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INCOMING
C0070001
EMAIL PAM G.

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OCT 14 2003

DIV. OF OIL, GAS & MINING

9 Oct 2003

Hi Pam -

Since your message on your
voice mail indicates you
will be on leave for several
days, I decided to mail this
to you rather than tie up
your telefax for an extended period.

I did telefax a copy to Steve Alder today.

Ann

TELEFAX

U.S. Department of the Interior
Office of Surface Mining Reclamation and Enforcement
Applicant/Violator System Office
2679 Regency Road
Lexington, Kentucky 40503

Telefax Number: (859) 260-8418
Toll Free Telephone Number: 1-800-643-9748

Date: October 9, 2003

41 Number of Pages to Follow

Sending to: Pam Grubaugh-Littig
Utah Division of Oil, Gas & Mining
Telefax Number: 801.359.3940

From: Earl D. Bandy, Jr. (Ann Singleton)
Telephone Number: 1.800.643.9748

Subject or Message:

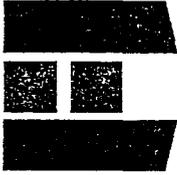
Lodestar Energy: Frontier Insurance Co.
Reclamation Liability Cost Analysis
(Utah portions only)

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Oct 14 2003

DIV. OF OIL, GAS & MINING

FRONTIER INSURANCE COMPANY
RECLAMATION LIABILITY COST
ANALYSIS
LODESTAR ENERGY, INC.



ENGINEERING CONSULTING SERVICES, INC.

C I V I L • E N V I R O N M E N T A L • M I N I N G

340 SOUTH BROADWAY • SUITE 200 • LEXINGTON, KY • 40508 • 859-233-2103 • FAX 859-259-3394

January 16, 2003

Mr. Bennett Bayer
Landrum & Shouse, LLP
106 W. Vine Street
Lexington, KY 40588

RE: Final Report – Transmittal Letter
Lodestar Energy, Inc.
Frontier Insurance Bonded Permits Reclamation Liability Analysis
Restricted Attorney-Client Privileged Document

Mr. Bayer:

Engineering Consulting Services, Inc. (ECSI) was retained to perform a Reclamation Liability Assessment of Lodestar Energy, Inc. permits bonded by Frontier Insurance. This report is a follow-up to our Preliminary Report of December 19, 2002. The Preliminary Report covered permits not proposed for acquisition by Wexford Capital. Since the completion of that report, a more thorough analysis has been completed on all permits with some refinement of numbers generated in the Preliminary Report.

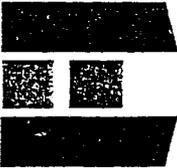
Lodestar has mining permits in the following geographic areas; Utah, West Kentucky, and East Kentucky. Figures 1, 2, 3, and 4 in the Executive Summary depict the general locations of the Lodestar permits. Site visits were made to all permits. Reclamation Liability estimates have been calculated for each permit in the areas identified above based on a “worst case” analysis.

Sincerely,

J. Steven Gardner, P.E., P.S.
President

Timothy L. Webb, P.E.
Vice President

Attachments



ENGINEERING CONSULTING SERVICES, INC.

C I V I L ■ E N V I R O N M E N T A L ■ M I N I N G

340 SOUTH BROADWAY ■ SUITE 200 ■ LEXINGTON, KY ■ 40508 ■ 859-233-2103 ■ FAX 859-259-3394

December 19, 2002

RECEIVED

JAN 08 2003

BOND CLAIMS

Mr. Bennett Bayer
Landrum & Shouse, LLP
106 W. Vine Street
Lexington, KY 40588

RE: Lodestar Energy,, Inc.
 Preliminary Reclamation Liability Estimates
 Restricted Attorney-Client Privileged Document

Mr. Bayer:

Engineering Consulting Services, Inc. was requested to perform a Reclamation Liability Assessment of Lodestar Energy, Inc. permits bonded by Frontier Insurance. In our conversations last week it was our understanding that in the short term we should focus on Lodestar permits in:

- 1) Utah
- 2) West Kentucky – Smith Complex
- 3) East Kentucky permits not proposed to be taken over by Wexford.

