

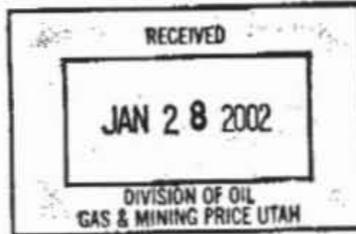
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January 28⁸, 2002

State of Utah
Department of Natural Resources
Division of Oil, Gas, and Mining
451 East 400 North
Price, Utah 84501



Confidential

To Whom I May Concern:

Re: Lodestar Energy Co., Inc. Permit No. C-007-001 Performance Bond. Permit and Requirements.

This is a Letter of Protest for the Willful Violation of the Act by Lodestar Energy Co., Inc. and the failure of the State of Utah to enforce said Act. The issues are as follows but not limited to; 1) the Failure of Lodestar Energy Co., Inc. to provide the State of Utah with a Performance Bond, and 2) the failure of the State of Utah to require Lodestar Energy Co., Inc. to provide adequate bond coverage be in effect at all times, and 3) failure of the State of Utah to enforce the regulations in place to "Cease All Operations" of Lodestar Energy Co., Inc. after a 90-day grace period following the incapacity of a bank or surety company for reason of bankruptcy or insolvency.

Other Issues of Concern

Has the State notified the general public that in fact Lodestar Energy Co., Inc. is operating without a bond and also has the State required Lodestar Energy Co., Inc. and its Principals to provide a Real Property Collateral Bond or an irrevocable Letter of Credit to cover the reclamation until such time as a Performance Bond is in place?

Furthermore, has the State set a schedule for permit reviews and the reevaluation and adjustment of the Bond amount?

The ability to protect and maintain the quality of the water being discharged from the seeps and springs associated with both coals seams while the mining operation is being conducted prior to being discharging into Whisky Creek, is of the utmost concern, as well as the sediment pond size due to the redisturbance of the soil horizons on the upper pad and the removal of structures and surface stabilizing features for the remaining being conducted at the present time.

Also there is a question of the stability of the sediment pond and the adjacent water well on the Madison property. Since both are, as the State well knows, within a fault zone, what will

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DIVISION OF OIL, GAS AND MINING

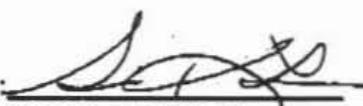
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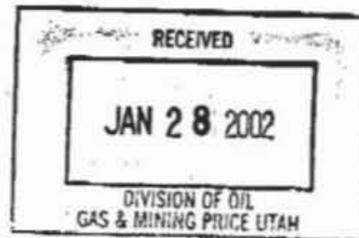
Post-It® Fax Note	7671	Date	1/29/2002	# of Pages	2
To	Pam Grubbaugh-	From	John Hess		
Co./Dept.	Listed	Co.	PRO-UDNR/OSM		
Phone #	(801) 538-5268	Phone #			
Fax #		Fax #			

the seismic effect of blasting have on these two structures?

I am of the opinion the State of Utah has failed to provide assurance that adequate protection is in place to cover the costs of reclamation of this operation. The Act is very explicit with regards to Bonding. It appears the State has chosen to set aside what is the very basis of the Act to assure reclamation is completed by the Operator and not accomplished with tax payer funds.

Signed by:


2060 North 1345 West
Helper, Utah 84526
(435) 637-5986



cc OSM

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1/28/2002
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poses of R645-400 an inactive coal operation is one for which: vision has secured from the permittee provided for under R645-301-

ation Phase II as defined at R645- been completed and the liability of s been reduced by the Division in he State Program.
of Records.

to the Direc-
l documents
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expiration of
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wise provided by federal law; and
ormation not required to be made
645-203, R645-300-124 or R645-

ion will ensure compliance with
ther:

copies of all records, reports, in-
s, and other subject information
c inspection at a federal, Utah or
ffice in the county where the min-
proposed to occur; or

Division's option and expense, pro-
ject information promptly by mail
ny resident of the area where the
or is proposed to occur. Provided,
ill maintain for public inspection,
or local government office in the
ining is occurring or proposed to
of the information available for
cedure for obtaining such informa-

protect preparation for hearings
proceedings, the Director of the
ision may enter into agreements
es for the special handling of in-
forcement reports and other such

icipation. The State Program pro-
icipation in the enforcement of the
645-400-200, R645-400-300, R645-
s Procedural Rules.

Conference.
conferences between a permittee
representative of the Division are
scribed in R645-400-162 through

ay request an on-site compliance
authorized representative of the
he compliance status of any con-
posed at any coal exploration or
clamation operation. Any such
institute an inspection within the
-10-19 and R645-400-130, or any
exploration approval.

may accept or refuse any request
nce conference under R645-400-

164. The authorized representative at any compli-
ance conference will review such proposed conditions
and practices in order to advise whether any such
condition or practice may become a violation of any
requirement of the Act, the approved State Program
or any applicable permit or exploration approval.

