the terms and conditions of this Agreement shall be submitted on the form entitled Stipulation to Revise Reclamation Agreement and shall be attached hereto as Exhibit D (other exhibits as appropriate.)
11. This agreement shall be governed and constructed in accordance with the laws of the State of Utah. The Permittee shall be liable for all reasonable costs incurred by the Division to enforce this agreement.
12. Any breach of the provisions of this Agreement, the Act, the Rules, or the PAP may, at the discretion of the Division, result in enforcement actions by the Division which include but are not limited to, an order to cease coal mining and

## RECLAMATION AGREEMENT

reclamation operations, revocation of the Permittee's permit to conduct coal mining and reclamation operations and forfeiture of the bond.

13. In the event of forfeiture, the Permittee agrees to be liable for additional costs in excess of the bond amount which may be incurred by the Division in order to comply with the PAP, the Act, and the Rules. Any excess monies resulting from the forfeiture of the bond amount upon compliance with this contract shall be refunded as directed by the permittee or, if a dispute arises, as directed by a court of competent jurisdiction by interpleading the funds subject to the dispute.
14. Each signatory below represents the he/she is authorized to execute this Agreement on behalf of the named party. Proof of such authorization is provided on a form acceptable to the Division and is attached hereto.

SO AGREED this

14<sup>th</sup> day of July, 1999

STATE OF UTAH:

*Lowell P. Braxton*  
~~Lowell P. Braxton, Director~~  
Division of Oil, Gas & Mining

*Mark D. Wright*  
Associate Director,  
Mining

PERMITTEE:

*R. Eberley Davis* VP + AS  
R. Eberley Davis, Vice President and  
Assistant Secretary

**NOTE:** An **Affidavit of Qualification** must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney of a company, such Power of Attorney must be filed with this Agreement. If the Principal is a corporation, the Agreement shall be executed by it's duly authorized officer.

**RECLAMATION AGREEMENT**

**EXHIBIT "A"**

**PERMIT AREA**

**LEGAL DESCRIPTION**

# RECLAMATION AGREEMENT

Exhibit "A" - PERMIT AREA

Permit Number: ACT/007/001

Effective Date: July 9, 1999

## PERMIT AREA

### LEGAL DESCRIPTION

In accordance with the RECLAMATION AGREEMENT, the PERMITTEE intends to conduct coal mining and reclamation activities on or within the PERMIT AREA as described hereunder: (The bonded area equals the permit area.)

Total acres of PERMIT AREA: 3.746 acres

#### Legal Description of PERMIT AREA:

##### Township 13 South, Range 6 East, SLBM

Section 24: SE ¼, and portions of S ½ NE ¼, NW ¼ NE ¼, and E ½ SW ¼  
Section 25: E ½, portion of W ½  
Section 35: Portions of E ½ E ½, and SW ¼ SE ¼  
Section 36: All

##### Township 13 South, Range 7 East, SLBM

Section 8: E ½ SE ¼, portion of SW ¼ SE ¼  
Section 9: W ½ SW ¼  
Section 16: W ½ W ½, NE ¼ NW ¼, NW ¼ NE ¼  
Section 17: NE ¼ excluding parts of SW ¼ NE ¼ and NE ¼ NE ¼, N ½ SE ¼,  
Section 19: S ½ SW ¼, NE ¼ SW ¼, and portions of W ½ E ½, E ½ NW ¼,  
Section 20: Portions of NE ¼ NE ¼  
Section 21: Portions of NW ¼ NW ¼  
Section 30: W ½ W ½, SE ¼ SW ¼, NE ¼ NW ¼  
Section 31: W ½ NW ¼, SW ¼

##### Township 14 South, Range 6 East, SLBM

Section 1: E ½ NE ¼, NE ¼ SE ¼

##### Township 14 South, Range 7 East, SLBM

Section 6: W ½, W ½ E ½  
Section 7: NW ¼, NW ¼ NE ¼

This is the PERMIT AREA that is covered by the reclamation surety provided in Exhibit "B".

IN WITNESS WHEREOF the SURETY has hereunto set it's signature this

9th day of July, 19 99.

