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FRANK G. PATRICK & ASSOCIATES

Attorneys at Law
Post Office Box 68570
Portland, OR 97268-0570

Voice (503) 224-8888

Fax (503) 653-3415

FACSIMILE COVER SHEET

DATE: 8 JAN 2003

TIME: 5 AM

FROM: Frank G. Patrick

TO: Mary Ann Wright 801 359 3940

TO: _____

NUMBER OF PAGES: Steve Alder 801 366 0352

2 (Including This Page)

Mary Ann and Steve,
Please see my letter attached herewith.

There are a couple of issues I must speak to both of you if possible. Steve my email apparently went crazy last nite so I do not know if you got anything at all. This letter along with the letter sent to Mary Ann and Jeff Marks and you in the prior fax is what I want to make sure that both you and Mary Ann know where I am heading with Lodestar by Friday.

Please call ⁵⁰³ 503 318 1013

Frank

Second FAX

RECEIVED

JAN 8 2003 *MAN*
1/8/03

DIV. OF OIL, GAS & MINING

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FRANK G. PATRICK & ASSOCIATES**CORPORATE LAWYERS P.C.***Attorneys At Law*

P.O. Box 68570, Portland, OR 97268-0570

Phone: 503-224-8888 Fax: 503-653-3415

January 8, 2002

State of Utah
Office of Attorney General
Steve Alder, Esq.
Salt Lake City, UT**RE: Lodestar
Utah and Oman "cure" objections**

Dear Steve,

I would appreciate your quick response on the following items. I mentioned them in my voice mail of yesterday evening. I represent the Oman family heirs. I anticipate that the State and my client have the same interests at risk and should cooperate in our efforts.

The concerns are:

1. There was no Schedule A & B attached as referenced at Item #6 in the Notice of Cure Claims Procedure etc which was served on Dec 20 and filed on the 24th. As such I cannot determine how LS is treating either the state in the permit which is in default or my client's lease which requires compliance.

2. The cure procedure does not address the need to consider the financial requirements of a bond but worse the sum of that bond may be dramatically higher now for at least two reasons. The operations of LS anticipated that it would do the reclamation work with its own equipment and people. I do not know if the reclamation of the road etc can be done by a third party for the same number they are using of \$400K. Do you have any thoughts on this.

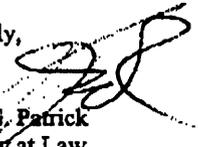
3. Second the "cost" to my client of having the surface destroyed during the surface mining and for a number of years after has never been addressed. The Omans believe (and I concur) that the Lease Supplement which is the basis of the surface mining process was not supported by any consideration. This "supplement" was not discovered while she was still alive nor until after the bankruptcy had been filed and I am now faced with addressing it.

4. The "reclamation costs" and what is to be reclaimed or not was initially and I believe still is at the discretion to a high degree of the Landowner. I reviewed Milt Oman's 1983 letter which served as the basis for the original permit and this was clearly his understanding as was his objection in fact and lack of provision for any surface mining activity as currently being conducted. I would expect that the state of Utah would concur with the Landowner's desire to leave some of the "improvements" which are may be quite costly to maintain if they are given the cost savings to do so. We unfortunately will have to have that addressed now and not at the end of the project as was originally anticipated. The reclamation of a sub-surface mine and now a surface mining operation is substantially different. Several items and buildings have been removed without any thought to the landowners rights.

5. There currently is pending a penalty under Mary Ann Wright's supervision, for not providing for a road extension. I am faxing to Mary Ann Wright a request to extend the resolution of that issue without penalizing Lodestar along with this letter. Candidly it is a essential negotiating chip which I need to get them to be reasonable about an adequate lease amendment which addresses the above issues, but you need to know that is also on the table.

My goal is to have two proposals done by the end of Wednesday to which we can at least agree does no violence to the other's position. I fear that both the state and the Oman estate will be at cross purposes if we are not united. Please call me on my cell 503 318 1013 when you get this email.

Sincerely,


Frank G. Patrick
Attorney at Law