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DIVISION OF  
OIL, GAS AND MINING

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF KENTUCKY  
(LEXINGTON DIVISION)**

|  |   |                                 |
|--|---|---------------------------------|
| In re:   | ) | Case Nos. 01-50969 and 01-50972 |
| LODESTAR ENERGY INC., et al.,                        | ) | Chapter 11                      |
| Debtors.   | ) | Jointly Administered under      |
|  | ) | Case No. 01-50969               |
| LODESTAR ENERGY INC. AND<br>LODESTAR HOLDINGS, INC., | ) |                                 |
| Plaintiffs,  | ) | Judge Joseph M. Scott, Jr.      |
| v.   | ) |                                 |
| THE STATE OF UTAH, et al.,                           | ) | Adv. Pro. No. 02-5001           |
| Defendants.  | ) |                                 |

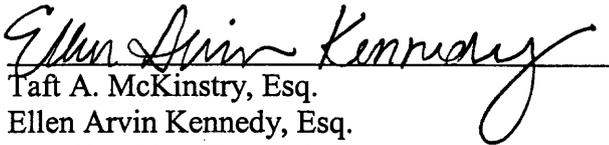
**NOTICE OF FILING**

Comes Lodestar Holdings, Inc. and Lodestar Energy, Inc., by and through counsel,  
and hereby files the attached Affidavit of David B. Miller.

Respectfully submitted,  
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**COUNSEL FOR PLAINTIFFS**

**CERTIFICATE OF SERVICE**

This is to certify that a true and correct copy of the foregoing was served via First-

Class U.S. Mail, postage pre-paid, upon those listed parties listed below, as indicated, on this the

23 day of January, 2002:

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***Via Hand-Delivery***

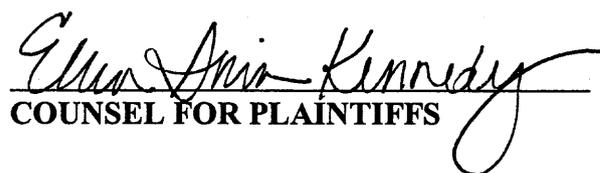
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THE STATE OF UTAH  
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Kathleen Clarke, Executive Director  
STATE OF UTAH DEPARTMENT OF NATURAL RESOURCES  
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Or Her Successor in Interest  
1594 West North Temple, Suite 1210  
Salt Lake City, UT 84114-5801  
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COUNSEL FOR PLAINTIFFS

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF KENTUCKY  
(LEXINGTON DIVISION)

In re: : Chapter 11 Proceeding  
LODESTAR ENERGY, INC. et al., :  
Debtors : Jointly Administered under  
Case No. 01-50969  
: Judge Joseph M. Scott, Jr.

---

LODESTAR ENERGY, INC., et al.

Adversary Proceeding No. 02-5001

PLAINTIFFS

vs.

THE STATE OF UTAH, et al.

DEFENDANTS

AFFIDAVIT OF DAVID MILLER

Comes now David Miller, being first duly sworn, and deposes and states as follows:

I. INTRODUCTION

1. I am now and have been since July 19, 1999 the Business Manager for Lodestar Energy, Inc.'s ("Lodestar") mining operations in Utah. As Business Manager, my responsibilities include supervision of all permit and bonding requirements, governmental compliance requirements and the administration and supervision of the Utah operations.

2. I have personal familiarity with and knowledge of the Utah bonding requirements as well as Utah reclamation regulations. I am also familiar with the methodology employed in calculating the amount of the bonds required in connection with those reclamation obligations as they apply to the Lodestar mining operations in Utah.

## **II. LODESTAR'S UTAH OPERATIONS**

3. Lodestar has two separate mining facilities in Utah, the White Oak mine and the Horizon mine. Those operations involve approximately 52 employees producing between 700,000 and 1,000,000 tons of coal per year.

4. The reclamation obligations at both the White Oak and Horizon mines are currently bonded through Frontier Insurance Company ("Frontier"). Frontier has been the surety on these bonds since Lodestar commenced its mining operations in Utah.

5. I am familiar with the Utah regulations establishing the formula for determining the amount of bonds that must be in place. The process is strictly a numeric calculation involving primarily a determination of the total acreage of the disturbed area and the estimated costs to reclaim.

6. The State of Utah has recently determined that the reclamation bonding requirements at both Lodestar operations have decreased: from \$4,292,000 to \$3,832,000 at the White Oak mine, and from \$711,000 to \$342,000 at the Horizon mine.

## **III. STATUS OF RECLAMATION**

7. Lodestar is now and has been at all times relevant hereto current on all material reclamation obligations. To the best of my knowledge and belief, there are no outstanding citations from the State of Utah in connection with any failure on the part of Lodestar to initiate or timely complete reclamation or environmental obligations.