To date, all permits have been inspected in the field. Preliminary Reclamation Liability estimates have been made for the permits identified above. A complete report on reclamation liabilities will be finished within another two to three weeks.

While we have not completed our analysis and evaluation of all permits, in the process several interesting observations have been made. We have attempted to summarize those observations in the following summary.

METHODOLOGY SUMMARY

To determine reclamation liability for each permit, the first course of action, after obtaining a list of Lodestar permits, was to glean as much information as possible from Lodestar sources and government databases. Next, site visits were made to each permit location to make observations, obtain photographs, and take physical measurements where necessary. After the raw data was compiled, follow up conversations and queries were made to Lodestar officials and government agencies to fill in gaps.

The analysis stage of the exercise involved the development of reclamation costs from the gathered information. These reclamation cost estimates included detailed calculation of major components such as highwall backfilling. Costs were also calculated for hollow-fill shaping and finishing, rough and finish grading, topsoil replacement, seeding, tree planting, application of lime, pond removals, road removals, and costs associated with on-going maintenance. Baseline unit costs and productivities were based on our own experience bolstered by information from other sources such as the Cat Handbook, RS Means Heavy Construction Cost Data Handbook, and information from reclamation contractors. Not considered in this analysis are on-going regulatory uncertainties that could dramatically affect reclamation costs. These currently include the Haden / 404 permit issue, sediment pond compliance, and acid mine drainage / long-term treatment issues.

The final stage was the formatting of data and costs into various tables and summary reports.

EXECUTIVE SUMMARY

Frontier Insurance – Lodestar Energy, Inc. Bonds

The primary objective in this exercise was to determine Frontier's actual liability in the event that Lodestar Energy ceases operations due to economic circumstances. The Lodestar holdings are situated in three locations – Eastern Kentucky, Western Kentucky and Utah. Wexford has offered to absorb some of the Eastern Kentucky operations and permits. ECSI has concentrated, for the purposes of this preliminary report, on those operations that are not of interest to Wexford. As a result of this analysis, individual strategies have been developed for each geographic area and, in some cases, for individual or groups of permits within geographic areas. Those strategies include the pursuit of other buyers, managing re-permitting and reclamation efforts, and simple abandonment.

Geographic Area	Bond Amount (\$)	Reclamation Liability Est. (\$)
Utah	5,003,000	5,127,000
Western Kentucky	13,439,860	49,913,000
Eastern Kentucky	7,894,000	62,626,000
Total	26,336,860	117,666,000

Lodestar Energy, Inc. – Utah Operations

The Utah operation consists of one deep mine facility, one truck and train loadout facility and one surface mine. The deep mine is presently idle due to market conditions. This facility is current under bond for \$711,000 although the state requirement has been negotiated down to \$342,000. If a new bond were written for the lower amount the \$711,000 could be released. The loadout facility and surface mine are permitted together. A like condition exists for this permit in that a \$4.3M bond can be replaced with a \$3.8M bond.

The surface mine is being used to reclaim a deep mine facility that was located on the same site. This operation is active as is the loadout facility. A large portion of the liability with the surface mine is associated with the access road (approximately \$1M). This is a two mile paved road with concrete ditch and guardrail. Although it is now permitted as a temporary road, the landowner wants to keep the road to access a recreation area on top of the mountain. However, the landowner knows the situation and is hoping to be paid for granting permission to leave the road. This payment should be a small fraction of the actual reclamation cost. It should be noted that even if the road is reclassified as permanent, the state will not lower the bond proportionately.

