

FEDERAL

Permit Number
C/007/001August 24, 1999
(Revised October 26, 2001)

**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, C/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 the White Oak Complex (White Oak #1 and #2 Mines, Whisky Creek Mine, White Oak Loadout, Belina Haul Road and the Mine Office Facilities). Lodestar Energy, Inc. owns or 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 coal mining and reclamation operations 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 2 NE 1/4, NW 1/4 NE 1/4,
and E 2 SW 1/4

Section 25: E 2, portion of W 2

Section 35: Portions of E 2 E 2, and SW 1/4 SE 1/4

Section 36: All

Township 13 South, Range 7 East, SLBM

Section 8: E 2 SE 1/4, portion of SW 1/4 SE 1/4

Section 9: W 2SW 1/4

Township 13 South, Range 7 East, SLBM

- Section 16: W 2 W 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 2SE1/4
Section 19: S 2 SW 1/4, NE 1/4 SW 1/4, and portions of
W 2 E 2 , E 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 2 W 2, SE 1/4 SW 1/4, NE 1/4 NW 1/4
Section 31: W 2 NW 1/4, SW 1/4

Township 14 South, Range 6 East, SLBM

- Section 1: E 2 NE 1/4, NE 1/4 SE 1/4, N1/2 SE1/4 NW1/4,
N1/2 SW1/4 NW1/4, Lots 2, 3 and 4

Township 14 South, Range 7 East, SLBM

- Section 6: W 2, W 2 E 2
Section 7: NW 1/4, NW 1/4 NE 1/4

This legal description is for the permit area of the White Oak Complex (3,906 acres). The permittee is authorized to conduct coal mining and reclamation operations 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 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 October 26, 2001 and expires on August 24, 2004.
- 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 coal mining and reclamation operations 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.

Sec. 18 SPECIAL CONDITIONS - There are special conditions associated with this permit, see Attachment A.

The above conditions (Secs. 1-18) 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: *Mark D. Smith, Associate Director, Mining*
Date: *October 26, 2001*

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

David B. Hill - Business Manager
Permittee (Authorized Representative)

Date: *October 31, 2001*

ATTACHMENT A

As conditions of the permit, the Permittee must provide the following in accordance with:

- 1) **Water Monitoring.** R645-301-731.200.
Lodestar Energy, Inc. will submit water quality data for the White Oak Complex and Loadout, in an electronic format through the Electronic Data Input web site, <http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi>.
- 2) **Mining Operations and Facilities.** R645-301-553. The Permittee may take more than 60 days to do rough backfilling and grading provided that no more than 306,000 LCY of spoil may be stored in the temporary spoil pile or in any pit or other location at the mine where it is not in the approximate location for final grading.
R645-301-560. The Permittee must establish the approximate location of the upper portion of Whisky Creek during rough backfilling and grading.
- 3) **Operations Plan Hydrologic Information.**
R645-301-742.310. By November 26, 2001, the Permittee will revise all Map R645-301-742-310B versions (submitted on September 10, 2001) to indicate that the correct weighted curve number for Zone 4 is 74.
- 4) **Operational Use of Explosives.** R645-301-524.330 and R645-301-524.340. A pre-blast survey of the Questar gas pipeline must be conducted by the Permittee. Copies of the pipeline survey must be provided to Questar prior to blasting to provide an opportunity for comments. Copies of pipeline survey must be provided to the Division within 10 days of completion of the survey.
- 5) **General Reclamation Requirements.** R645-301-541.400. By January 26, 2002, details of the reclamation sequence of the Belina Haul Road and the White Oak Complex coal pad and Sediment Pond 004A must be submitted to the Division
- 6) **Post Mining Land Uses.** R645-301-412. By January 26, 2002, the Permittee must remove all references to construct the 1200-foot section of road because the Oman's desire to construct it themselves or the lease agreement must be modified. Also by January 26, 2002, comments from the landowners concerning the postmining land use for Section 30 must be provided.

- 7) **Hydrologic Reclamation Plan.** R645-301-731.120. By November 26, 2001, the Permittee must revise Figure SRP-2 to include: 1) the location of the highwall in the Relocated Stream Profile that will be moved further upstream, and 2) the graded spoils in the restored stream channel that will be removed from the Transition X-Section to more accurately reflect the actual design.
- 8) **Maps Plans and Cross-Sections of Reclamation.** R645-301-542.300 and R645-301-521.152. By November 26, 2001 the Permittee must provide the Division with a contour map of the reclaimed White Oak mine site at a scale of 1" = 100' that show the contours within 100 feet of the disturbed area boundaries. (Map R645-301-527 Sheet 13, White Oak Mine Site Final Reclamation Contours does not show the contour that are 100 linear feet outside the disturbed area boundaries
- 9) **Bonding.** R645-301-840.520 By November 2, 2001, the Permittee must notify the Division of the capacity of Frontier Insurance Company to provide adequate bond coverage for the White Oak Complex.