Frontier Insurance Company

SURETY

By: Dawn L. Morgan

Title: Dawn L. Morgan, Attorney-in-Fact

**RECLAMATION AGREEMENT**

**EXHIBIT "B"**

**SURETY BOND**

**(FEDERAL COAL)**

## RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

Permit Number: ACT/007/001

### SURETY BOND

#### (FEDERAL COAL)

**THIS SURETY BOND** entered into and by and between the undersigned **PERMITTEE**, and **SURETY COMPANY**, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns unto the State of Utah, Division of Oil, Gas & Mining (**DIVISION**), and the U.S. Department of Interior, Office of Surface Mining Reclamation and Enforcement (**OSM**) in the penal sum of \$4,292,000 (Surety Bond Amount) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of this **RECLAMATION AGREEMENT**.

This **SURETY BOND** shall remain in effect until all of the **PERMITTEE**'s reclamation obligation have been met and released by the **DIVISION** and is conditioned upon faithful performance of all of the requirement of the Act, the applicable rules and regulations, SMCRA, the approved permit, and the **DIVISION**.

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the Principal during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** and **OSM** from any and all expenses which the **DIVISION** and **OSM** may sustain as a result of the **PERMITTEE**'s failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE** and to the **DIVISION** and **OSM** of any notice received or action alleging to insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirement which could result in suspension or revocation of the **SURETY**'s license.

Terms for release or adjustment of this **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE** in the **RECLAMATION AGREEMENT** incorporated by reference herein, to which this **SURETY AGREEMENT** has been attached as Exhibit "B".

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

IN WITNESS WHEREOF, the PERMITTEE has hereunto set it's signature this 9th day of July, 19 99.

LODESTAR ENERGY, INC.  
PERMITTEE

*R. Eberley Davis*  
By: R. Eberley Davis

Title: Vice President &  
Assistant Secretary

IN WITNESS WHEREOF, the SURETY has hereto set it's signature this 9th day of July, 19 99.

Frontier Insurance Company  
SURETY

*Dawn L. Morgan*  
By: Dawn L. Morgan  
Title: Attorney-in-Fact

ACCEPTED BY THE STATE OF UTAH:

*Lowell P. Braxton*  
Lowell P. Braxton, Director  
Division of Oil, Gas & Mining  
*Mary Ann Wright*  
Mary Ann Wright, Director, Mining

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by it's duly authorized officer.

**RECLAMATION AGREEMENT**

**EXHIBIT "C"**

**LIABILITY INSURANCE**

# Willis

July 8, 1999

Utah Dept. of Natural Resources  
Division of Oil, Gas &  
Mining  
Suite 1210  
Salt Lake City, UT 84114-5801

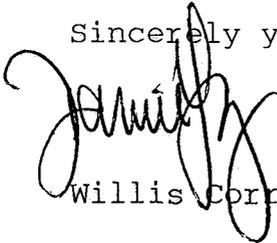
7 Hanover Square  
New York, NY 10004-2594  
Telephone 212-344-8888  
Fax 212-344-8511  
Cable NOORROC  
Telex:  
Domestic 12-8283  
International 421034-ITT

Dear Certificate Holder:

Enclosed is the Certificate of Insurance issued on behalf of  
Lodestar Energy, Inc. and subsidiaries.

Should you have any questions please feel free to call.

Sincerely yours,



Willis Corroon Corporation of New York

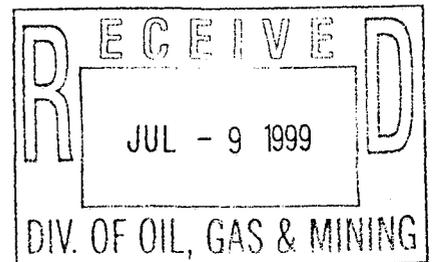
Enclosure

cc: Lodestar Energy, Inc. and subsidiaries  
Reliance Insurance Company  
Reliance National Insurance Company

ACT/007/001

#4

Certificate  
Orig. to Frequency  
Copy to #4,  
JAM, PTO



Willis Corroon  
Corporation of  
New York  
Insurance Brokers  
Consultants

# ACORD™ CERTIFICATE OF LIABILITY INSURANCE

PAGE 1 OF 2

DATE (MM/DD/YY)  
8-JUL-1999

**PRODUCER**  
Willis Corroon Corporation of New York  
7 Hanover Square  
New York NY 10004-2594  
(212) 344-8888

89613

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 **Reliance Insurance Company**  
**A**