These facilities as a whole will be an asset to someone. Although the underground mine is presently idle, the surface operation is viable. Our reclamation estimate of \$5.1M (worst case scenario) is more than the state's required bond of \$4.3M, however, actual liability would be less than the bond amount if reclamation were to be performed by the operator at some point in the future. A good selling point for these properties is that Lodestar controls a 35M-ton underground reserve that can be accessed from a point near the loadout. This reserve is undeveloped and not permitted. Although the surface mine has only one year of remaining reserves, a second permit is currently under review by the state which would extend the life of this operation. The local management is pursuing buyers and have generated interest.

Lodestar Energy, Inc. – Western Kentucky Operations

Smith Complex

Mining has been completed at the Smith Complex. The potential liability, approximately \$43M, for the Smith Complex is quite high compared to the bond amount of \$8M. Yardage estimates for highwall backfilling are a worst-case scenario. The Smith Complex permits (917-0022, 917-0017, 917-0019, 917-5001, and 917-5012) could usually be re-permitted and re-incremented to allow release of significant portions for areas that have been reclaimed. However, under the current bonding situation and possible objections by the state to release bonds, it may be difficult to obtain any releases.

Alliance is currently dumping coarse refuse into the phase II pit on 917-0017. We have learned that the landowner is getting \$0.25 per ton and Lodestar is getting \$1.50+ per ton from Alliance for the right to dump coarse refuse. Alliance has plans to pipe

Engineering Consulting Services, Inc.

Permit No.	Bond Amt. (\$)	Acres Bonded	Acres Dist.	On-Going Maint. (\$)	Total Recl. Est.(\$)	Yrs to Full Bond Release	Reclamation Phase
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Lodestar Energy, Inc. -- Reclamation Liability -- Eastern Kentucky Operations

898-0551	14,700	40.68	40.68	4,000	4,000	1	P2
898-0554	181,000	144.76	144.76	43,000	43,000	3	O2
898-5093	76,000	30.70	10.72	5,000	225,000	5	O2
898-5060	64,000	1,462.00	13.00	7,000	81,000	5	O2
836-5047	71,700	15.30	15.30	8,000	436,000	5	O2
436-0084	47,500	11.20	11.20	1,000	156,000	1	A1
498-5149	78,000	17.08	10.00	5,000	111,000	5	O2
836-0231	513,300	435.73	361.42	145,000	210,000	4	P1
836-0216	259,300	860.91	600.00	120,000	215,000	2	P1
836-0261	779,900	611.80	611.80	223,000	275,000	4	A2
836-0273	7,000	6.26	6.26	1,000	5,000	1	P2
898-0284	1,013,700	266.95	258.85	126,000	3,962,000	5	D6
898-0503	1,137,800	601.40	564.65	169,000	1,204,000	3	A1
898-0324	1,461,100	891.56	891.56	446,000	576,000	5	P1
898-0457	1,467,700	325.30	200.00	100,000	54,861,000	5	D6
898-5003	5,500	5.47	5.47	1,000	1,000	2	OT
498-8024	66,600	12.50	12.50	6,000	140,000	5	A1
836-5052	12,200	7.60	7.60	4,000	12,000	5	P1
836-5352	14,500	5.20	4.20	2,000	10,000	5	P1
898-5816	38,800	7.60	3.01	2,000	38,000	5	A1
860-0369	583,700	339.60	28.70	14,000	61,000	5	A1
	7,894,000	6,099.60	3,802	1,432,000	62,626,000		

Lodestar Energy, Inc. -- Reclamation Liability -- Utah Operations

ACT/007/020	711,000	711.00	8.23	2,000	422,000	5	
ACT/007-001	4,292,000	3,906.00	151.10	38,000	4,705,000	5	Active
	5,003,000	4,617	159.33	40,000	5,127,000		