8. There is no existing threat to Utah public health, safety, welfare or the environment as a result of the current and reasonably anticipated Lodestar mining operations. Lodestar has been consistently timely in meeting its reclamation obligations. The mining plans submitted to and approved by the State of Utah are followed very carefully to ensure that no threat will arise.

9. At the present time, Lodestar is in the process of transitioning from underground mining to surface mining at the White Oak location. Lodestar has in place the equipment and personnel necessary to ensure it continues to meet its reclamation obligations.

**IV. IMPACT OF UTAH'S THREATENED ACTIONS**

10. In the event that Utah proceeds with the threatened actions, Lodestar will immediately experience devastating consequences associated with the elimination of the cash flow that is obtained through the Utah operations. As a result, Lodestar will be unable to meet payroll and administration obligations. Ironically, in proceeding with the threatened actions, Utah will ensure that Lodestar is unable to continue to meet its reclamation obligations.

**V. AUTHENTICATION OF EXHIBITS**

11. Attached to the Complaint as Exhibit L is a true and accurate copy of correspondence dated October 5, 2001 from Maryann Wright, Associate Director, Mining State of Utah Department of Natural Resources Division of Oil, Gas & Mining to myself, which was received by me and retained in the ordinary course of business as a business record for Lodestar Energy, Inc.

12. Attached to the Complaint as Exhibit M is a true and accurate copy of correspondence dated October 26, 2001 from Lowell P. Braxton, Director, State of Utah Department of Natural Resources Division of Oil, Gas & Mining to myself, which was received by me and retained in the ordinary course of business as a business record for Lodestar Energy, Inc.

13. Attached to the Complaint as Exhibit N is a true and accurate copy of correspondence dated November 2, 2001 from myself to Ms. Grubaugh-Littig, which was maintained in the ordinary course of business by Lodestar Energy, Inc.

14. Attached to the Complaint as Exhibit O is a true and accurate copy of correspondence dated November 13, 2001 from Ms. Wright to myself, which was received by me and retained in the ordinary course of business as a business record for Lodestar Energy, Inc.

15. Attached hereto as Exhibit P is a true and accurate copy of correspondence dated June 5, 2000 from Pamela Grubaugh-Littig, Permit Supervisor for the State of Utah Department of Natural Resources Division of Oil, Gas & Mining, to myself, which was received by me and retained in the ordinary course of business as a business record for Lodestar Energy, Inc.

16. Attached hereto as Exhibit Q is a true and accurate copy of correspondence dated June 22, 2000 from myself to Ms. Grubaugh-Littig, in response to her letter of June 5, 2000, which was retained in the ordinary course of business by Lodestar Energy, Inc.

17. Attached hereto as Exhibit R is a true and accurate copy of correspondence dated September 6, 2000 from myself to Ms. Grubaugh-Littig, which was maintained in the ordinary course of business by Lodestar Energy, Inc.

18. Attached hereto as Exhibit S is a true and accurate copy of correspondence dated January 16, 2001 to Ms. Grubaugh-Littig from myself, which was kept in the ordinary course of business by Lodestar Energy, Inc.

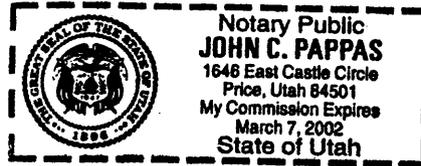
19. Attached hereto as Exhibit T is a true and accurate copy of correspondence dated October 5, 2001 from Maryanne Wright, Associate Director, Mining, State of Utah Department of Natural Resources Division of Oil, Gas & Mining, to myself which was kept in the ordinary course of business by Lodestar Energy, Inc.

FURTHER AFFIANT SAYETH NAUGHT.

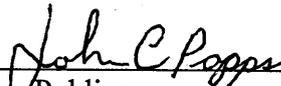
  
\_\_\_\_\_  
David Miller

STATE OF UTAH            )  
                                  )  
COUNTY OF CARBON    )

SS:



Sworn to and subscribed before me this 22 day of January, 2002.

  
\_\_\_\_\_  
Notary Public

Dated: January \_\_, 2002

Respectfully submitted,

**SQUIRE, SANDERS & DEMPSEY L.L.P.**

By: \_\_\_\_\_

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**COUNSEL FOR DEBTORS AND  
DEBTORS IN POSSESSION**

-and-

**FOWLER, MEASLE & BELL, LLP**

**By:**

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**CO-COUNSEL FOR DEBTORS AND  
DEBTORS IN POSSESSION**