COMPANY **Reliance National Insurance Company**  
**B**

COMPANY  
**C**

COMPANY  
**D**

**Daniel Leung**

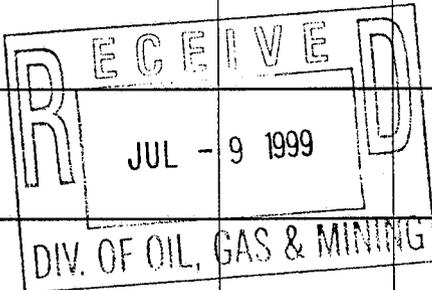
**INSURED**

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
<b>A</b>	<b>GENERAL LIABILITY</b> <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT	NGB0144-018	01-FEB-1999	31-AUG-1999	GENERAL AGGREGATE \$ <b>2,000,000</b> PRODUCTS-COMP/OP AGG \$ <b>2,000,000</b> PERSONAL & ADV INJURY \$ <b>2,000,000</b> EACH OCCURRENCE \$ <b>1,000,000</b> FIRE DAMAGE (Any one fire) \$ <b>500,000</b> MED EXP (Any one person) \$ <b>5,000</b>
<b>A</b>	<b>AUTOMOBILE LIABILITY</b> <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	NKA0144-017	01-FEB-1998	31-AUG-1999	COMBINED SINGLE LIMIT \$ <b>1,000,000</b> BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE \$
	<b>GARAGE LIABILITY</b> <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: \$ EACH ACCIDENT \$ AGGREGATE \$
	<b>EXCESS LIABILITY</b> <input type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM				EACH OCCURRENCE \$ AGGREGATE \$
<b>B</b>	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> THE PROPRIETOR/PARTNERS/EXECUTIVE OFFICERS ARE: <input type="checkbox"/> INCL <input type="checkbox"/> EXCL	TBD	09-JUL-1999	09-JUL-2000	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER EL EACH ACCIDENT \$ EL DISEASE-POLICY LIMIT \$ EL DISEASE-EA EMPLOYEE \$
	<b>OTHER</b>				



DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

SEE ATTACHED

**CERTIFICATE HOLDER**

Utah Dept. of Natural Resources  
Division of Oil, Gas &  
Mining  
Suite 1210  
Salt Lake City UT 84114-5801

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL MAIL 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT,

AUTHORIZED REPRESENTATIVE

*Daniel Leung*

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.

<p>INSURED</p> <p style="text-align: right;">89613</p> <p>Lodestar Energy, Inc. and subsidiaries 333 West Vine Street Suite 1700 Lexington KY 40507</p>	<p>PRODUCER</p> <p>Willis Corroon Corporation of New York 7 Hanover Square New York NY 10004-2594 (212) 344-8888</p> <p>Daniel Leung</p>
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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 MAY HAVE BEEN REDUCED BY PAID CLAIMS.

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  
Permit #ACT/007/001, White Oak Mines Complex, located at: Mine Road, off Eccles Canyon Rd., off Route 96, near Scofield, UT.

The General Liability policy includes explosives coverage.

<p>CERTIFICATE HOLDER</p> <p>Utah Dept. of Natural Resources Division of Oil, Gas &amp; Mining Suite 1210 Salt Lake City UT 84114-5801</p>	<p>CANCELLATION</p> <p>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL <del>SEND BY MAIL</del> 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, <del>BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY ON THE COMPANY OR ITS AGENTS OR REPRESENTATIVES</del></p> <p>AUTHORIZED REPRESENTATIVE <i>Daniel Leung</i></p>
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14722

**RECLAMATION AGREEMENT**

**AFFIDAVITS OF QUALIFICATION**

AFFIDAVIT OF QUALIFICATION  
ASSOCIATE DIRECTOR

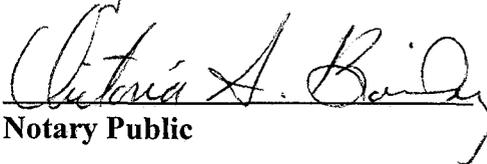
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I, Mary Ann Wright, being first duly sworn under oath, deposes and says that she is the Associate Director of the Division of Oil, Gas & Mining, Department of Natural Resources, State of Utah; and that she is duly authorized to execute and deliver the foregoing obligations; and that said ASSOCIATE DIRECTOR is authorized to execute the same authority of law on behalf of the State of Utah.