Lodestar Energy, Inc. -- Reclamation Liability -- Western Kentucky Operations

Pyro - Webster County Operations							
913-5003	2,642,300	11,185.80	487.10	122,000	5,044,000	5	A1
517-8008	452,500	156.70	45.00	11,000	263,000	5	A1
717-5002	598,800	21,846.13	74.70	19,000	898,000	5	AP
913-6000	233,200	78.90	29.50	7,000	265,000	5	A1
917-0028	288,900	57.00	57.00	14,000	562,000	5	A1
	4,215,700	33,324.53	693.30	173,000	7,032,000		
Smith Complex - Webster County Operations							
917-0022	3,767,000	1,114.30	405.00	101,000	27,696,000	5	A1
917-0017	2,412,000	967.00	375.50	94,000	8,502,000	5	A1
917-5001	1,255,500	394.50	66.60	17,000	885,000	5	A1
917-5012	404,800	3,266.90	89.50	22,000	5,397,000	5	O2
917-0019	242,600	417.90	417.90	104,000	274,000	5	P1
	8,081,900	6,160.60	1,354.50	338,000	42,754,000		
Smith - Hopkins County Operations							
854-0135	133,900	183.60	157.00	39,000	39,000	5	P2
854-0136	94,160	54.00	54.00	3,000	7,000	1	P1
854-0137	846,300	199.00	199.00	50,000	74,000	5	
854-0142	67,900	196.00	135.00	7,000	7,000	1	P2
	1,142,260	632.60	545.00	99,000	127,000		
	13,439,860	40,117.73	2,592.80	610,000	49,913,000		
	26,336,860	50,834	6,554	2,082,000	117,666,000		

FRONTIER INSURANCE COMPANY
RECLAMATION LIABILITY COST ANALYSIS
LODESTAR ENERGY, INC.

EXECUTIVE SUMMARY
VOLUME I

RESTRICTED ATTORNEY CLIENT PRIVILEGED DOCUMENT

PRESENTED TO
Landrum & Shouse, LLP

BY
ENGINEERING CONSULTING SERVICES, INC.

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w/ listing

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EXECUTIVE SUMMARY

INTRODUCTION

Engineering Consulting Services, Inc. (ECSI) was retained by Landrum & Shouse, LLP to conduct an investigation to quantify Frontier Insurance Company's reclamation liability with respect to certain coal mining and reclamation bonds issued on behalf of Lodestar Energy, Inc. in Kentucky and Utah. The scope of this analysis concerned itself with identifying the various stages of reclamation existing with respect to each increment bonded, as though a complete failure of the mining venture were to occur on the date of the inspection resulting in the maximum loss, i.e. worst-case analysis.

Also requested was an evaluation of Lodestar's various operations to determine what "protection" such assets might provide Frontier by their potential value to others. In such cases, an acquisition of the desirable assets might be made possible, thus relieving Frontier of its bonding obligations through bond substitution.

Lodestar Energy, Inc. Bonds

The Lodestar holdings are situated in three locations – Utah, Western Kentucky, and Eastern Kentucky. Wexford Capital has offered to absorb some of the Eastern Kentucky operations and permits. Therefore, the Eastern Kentucky region is divided into two parts – those of Wexford interest and those of which Wexford has no interest. As a result of this analysis, individual strategies have been developed for each geographic area and, in some cases, for individual or groups of permits within geographic areas. Those strategies include the pursuit of other buyers, managing re-permitting and reclamation

efforts, and simple abandonment. The following table summarizes bond exposure as well as reclamation liability by geographic area. The bond amounts shown below are Frontier bonds only. The Liability Summaries show both Frontier bond amounts and total bond amounts, the difference being any cash bonds.

Geographic Area	Bond Amount (\\$)	Reclamation Liability Est. (\$)
Utah	5,003,000	5,127,000
Western Kentucky	13,263,960	49,913,000
E. Kentucky-Non-Wexford	7,699,100	67,046,000
E. Kentucky - Wexford	11,978,759	119,786,000
Total	37,944,819	241,872,000

Figure 1 depicts the general locations of these geographic areas. Figures 2, 3, and 4, in the back of this volume, show individual permit locations in Western Kentucky, Utah, and Eastern Kentucky respectively.

