



Lodestar Energy, Inc.
Mountain Operations
White Oak, Horizon, and Grand Valley Mines
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Helper, Utah 84526

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DIV. OF OIL, GAS & MINING

November 13, 2002

Mr. Daron Haddock
 Utah Coal Program
 Utah Division of Oil, Gas and Mining
 1594 West North Temple, Suite 1210
 Salt Lake City, Utah 84114-5801

SUBJECT: Permit – C/007/001 Technical Field Visit Comments made on November
 6th Visit.

FAX PFC

Dear Mr. Haddock:

Lodestar Energy, Inc. is disturbed at the nature and intent of the comments made by the Soils specialist on her first visit to the site November 6th (over a year after the start of the project). According to her account we have failed to meet any of topsoil recovery commitments. I beg to differ in that opinion and will detail our efforts in that scope. I feel that the Soils specialist has no experience in the operation at a surface mine and wants only to cast dispersion on the operation through her ignorance.

Lodestar Energy committed to have a soil scientist on site during topsoil removal only to confirm adequate and proper techniques and confirm that the equipment operators were able to determine the topsoil/subsoil horizon line. Dan Larsen of EIS observed removal from the conifer and also the aspen slopes for 20 hours. He reported that the operators were doing all that was necessary to recover the topsoil. Lodestar had no intention to have a soil scientist present for every cubic yard of topsoil recovered from this project.

The topsoil recovery is also controlled by the second sentence in Section 232.100. "All available topsoil will be salvaged dependent upon site conditions and equipment limitations." The Soil specialist commented on some material that looked like topsoil that had gone over the face of the upper seam. Her comments pointed toward disregard to our recovery commitments. However, this falls into the above mentioned statement. We also have no intention to put a person at risk of injury or damage to equipment on a slope too dangerous to operate. To date, we are ahead on the volume of topsoil material recovered to area collected. I believe that we have met our obligations on our method and recovery of topsoil to reclaim the area disturbed to this point.

Storage of different soils separately. The current topsoil piles are VSM and aspen soil is stored together because they both came from the same area. The stream channel material was stored with logs placed on the internal contact with the conifer soils which occur directly adjacent to the stream. The soils are not commingled and have a marker layer to indicate the end of one and beginning of the other. No separate/ no physical contact plan between soils was included in the permit. We agreed not to place conifer and aspen soil commingled in the same pile. The comment about riparian soils is confusing. We have committed to recovering the Whisky Creek channel material with no mention of riparian soils.

In her recommendations and conclusions, the opening paragraph states that Lodestar is not in compliance in that all topsoil be removed before drilling, blasting, mining or other surface disturbance takes place. I beg to differ in how she is interpreting this regulation. We proceeded and will continue to proceed in the following manner. The timber is cut by a timber contractor, unmarketable logs are pushed aside for topsoil removal. The topsoil collection process begins as follows: a collection area is prepared where topsoil can be pushed for loading onto trucks. Once the collection pile is formed it is posted as topsoil until a roadway can be constructed if there is not immediate access by the trucks. Once the topsoil is accessible by truck the topsoil is moved to permanent storage. Once the permanent pile ceases to receive additional material it will be seeded. Roughened surface seems to have different meaning. We committed to gouging the surface at final reclamation. We will use dozer tracks to roughen topsoil storage areas.

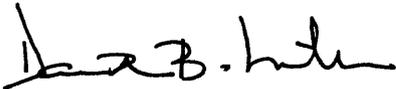
The removal of subsoil and the creation of drill benches occurs after the topsoil has been removed from the area to be worked. The topsoil may still be in a collection pile when drill benches are being made and drilling starts. All topsoil from the entire site was not committed to be recovered and permanently stored prior to the start of mining.

My comments to her at the time of her inspection was that we are planning to have the soil moved in two weeks. Her interpretation of that was that it will be moved. I have no more an idea of whether a critical piece of equipment will breakdown or a weather delay will cause this not to be finished by November 20th. We will be working on this soil along with the remainder of the site.

I am concerned that the comments made on this field inspection are not relaying the efforts being undertaken and are certainly not focused by experience of this project nor experience in the surface mining process in its entirety.

If there are any questions or comments, please feel free to call me at (435)448-9454 or 9455.

Sincerely,



David B. Miller
Business Manager