



Lodestar Energy, Inc.
Mountain Operations
 White Oak Mines, Horizon Mine and Grand Valley Mines
 HC 35 Box 370
 Helper, Utah 84526

June 22, 2000

Ms. Pamela Grubaugh-Littig
 State Of Utah
 Dept. of Natural Resources
 Division of Oil, Gas and Mining
 1594 West North Temple, Suite 1210
 Box 14501
 Salt Lake City, Utah 84114-5801

ACT/007/001 Incoming

Copy

ACT/007/020 Incoming
 Pam

Dear Ms. Grubaugh-Littig:

This letter is in response to your letter of June 5, 2000 concerning the replacement of sureties we currently have for the White Oak and Horizon Mines by July 15, 2000.

This letter is to assure you that we are currently pursuing the replacement of these bonds. However, we will not be able to replace these bonds by the deadline date set in your letter.

The issue with Frontier Insurance Company has put us in a bind corporate-wide since they not only provide our reclamation bonding in several states but also our worker's compensation bonding. Their down grading has come at the time when we are restructuring our corporate debt. The replacement of our bonding program with Frontier will be completed in conjunction with the restructuring.

Our corporate office has assured me that this process should be completed by the end of August this year. I am requesting an extension of 45 days from your deadline date of July 15, 2000 to have bonds #143718 for \$4,292,000 and #125427 for \$711,000 replaced with surety bonds from an approved company.

Sincerely,

David B. Miller
 Business Manager

Cc: R. Eberley Davis – Corporate Counsel
 File: \Mydocuments\DOGM000622.doc

RECEIVED

JUN 26 2000

DIVISION OF
 OIL, GAS AND MINING