Lodestar Energy, Inc. – Utah Operations

The Utah operation consists of one deep mine facility, one truck and train loadout facility and one surface mine. The deep mine is presently idle due to economic conditions and could be restarted. This facility is currently under bond for \$711,000 although the state requirement has been negotiated down to \$342,000. If a new bond were written for the lower amount the \$711,000 bond could be released. The loadout facility and surface mine are on one permit. A like condition exists for this permit in that a \$4.3M bond can be replaced with a \$3.8M bond.

The surface mine is being used to reclaim a deep mine facility that was located on the same site. This operation is active as is the loadout facility. A large portion of the liability with the surface mine is associated with the access road (approximately \$1M). This is a two mile paved road with a concrete ditch and guardrail. Although it is now permitted as a temporary road, the landowner wants to keep the road to access a recreation area on top of the mountain. However, the landowner knows the situation and is hoping to be paid for granting permission to leave the road. This payment should be a small fraction of the actual reclamation cost. It should be noted that even if the road is reclassified as permanent, the state would not lower the bond proportionately.

These facilities as a whole should be an asset to a company. Although the underground mine is presently idle it could be restarted and the surface operation is operating. Our reclamation estimate of \$5.1M (worst case scenario) is more than the state's required bond of \$4.3M. However, actual liability could be less than ECSI's estimate if reclamation were to be performed by the operator. A major selling point for these properties is that Lodestar controls a 35M-ton underground reserve that can be accessed from a point near the loadout. This reserve is undeveloped and not permitted. Although the surface mine has only one year of remaining reserves, a second permit is currently under review by the state which would extend the life of this operation. The local management is pursuing buyers and has generated some interest. The underground mine has "high" cost, partially due to utilizing a competitor's coal loading facilities. The mine has no loadout of its own. None of the Utah permits have any identified water quality, acid mine drainage, or long-term treatment problems.

are in excess of the estimated liability (\$4.6M). A contractor can manage the permitting changes and actual reclamation to allow recovery of these bonds.

Summary and Conclusions

The entire Lodestar package consists of a mixture of permitted property that will be sold, managed for bond recovery, or simply forfeited. The Utah properties could have value to the neighbors such as Andalex and suitors are actively being courted by Lodestar. In Western Kentucky, Alliance is keenly interested in the Smith-Webster County properties and ECSI recommends this transaction be completed. The Pyro operation may also have value. It's Baker mine has reserve for approximately 25 years of production in the No. 9 seam and the preparation plant has storage for at least five years of refuse storage. This is a UMWA operation, which limits its appeal to other companies. Neighboring companies such as Peabody should be made aware of this situation. Pyro's Smith-Hopkins County properties are a non-issue since they are ready for full bond release. In Eastern Kentucky, Wexford has shown interest in several properties. It was recently learned there are other companies that have at least looked at the operations and may make a bid.

Frontier must develop a strategy for dealing with any permits left over after the bankruptcy auction. This strategy should address these permits on a case-by-case basis for ways to facilitate reduction, elimination or delay of liability. For instance, certain permits may have mineable reserves that are currently economically marginal but an improvement in market conditions may make these permits saleable. Selected reclamation of permits or even increments could be

performed to obtain bond release. In addition, possible commercial uses for the remaining permits should be evaluated, such as landfills or fly-ash disposal sites.

Tables are attached that reflect gathered data, detailed reclamation costs, and cost summaries in various forms. In Volume II are individual reports for each permit along with photos obtained by field inspections. The appendices contain copies of field inspection forms, Kentucky Bond Release procedures, Kentucky Long-Term Treatment Policy, and information on the Solid Waste Disposal Permit in Western Kentucky.

Engineering Consulting Services, Inc.

