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

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Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
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Salt Lake City, Utah 84114-5801
801-538-5340
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801-538-7223 (TDD)

July 14, 1999

R. Eberley Davis, Vice President
Lodestar Energy, Inc.
333 West Vine Street, Suite 1700
Lexington, Kentucky 40507-1628

Re: Permit Transfers, White Oak Mining and Construction, Inc. to Lodestar Energy, Inc. White Oak #1 and #2 Mines, ACT/007/001, and Horizon Mining, LLC to Lodestar Energy, Inc. Horizon Mine, ACT/007/020, Folder #3, Carbon County, Utah

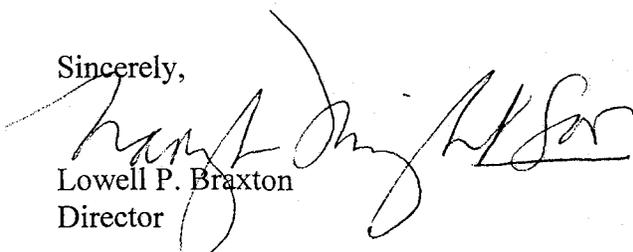
Dear Mr. Davis:

The permit transfers for the White Oak #1 and #2 Mines and Horizon Mine are approved (the decision documents associated with these permitting actions are attached.) Please read the permits and associated conditions of the permits and if you have any questions please let us know. Please sign both copies of each permit and return one of each to the Division.

Additionally, please submit the revised legal and financial information for both the White Oak #1 and #2 Mines and Horizon Mine to update the mining and reclamation plans by August 13, 1999.

We look forward to working with you and your company. Please feel free to call me or my staff anytime.

Sincerely,


Lowell P. Braxton
Director

tm

Enclosure

cc: Jim Fulton, OSM, WRCC
Denise Dragoo, Snell and Wilmer, w/o enclosure
Vicky Miller, EarthFax Engineering, w/o enclosure

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**UTAH DIVISION OF OIL, GAS AND MINING
STATE DECISION DOCUMENT
PERMIT TRANSFER**

Lodestar Energy, Inc.
White Oak #1 and #2 Mines
ACT/007/001
Carbon County, Utah

July 14, 1999

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June 24, 1999
- * Affidavit of Publication
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ADMINISTRATIVE OVERVIEW

Lodestar Energy, Inc.
White Oak #1 and #2 Mines
ACT/007/001
Carbon County, Utah

July 14, 1999

PROPOSAL

Lodestar Energy, Inc. submitted an application to transfer the permit rights for the White Oak Mine Complex on May 27, 1999.

RECOMMENDATION

All of the information submitted by Lodestar Energy, Inc has been found adequate to transfer the permit for the Horizon Mine. The permit transfer was published in the Price Sun Advocate on May 27, 1999. One comment was received in conjunction with the permit renewal. The Division responded to the comment and stated that the concern would be addressed during the permit renewal, August 24, 1999.

An OSM-AVS recommendation was verified on July 13, 1999 with an OSMRE "issue" recommendation.

Adequate liability insurance was posted by Lodestar Energy, Inc. and received on July 9, 1999. A surety was posted in the amount of \$4,292,000 by Frontier Insurance Company and the Reclamation Agreement signed and submitted on July 14, 1999.

It is, therefore, recommended that approval be given for the transfer of the permit rights of the White Oak #1 and #2 Mines from White Oak Mining and Construction, Inc. to Lodestar Energy, Inc.

