

0032



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

Handwritten initials/signature

OK

INSPECTION REPORT

Partial ___ Complete XXX Exploration ___
Inspection Date: 12/11/2002 / Time: 8:40 AM-2 PM
Date of Last Inspection: 11/14/2002

Mine Name: White Oak Complex/Whiskey Creek County: Carbon Permit Number: C/007/001
Permittee and/or Operator's Name: Lodestar Energy, Inc.
Business Address: HC 35 Box 370, Helper, Utah 84526
Company Official(s): Mr. Dave Miller, P.E., and Business Manager
State Official(s): Peter Hess Federal Official(s): None
Weather Conditions: Clear, cold / temperature, mid-twenties, Fahrenheit / Breezy
Type of Mining Activity: Underground ___ Surface XXX Prep Plant ___ Other ___
Existing Acreage: Permitted 3906 Disturbed 151.1 Regraded ___ Seeded ___
Status: Active

REVIEW OF PERMIT, PERFORMANCE STANDARDS & PERMIT CONDITION REQUIREMENTS

- 1. Substantiate the elements on this inspection by checking the appropriate performance standard.
a. For complete inspections provide narrative justification for any elements not fully inspected unless element is not appropriate to the site, in which case check N/A.
b. For partial inspections check only the elements evaluated.
2. Document any noncompliance situation by referencing the NOV issued at the appropriate performance standard listed below.
3. Reference any narratives written in conjunction with this inspection at the appropriate performance standard listed below.
4. Provide a brief status report for all pending enforcement actions, permit conditions, Division Orders, and amendments.

Table with 5 columns: Item, EVALUATED, N/A, COMMENTS, NOV/ENF. Rows include categories like PERMITS, SIGNS AND MARKERS, TOPSOIL, HYDROLOGIC BALANCE, etc.

INSPECTION REPORT
(Continuation Sheet)

PERMIT NUMBER: C/007/001

DATE OF INSPECTION: 12/11/2002

(COMMENTS ARE NUMBERED TO CORRESPOND WITH TOPICS LISTED ABOVE)

1. PERMITS, CHANGE, TRANSFER, RENEWAL, SALE

The current Division permit remains in effect until August 24, 2004.

Permit condition #6, which is relative to the post mining land use of land associated with the surface contour mining area, and the reclamation requirements of the Belina haul road, currently has December 31, 2002 as the deadline by which the permittee must respond to the Division. Lodestar's current situation has established that the attorneys representing the permittee, Wexford, the Division and the heirs of Milton Oman, Ltd. be kept informed of any issues addressed relative to Permit condition #6. As such, the issue has been bogged down and the permittee has been unable to resolve any of the Division's concerns. Mr. Miller has indicated that now that he has been able to establish all of the pertinent facts, it is his intent to request an extension of time from the Division in order to respond to these requirements.

3. TOPSOIL

The permittee has installed a silt fence along a portion of the toe of the recovered material located in the NW area of the project. As noted in the November 26, 2002 inspection report, approximately 5400 yards of material had been removed and transported to the permanent storage area adjacent to sediment pond 004A. Based on conversation with both Mr. Miller, and Shane Hansen, surface superintendent, the permittee intends to recover the remaining soil, (about 65 cubic yards) and move it to permanent storage. This is dependent upon weather conditions.

The permittee has pocked the permanent storage location adjacent to pond 004A and installed a berm on the down hill slope, or SW edge.

4A. HYDROLOGIC BALANCE: DIVERSIONS

The culvert designated as C-3-18 that lies on the east side of the railroad tracks under the road providing access to the snow plow maintenance shop (building designated as S-2 on drawing #R645-301-527, Sheet #3) has sediment built up to approximately 15% of its cross sectional area.

The basin which surrounds the inlet of the six inch aluminum pipe which routes flow over the outslope on the south end of the substation designated as S-3 needs to have material cleaned from it. The inlet of the pipe was unobstructed, but material was built up to the point that the next flow may plug the inlet. Mr. Miller made note of both diversions with the intent of performing the proper maintenance.

4B. HYDROLOGIC BALANCE: SEDIMENT PONDS AND IMPOUNDMENTS

The buildup of sediment adjacent to the inlet of pond 002A, (rail loading facility) is such that it appears that that volume is getting close to the sixty percent cleanout elevation. Mr. Miller intends to initiate the cleaning of this impoundment.