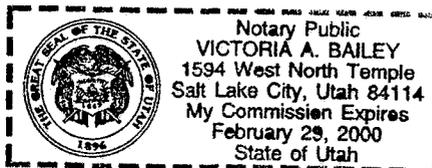
Mary Ann Wright, Associate Director  
Division of Oil, Gas & Mining

Subscribed and sworn to before me this 14<sup>th</sup> day of July, 1999.

  
Notary Public

My Commission Expires:

February 29, 192000



Attest:

STATE OF UTAH )  
COUNTY OF SALT LAKE ) ss:

**RECLAMATION AGREEMENT**

**AFFIDAVIT OF QUALIFICATION  
PERMITTEE**

--ooOOoo--

I, R. Eberley Davis, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) Vice President and Assistant Secretary of Lodestar Energy, Inc.; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said PERMITTEE is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

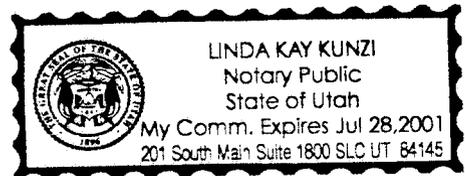
*R. Eberley Davis* *VP+AS*  
R. Eberley Davis, Vice President and  
Assistant Secretary

Subscribed and sworn to before me this 9<sup>th</sup> day of July, 1999.

*Linda Kay Kunzi*  
NOTARY PUBLIC

My Commission Expires:

July 28, 2001



Attest:

STATE OF UTAH \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

ss:

## **LODESTAR ENERGY, INC.**

### **Unanimous Consent in Lieu of Meeting of Board of Directors**

The undersigned, being the sole member of the Board of Directors of Lodestar Energy, Inc., a Delaware corporation ("LODESTAR"), hereby consents to the following corporate action in lieu of a meeting of the Board of Directors as if the same were held on July 28, 1997, effective as of said date as fully as if unanimously adopted at a duly called meeting of the directors:

#### Recitals

LODESTAR engages in various aspects of the exploration, development, production, storage, transportation and marketing of coal. These activities require LODESTAR through its agents to obtain from time to time various permits, licenses, identifying numbers, orders and approvals necessary for the conduct of its business in normal course (such permits, licenses, identifying numbers, orders and approvals shall hereinafter be called "Permits"). All such Permits are issued by various governmental or regulatory authorities, including the United States Office of Surface Mining Reclamation and Enforcement, the Kentucky Department of Surface Mining Reclamation and Enforcement, the West Virginia Department of Energy, the United States Environmental Protection Agency, the Kentucky Natural Resources and Environmental Protection Cabinet, Department of Environmental Protection, Division of Water, the United States Mine Health and Safety Administration and the United States Bureau of Alcohol, Tobacco and Firearms (hereinafter all such governmental or regulatory authorities shall be called "Government Agency," whether singular or plural). The purpose of the resolutions adopted below is to appoint the named individuals as agents of LODESTAR to execute and deliver to the appropriate Government Agency all manner of documentation necessary for issuance or transfer of Permits.