PERMITTING CHRONOLOGY

Lodestar Energy, Inc.
White Oak #1 and #2 Mines
ACT/007/001
Carbon County, Utah

July 14, 1999

- May 27, 1999 Lodestar Energy, Inc. submits a permit transfer application for the White Oak #1 and #2 Mines from White Oak Mining and Construction, Inc. to Lodestar Energy, Inc.
- May 27, 1999 The permit transfer notice is published in the Price Sun Advocate.
- June 16, 1999 Division receives one comment. Craig Smith, representing the Huntington-Cleveland Irrigation Company, submits a comment about the permit transfer and permit renewal for the White Oak #1 and #2 Mines. There are concerns about adverse impacts to the hydrologic balance caused by this mine in the Hughes Canyon area of the Huntington Drainage.
- June 24, 1999 The Associate Director of Mining responds to Craig Smith about his comments and states that his concerns with the White Oak #1 and #2 Mines will be addressed with the permit renewal, which is upcoming on August 24, 1999, rather than the permit transfer.
- July 2, 1999 An OSMRE "deny" recommendation White Oak Mining and Construction, Inc. The Division notifies the appropriate parties of this "deny" recommendation which is for non-payment of AML fees for the second quarter of 1999 for the Horizon Mine.
- July 9, 1999 Certificate of Liability Insurance received for the White Oak #1 and #2 Mines was posted by Lodestar Energy, Inc.
- July 13, 1999 An "issue" recommendation from the Applicant Violator System.
- July 14, 1999 The Reclamation Agreement, including the surety, are received at the Division and signed by the Director.
- July 14, 1999 Permit Transfer.

FINDINGS

Lodestar Energy, Inc.
White Oak Mine Complex
ACT/007/001
Carbon County, Utah

July 14, 1999

The applicant for transfer of permit rights, from White Oak Mining and Construction, Inc. to Lodestar Energy, Inc. has committed to continue to conduct the operation involved in full compliance with the terms and conditions of the permit. (R645-300-133.)

Currently Lodestar Energy, Inc. has submitted a bond sufficient to cover reclamation costs in the permit area inflated to year 2004 dollars. Lodestar Energy, Inc. will assume all liability for compliance with terms and conditions of the White Oak #1 and #2 Mines' permit and any orders, stipulations or conditions associated with the permit.

The following findings specifically apply to the application for transfer of permit rights:

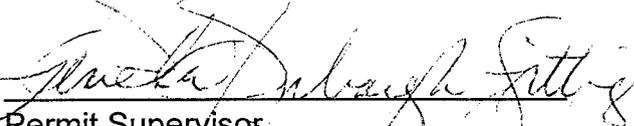
1. Division records and the results of the 510 (c) clearance check, show that neither White Oak Mining and Construction, Inc. nor Lodestar Energy, Inc. nor any affiliates control or have controlled coal mining and reclamation operations with a demonstrated pattern of willful violation of the Act of such nature and duration and with such resulting irreparable damage to the environment as to indicate an intent not to comply with the Act. (See memo to file dated July 13, 1999.)
2. The State of Utah, the Division has determined that the application for transfer of permit rights is accurate and complete, and complies with the requirements of R645-300-133.100.
3. The applicant through the sale has acquired the legal right to enter and begin coal mining activities at the White Oak #1 and #2 Mines through the purchase agreement. (R645-300-133.300)
4. Lodestar Energy Inc. agrees to pay all reclamation fees for the White Oak #1 and #2 Mines as required by 30 CFR Part 870. (R645-300-133.730)

5. Procedures for public participation have complied with the requirements of the Act and the Utah State Program. Notice was published in the Price Sun Advocate on May 28, 1999 as required by R645-303-322. One concern letter was received on June 16, 1999. This letter expressed concern about hydrology and associated this concern with the permit transfer and the permit renewal. The Division responded to this letter on June 24, 1999 and stated that this concern will be handled with the permit renewal, not the permit transfer.