INSPECTION REPORT
(Continuation Sheet)

PERMIT NUMBER: C/007/001

DATE OF INSPECTION: 12/11/2002

4D. HYDROLOGIC BALANCE: WATER MONITORING

The permittee conducted the fourth quarter surface and ground water monitoring requirements for the White Oak permit area on October 9 and 10, 2002.

Discharge monitoring reports for the months of September, October, and November were reviewed. None of the sites' permitted outfalls had flows. Dugout pond D-1, which had a permitted discharge point 005A, has been removed by the mining process through Whiskey Creek. As such, Pit #10, located where the coal from the lower O'Connor was removed, now provides all sediment control for any flows received from the surrounding area. The bottom of pit #10 is ten feet lower than the inlet to the undisturbed bypass culvert (UDD-5). All reports were submitted in a timely fashion.

4E. HYDROLOGIC BALANCE: EFFLUENT LIMITATIONS

The permittee has made an application to the Utah Department of Environmental Quality / Division of Water Quality for renewal of the current UPDES permit, #UTG040021. The current permit expires on April 30, 2003.

5. EXPLOSIVES

It is the permittee's intent to republish a Notice of Blasting Schedule, as required by R645-301-524.453 prior to February 21, 2003.

The permittee conducted a coal shot and an overburden shot on November 18, 2002. The closest distance from either blasting area to the Questar natural gas pipeline was 1350 feet. Doug Lawley is the Utah certified coal mine surface blaster performing the work.

7. COAL MINE WASTE/REFUSE PILES/IMPOUNDMENTS

The permittee conducted the fourth quarter spoil pile inspection on October 2, 2002. No signs of instability were noted by Mr. Kit Pappas. Mr. Miller performed the necessary P. E. certification. This pile is has been worked as part of the surface mining process. Drainage continues to report to pond 004A.

12. BACKFILLING AND GRADING

The permittee is nearing completion of coal extraction from the upper seam from pit #11 located at the SE end of the property. When that is realized, the burden over the lower seam will be drilled and shot, then removed to expose pit #12 in the lower O'Connor. Upon completion of coal extraction from pits 12-16 in this area, final reclamation activities will be initiated for the east side of the Whiskey Creek drainage.

Overburden is currently being removed from pit #12, located in the upper seam, (west side of Whiskey Creek) and hauled a short distance to backfill pits #9 and 10, (lower seam). One rock truck was operating this day, with the other truck down for a tire replacement.

INSPECTION REPORT
(Continuation Sheet)

PERMIT NUMBER: C/007/001

DATE OF INSPECTION: 12/11/2002

14. SUBSIDENCE CONTROL

The permittee performed the annual surface evaluation of the subsidence impacts created by the operation of the #1 and #2 underground mines on October 16, 2002.

A new impact, which the permittee has designated as 2a has been detected and is classed as a sinkhole. Impact 2a is located fifty feet south of #2, and is approximately eight feet in depth with a fifteen-foot diameter. Standing water has been observed in the depression. Sinkhole #2 was first detected in 1983. Lodestar Energy, Inc. has not conducted mining in that area.

Sinkhole #23 had work performed on October 21, 2002. The work was inspected on November 6, 2002 by representatives of both the Forest Service and the Division. Additional work needs to be performed to complete the project. The vertical embankment on the down slope side of the impact has been reshaped to provide a flow path and egress from the depression. The upslope side of the impact needs contouring to bring it into compliance with the approved plan.

19. AVS CHECK

The permittee received notification from the Division on November 22, 2002 that the recent information received in the permit amendment did not correlate with the information registered with the Utah Department of Commerce. Mr. Miller was uncertain as to how often the Utah Department of Commerce updated their records. Follow up with the Division is pending.

21. BONDING AND INSURANCE

The permittee's general liability insurance remains in effect until August 31, 2003.

The status of the bond situation is unknown at this time. An extension for additional time was asked for by the permittee in early November 2002.

Inspector's Signature: _____

Peter Hess #46

Date: December 16, 2002

Note: This inspection report does not constitute an affidavit of compliance with the regulatory program of the Division of Oil, Gas & Mining.

cc: James Fulton, OSM
David Miller, Lodestar
Price Field office

O:\007001.WO\Compliance\2002\C_1211.doc