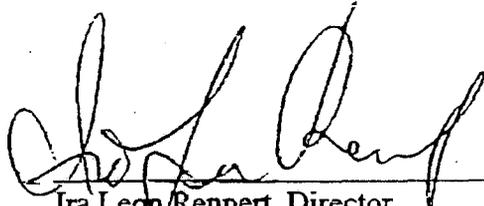
#### Resolutions

RESOLVED, that each of John W. Hughes, Troy L. Francisco, Bill Potter, Tom Mattox, John McHale, Dennis Bryant, Alex Messamore, and R. Eberley Davis ("Authorized Persons") be, and each of them is hereby, authorized and empowered to execute and deliver to any Governmental Agency having jurisdiction over the business and property of LODESTAR any and all documents necessary for the issuance or transfer of Permits including, but not limited to, applications for the issuance and transfer thereof, and the fact of execution and delivery thereof by any of the Authorized Persons may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted such persons by these resolutions and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency requires that the authority of the Authorized Persons to act as provided herein be further evidenced by any other document, any officer of LODESTAR shall be, and is hereby, authorized and empowered to execute and deliver to the requesting Government Agency any such other document which may be required by the Government Agency as evidence of the authority of the Authorized Persons to act as described herein and the fact of execution and delivery may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted by these resolutions to such officer and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency to whom a certificate of these resolutions is to be delivered requires that these resolutions be certified in a form other than the form in which the resolutions have been written, any officer of LODESTAR, shall be, and is hereby, authorized and empowered to certify and deliver to the requesting Government Agency a certificate of these resolutions in such form as the requesting Government Agency may require, whether or not the text of such certificate has been actually presented to and approved by this Board of Directors and regardless of whether the certificate states the effectiveness of the resolutions certified to be as of a date other than the date of these resolutions, or that such resolutions may have been adopted in the course of a meeting when they were in fact adopted by unanimous written consent, or the converse thereof, and all of such resolutions so certified shall be, and they are hereby adopted as resolutions of this Board of Directors as though they have been presented to, and approved by, this Board of Directors at a meeting or in an action by unanimous written consent.

IN WITNESS WHEREOF, the undersigned has executed this consent as of the <sup>28</sup>22nd day  
of July, 1997.

  
Ira Leon Rennert, Director

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION  
SURETY COMPANY

-ooOOoo-

I, Dawn L. Morgan, being first duly sworn under oath, deposes and say that he/she is the (officer or agent) Attorney-in-Fact of Frontier Insurance Company; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said SURETY COMPANY is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

Dawn L. Morgan  
[NAME- POSITION]

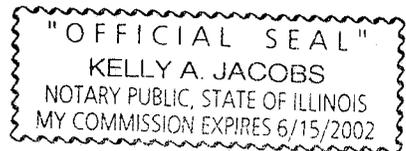
Dawn L. Morgan - Attorney-in-Fact

Subscribed and sworn to before me this 9th day of July, 19 99.

Kelly A. Jacobs  
NOTARY PUBLIC

My Commission Expires:

June 15, ~~19~~ 2002



Attest:

STATE OF Illinois )  
COUNTY OF Cook )

ss:

**RECLAMATION AGREEMENT**

**POWER OF ATTORNEY**

**POWER OF ATTORNEY**

**Know All Men By These Presents:** That FRONTIER INSURANCE COMPANY, a New York Corporation, having its principal office in Rock Hill, New York, pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 4th day of November, 1985:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of indemnity or writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact"

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution.

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: **Lewis James Scheer Michael J. Scheer Alice Rhoads James I. Moore Bonnie Kruse Stephen T. Kazmer Dawn L. Morgan**

of **Countryside** In the State of **Illinois**  
 its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge and deliver in its behalf, and as its act and deed, without power of redelegation, as follows:

Bonds guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed: ~~not to exceed Four Million Three Hundred Thousand (\$4,300,000.00) Dollars~~ and to bind FRONTIER INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of FRONTIER INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed.

In Witness Whereof, FRONTIER INSURANCE COMPANY of Rock Hill, New York, has caused this Power of Attorney to be signed by its President and its Corporate seal to be affixed this **29th** day of **April**, 19 **97**.

FRONTIER INSURANCE COMPANY



BY: **HARRY W. RHULEN, President**

State of New York  
 County of Sullivan ss.:

On this **29th** day of **April**, 19 **97**, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came **HARRY W. RHULEN** of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force.

In Testimony Whereof, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.



**NANCY V. PIERRO**  
 Notary Public State of New York  
 Sullivan County Clerk's No. 2395  
 Commission Expires July 8, 1998

**CERTIFICATION**

I, **JOSEPH P. LOUGHLIN**, Secretary of FRONTIER INSURANCE COMPANY of Rock Hill, New York, do hereby certify that the foregoing Resolution adopted by the Board of Directors of this Corporation and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolution and the Powers of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the facsimile seal of the corporation this **9th** day of **July**, 19 **99**.



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