6. The applicant has obtained a performance bond equivalent to the bonding requirements of the existing permit, in the amount of \$4,292,000 (year 2004 dollars.) The application has also obtained public liability insurance. (R645-303-342)



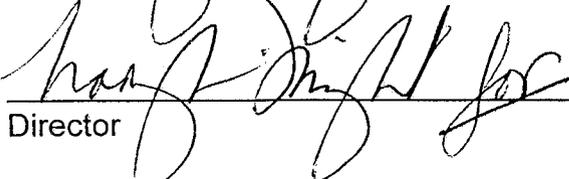
Permit Supervisor



Permit Supervisor



Associate Director of Mining



Director

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

This permit, **ACT/007/001**, is issued for the State of Utah by the Utah Division of Oil, Gas and Mining (DOGM) to:

Lodestar Energy, Inc.
333 West Vine Street, Suite 1700
Lexington, Kentucky 40507-1628
(606) 255-4006

for White Oak #1 and #2 Mines. Lodestar Energy, Inc. owns and controls federal coal leases U-020305, U-017354, U-044076, and U-067498, a Carbon County coal lease and fee-owned parcels. A performance bond is filed with the DOGM in the amount of \$4,292,000.00, payable to the state of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSMRE). DOGM must receive a copy of this permit signed and dated by the permittee.

Sec. 1 STATUTES AND REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 PERMIT AREA - The permittee is authorized to conduct underground coal mining activities on the following described lands within the permit area at the White Oak Complex situated in the state of Utah, Carbon County, and located:

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, and

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 and

Section 9: W 1/2 SW 1/4.

Township 13 South, Range 7 East, SLBM

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, and

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, and

Section 7: NW ¼, NW ¼ NE ¼.

This legal description is for the permit area of the White Oak #1 and #2 Mines, 3,746 acres. The permittee is authorized to conduct underground coal mining activities connected with mining on the foregoing described property subject to the conditions of the leases, the approved mining plan, including all conditions and all other applicable conditions, laws and regulations.

Sec. 3 COMPLIANCE - The permittee will comply with the terms and condition of the permit, all applicable performance standards and requirements of the State Program.

Sec. 4 PERMIT TERM - This permit becomes effective on July 14, 1999 and expires on August 24, 1999.

Sec. 5 ASSIGNMENT OF PERMIT RIGHTS - The permit rights may not be transferred, assigned or sold without the approval of the Director, DOGM. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13(e) and R645-303.

Sec. 6 RIGHT OF ENTRY - The permittee shall allow the authorized representative of the DOGM, including but not limited to inspectors, and representatives of OSMRE, without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:

- A. have the rights of entry provided for in 30 CFR 840.12, R645-400-110, 30 CFR 842.13 and R645-400-220; and,
- B. be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-210 and 30 CFR 842, when the inspection is in response to an alleged violation reported by the private person.

Sec. 7 SCOPE OF OPERATIONS - The permittee shall conduct underground coal mining activities only on those lands specifically designated as within the permit area on the maps submitted in the mining and reclamation plan and permit application and approved for the term of the permit and which are subject to the performance bond.

Sec. 8 ENVIRONMENTAL IMPACTS - The permittee shall minimize any adverse impact to the environment or public health and safety through but not limited to:

- A. accelerated monitoring to determine the nature and extent of noncompliance and the results of the noncompliance;
- B. immediate implementation of measures necessary to comply; and
- C. warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

- A. in accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- B. utilizing methods specified as conditions of the permit by DOGM in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

Sec. 12 RECLAMATION FEE PAYMENTS - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 AUTHORIZED AGENT - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 COMPLIANCE WITH OTHER LAWS - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq,) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.

Sec. 15 PERMIT RENEWAL - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 16 CULTURAL RESOURCES - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify DOGM. DOGM, after coordination with OSMRE, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by DOGM within the time frame specified by DOGM.

Sec. 17 APPEALS - The permittee shall have the right to appeal as provided for under R645-300.

The above conditions (Secs. 1-17) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to comply with these conditions. These conditions may be revised or amended, in writing, by the mutual consent of DOGM and the permittee at any time to adjust to changed conditions or to correct an oversight. DOGM may amend these conditions at any time without the consent of the permittee in order to make them consistent with any new federal or state statutes and any new regulations.

THE STATE OF UTAH

By: _____

Date: _____

*Mark A. [unclear], Associate Director,
Mining*

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

PERMITTEE (Authorized Representative)

By: _____

Date: _____