Permit No.	Frontier Bd. Amt. (\$)	Total Bond Amt. (\$)	Acres Bonded	Acres Dist.	Closure Liability (\$)	On-Going Maint. (\$)	Total Recl. Est.(\$)	Yrs to Full Bond Rel.	*Reclamation Phase
Lodestar Energy, Inc. -- Reclamation Liability -- Eastern Kentucky Operations (non Wexford)									
898-0551	14,700	14,700	40.68	40.68	20,000	4,000	24,000	1	P2
898-0554	181,000	181,000	144.76	144.76	20,000	43,000	63,000	3	O2
898-5093	76,000	76,000	30.70	10.72	220,000	5,000	225,000	5	O2
898-5060	64,000	64,000	1,462.00	13.00	74,000	7,000	81,000	5	O2
836-5047	71,700	71,700	15.30	15.30	428,000	8,000	436,000	5	O2
436-0084	47,500	47,500	11.20	11.20	155,000	1,000	156,000	1	A1
498-5149	78,000	78,000	17.08	10.00	157,000	5,000	162,000	5	O2
836-0231	508,300	513,300	435.73	361.42	65,000	145,000	210,000	4	P1
836-0216	259,300	259,300	860.91	600.00	95,000	120,000	215,000	2	P2
836-0261	751,700	779,900	611.80	611.80	52,000	223,000	275,000	4	A2
836-0273	7,000	7,000	6.26	6.26	8,000	1,000	9,000	1	P2
898-0284	1,008,700	1,013,700	266.95	258.85	7,436,000	126,000	7,562,000	5	D6
898-0503	1,132,500	1,137,800	601.40	564.65	1,695,000	169,000	1,864,000	3	A1
898-0324	1,461,100	1,461,100	891.56	891.56	176,000	446,000	622,000	5	P1
898-0457	1,317,700	1,467,700	325.30	200.00	54,761,000	100,000	54,861,000	5	D6
898-5003	5,500	5,500	5.47	5.47	-	1,000	1,000	2	A1
498-8024	66,600	66,600	12.50	12.50	134,000	6,000	140,000	5	A1
836-5052	12,200	12,200	7.60	7.60	8,000	4,000	12,000	5	P1
836-5352	13,100	14,500	5.20	4.20	10,000	2,000	12,000	5	P1
898-5816	38,800	38,800	7.60	3.01	42,000	2,000	44,000	5	A1
860-0369	583,700	583,700	339.60	28.70	58,000	14,000	72,000	5	A1
	7,699,100	7,894,000	6,099.60	3,801.68	65,614,000	1,432,000	67,046,000		

Lodestar Energy, Inc. -- Reclamation Liability -- Utah Operations

ACT/007/020	711,000	711,000	711.00	8.23	420,000	2,000	422,000	5	AP
CT/007-001	4,292,000	4,292,000	3,906.00	151.10	4,667,000	38,000	4,705,000	5	O2
	5,003,000	5,003,000	4,617.00	159.33	5,087,000	40,000	5,127,000		