165. Neither the holding of a compliance conference
under this section nor any opinion given by the
authorized representative at such a conference will
affect:

165.100. Any rights or obligations of the Division or
of the permittee with respect to any inspection, notice
of violation or cessation order, whether prior or sub-
sequent to such compliance conference; or

165.200. The validity of any notice of violation or
cessation order issued with respect to any condition or
practice reviewed at the compliance conference.

R645-400-200. Information Related to Inspec- tions.

210. Requests for Inspections.

211. A citizen may request a Division inspection
under UCA 40-10-22 by furnishing to the Division a
signed, written statement (or an oral report followed
by a signed, written statement) giving the Division
reason to believe that a violation of the State Program
or any applicable permit or exploration approval has
occurred, and including a phone number and address
where the citizen can be contacted.

212. The identity of any person supplying informa-
tion to the Division relating to a possible violation or
imminent danger or harm will remain confidential
with the Division if requested by that person, unless
that person elects to accompany the inspector on the
inspection, or unless disclosure is required under
Utah or federal law.

213. If a Division inspection is conducted as a result
of information provided to the Division by a citizen as
described in R645-400-211, the citizen will be notified
as far in advance as practicable when the inspection is
to occur and will be allowed to accompany the autho-
rized representative of the Division during the inspec-
tion. Such person has a right of entry to, upon, and
through the coal exploration or coal mining and recla-
mation operation about which he or she provided
information, but only if he or she is in the presence of
and is under control, direction and supervision of the
authorized representative while on the mine property.
Such right of entry does not include a right to enter
buildings without consent of the person in control of
the building or without a search warrant. All citizens
so visiting mine sites are required to comply with
applicable MSHA safety standards.

214. Within 10 days of the Division inspection or, if
there is no inspection within 15 days of receipt of the
citizen's written statement, the Division will send the
citizen the following:

214.100. If an inspection was made, a description of
the enforcement action taken, which may consist of
copies of the Division inspection report and all notices
of violation and cessation orders issued as a result of
the inspection or an explanation of why no enforce-
ment action was taken;

214.200. If no Division inspection was conducted, an
explanation of the reason why; and

214.300. An explanation of the citizen's right, if any,
to informal review of the action or inaction of the
Division under R645-400-240.

215. The Division will give copies of all materials in
R645-400-214 within the time limits specified in that
Rule to the person alleged to be in violation, except

that the name of the citizen will be removed unless
disclosure of the citizen's identity is permitted under
R645-400-212.

220. Right of Entry.

221. Each authorized representative of the Division
conducting an inspection under R645-400 through
R645-401:

221.100. Will have a right of entry to, upon, and
through any coal exploration or coal mining and
reclamation operation without advance notice or a
search warrant, upon presentation of appropriate
credentials;

221.200. May, at reasonable times and without
delay, have access to and copy any records, and
inspect any monitoring equipment or method of op-
eration required under the State Program or any
condition of an exploration approval or permit im-
posed under the State Program; and

221.300. Will have a right to gather physical and
photographic evidence to document conditions, prac-
tices or violations at the site.

222. No search warrant will be required with re-
spect to any activity under R645-400-221 except that
a search warrant may be required for entry into a
building.

230. Review of Adequacy and Completeness of In-
spection. Any person who is or may be adversely
affected by coal mining and reclamation operations or
coal exploration operations may notify the Director in
writing of any alleged failure on the part of the
Division to make adequate and complete or periodic
inspections as provided in R645-400-130 or R645-400-
210. The notification will contain information to dem-
onstrate the belief that the person is or may be
adversely affected including the basis for his or her
belief that the Division has failed to conduct the
required inspections. The Director will within 15 days
of receipt of the notification, determine whether there
is sufficient information to create a reasonable belief
that R645-400-130 or R645-400-210 are not being
complied with, and if not, will immediately order an
inspection to remedy the noncompliance. The Director
will, also furnish the complainant with a written
statement of the reasons for such determination and
the actions, if any, taken to remedy the noncompli-
ance.

240. Review of Decision Not to Inspect or Enforce.

241. Any person who is or may be adversely affected
by coal exploration or coal mining and reclamation
operations may ask the Director to review informally
an authorized representative's decision not to inspect
or take appropriate enforcement action with respect
to any violation alleged by that person in a request for
State inspection under R645-400-210. The request for
review will be in writing and include a statement of
how the person is or may be adversely affected and
why the decision merits review.

242. The Director will conduct the review and
inform the person, in writing, of the results of the
review within 30 days of his or her receipt of the
request. The person alleged to be in violation will also
be given a copy of the results of the review, except that
the name of the citizen will not be disclosed unless
confidentiality has been waived or disclosure is re-
quired under Utah or federal law.

243. Informal review under this section will not
affect any right to formal review or to a citizen's suit
under the State Program.

R645-400-300. Provisions of State Enforcement.

310. Cessation Orders.