Lodestar Energy, Inc. -- Reclamation Liability -- Western Kentucky Operations

Pyro - Webster County Operations									
913-5003	2,642,300	2,642,300	11,185.80	487.10	4,922,000	122,000	5,044,000	5	A1
517-8008	452,500	452,500	156.70	45.00	252,000	11,000	263,000	5	A1
717-5002	586,000	598,800	21,846.13	74.70	879,000	19,000	898,000	5	AP
913-6000	233,200	233,200	78.90	29.50	258,000	7,000	265,000	5	A1
917-0028	288,900	288,900	57.00	57.00	548,000	14,000	562,000	5	A1
	4,202,900	4,215,700	33,324.53	693.30	6,859,000	173,000	7,032,000		
Smith Complex - Webster County Operations									
917-0022	3,767,000	3,767,000	1,114.30	405.00	27,595,000	101,000	27,696,000	5	A1
917-0017	2,412,000	2,412,000	967.00	375.50	8,408,000	94,000	8,502,000	5	A1
917-5001	1,092,400	1,255,500	394.50	66.60	868,000	17,000	885,000	5	A1
917-5012	404,800	404,800	3,266.90	89.50	5,375,000	22,000	5,397,000	5	O2
917-0019	242,600	242,600	417.90	417.90	170,000	104,000	274,000	5	P1
	7,918,800	8,081,900	6,160.60	1,354.50	42,416,000	338,000	42,754,000		
Smith - Hopkins County Operations									
854-0135	133,900	133,900	183.60	157.00	-	39,000	39,000	5	P2
854-0136	94,160	94,160	54.00	54.00	4,000	3,000	7,000	1	P1
854-0137	846,300	846,300	199.00	199.00	24,000	50,000	74,000	5	A2
854-0142	67,900	67,900	196.00	135.00	-	7,000	7,000	1	P2
	1,142,260	1,142,260	632.60	545.00	28,000	99,000	127,000		
	13,263,960	13,439,860	40,117.73	2,592.80	49,303,000	610,000	49,913,000		
Total	25,966,060	26,336,860	50,834.33	6,553.81	120,004,000	2,082,000	122,086,000		

*See attachment for Reclamation Code Definitions

FRONTIER INSURANCE COMPANY
RECLAMATION LIABILITY COST ANALYSIS
LODESTAR ENERGY, INC.

VOLUME II

RESTRICTED ATTORNEY CLIENT PRIVILEGED DOCUMENT

PRESENTED TO
Landrum & Shouse, LLP

By
ENGINEERING CONSULTING SERVICES, INC.



ENGINEERING CONSULTING SERVICES, INC.
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INTRODUCTION

Engineering Consulting Services, Inc. was retained by Landrum & Shouse, LLP to conduct an investigation to quantify Frontier Insurance Company's reclamation liability with respect to certain coal mining and reclamation bonds issued on behalf of Lodestar Energy, Inc. in Kentucky and Utah. The scope of this analysis concerned itself with identifying the various stages of reclamation existing with respect to each increment bonded, as though a complete failure of the mining venture were to occur on the date of the inspection resulting in the maximum loss, i.e. worst-case analysis. This analysis will not only include a calculation of the costs anticipated to actually achieve reclamation according to permitting documents, but will also examine how this liability would be affected by the existence of any other financial assurance mechanism within a single permit and/or the existence of regulatory uncertainties, created by judicial or regulatory actions, which, in fact, affect the reclamation required of Lodestar on the ground.

Also requested is an evaluation of Lodestar's various operations to determine what "protection" such assets might provide Frontier by their potential value to others. In such cases, an acquisition of the desirable assets might be made possible, thus relieving Frontier of its bonding obligations through bond substitution.

This volume contains detailed reclamation liability cost and data sheets and individual permit summaries. The individual permit data sheets are summaries of data and conditions for each Lodestar Energy permit. The order is consistent with the summary tables - i.e. Eastern Kentucky (non Wexford), Utah, Western Kentucky, and

Eastern Kentucky (Wexford). Each permit summary contains a description of the permit and the conditions encountered during the field inspection. A description of the remaining reclamation needs are also listed along with the costs that ECSI has determined would be appropriate to fulfill those needs.

Following each permit summary are selected photos that were taken during field inspections. In cases where there was no further reclamation requirement or the permit was not disturbed photos were not taken. All inspections were made in late November or early December of 2002. Some of the Utah permit photos were Lodestar file photos although they accurately reflect current conditions.

Volume III of this report contains copies of actual field inspection forms. Also contained in Volume III is a summary of Kentucky Bond Release Procedures, a copy of the current policy in Kentucky concerning acid mine drainage (AMD) and long-term treatment (LTT) of non-compliant water discharges along with a list of active water treatment projects. It should be noted on the LLT list two Lodestar permits are listed. When applicable, the costs required to mitigate these problems are included in this report.

Background:

The U.S. Army Corps of Engineers has been regulating activities in the nation's waters since 1899, originally only to protect its navigable capacity. Since the 1960's, the regulatory program's aim has been expanded to consider the full public interest in protecting and using water resources. This typically means considering environmental impacts in addition to commercial benefits.

(Source: <http://www.hq.usace.army.mil/cepa/pubs/wetland.htm>)

In 1972, Section 404 of the Clean Water Act was passed prohibiting the discharge of dredged or fill material into U.S. waters without a permit from the Corps. Court rulings and litigation further defined "waters of the U.S." to include virtually all wetlands.

(Source: <http://www.hq.usace.army.mil/cepa/pubs/wetland.htm>). The limit of the Corps authority includes intermittent streams. (Source: 33CFR328.3(a)(3))

Prior to 1977, the definition of fill material was "any pollutant used to create fill in the traditional sense of replacing an aquatic area with dry land or of changing the bottom elevation of a water body for any purpose" (Source: 40FR41291 September 5, 1975) In 1977, the EPA defined fill material as any pollutant which replaces portions of the waters of the U.S. with dry land or which changes the bottom elevation of a water body for any purpose. (Source: 40 CFR 232.2) This "purpose" has been interpreted to mean for a constructive or beneficial use.

In 1998, Judge Haden approved a settlement agreement that the Corps would consider hollow fills in watersheds of more than 250 acres more than a minimal adverse

affect if the plaintiffs would not sue. Judge Haden stated in the approval that he felt overburden was waste material that fails the Corps' purpose definition of fill material and that Section 404 should not apply. In May 2002, the Corps and the EPA attempted to harmonize the definition of fill material between the two agencies as follows: fill material means material (including but not limited to rock, sand, and earth) that has the effect of: (1) replacing any portion of a water of the U.S. with dry land; or (2) changing the bottom elevation of any portion of a water of the U.S. The term fill material does not include discharges covered by proposed or final effluent limitations guidelines and standards or discharges covered under Section 402 of the Clean Water Act.

This attempt to harmonize the definition also attempted to allow overburden to be considered fill material by taking "purpose" out of the definition. However Judge Haden reasoned that it was Congress who had the power to change the definition, not the EPA and the Corps. This resulted in Haden's decision that hollowfills are illegal.

The case is currently in appeal. The appellate Judges questioned whether Haden's decision was overbroad. The decision jumps from explaining about the hollowfills of the particular permit in issue to Haden's interpretation of the Clean Water Act. It is still unclear how the appellate Judges will rule.

Possible Reclamation Liability Results

The worst-case scenario would be that, given Haden's decision that all hollowfills placed since 1972 are illegal and must be removed from the streambed with the material

put back on the mountain. Of course, this seems unrealistic given that these efforts would likely cause even more of an impact than if the fills are left in place.

More likely, the currently placed fills should be reclaimed using the current regulations under which the fill was created. This scenario is similar to the allowed use of alternate material instead of topsoil in reclaiming pre-surface mine reclamation law property due to the topsoil being mixed with the overburden at that time instead of being first separated and saved for later reclamation.

However, until the appeal is over, it is unclear what the regulatory response will be. The Corps has reissued NWP's this year with stricter guidelines on reclamation. These regulations are currently in force and must be followed. If the Corps regains the ability to issue Section 404 Permits for hollowfills, the current regulations will most likely stand.

SCOPE AND METHODOLOGY OF ANALYSIS

This analysis concerns itself with the actual cost of bringing the mine site to its final reclaimed state and achieving the release of the reclamation Bond. The federal and state laws and regulations divide this process into three phases. Phase I concerns itself with the restoration of the land to its approximate original contour (AOC) and revegetation (seeding only); Phase II concerns itself with the establishment of the vegetation; and finally, Phase III allows an appropriate period of time (minimum five years) to guarantee that all aspects of the reclamation have been achieved and are sustainable. See Appendix II for more detail on Bond Release Procedures.

Additionally, we have included in this category an analysis of "other factors," which could influence a surety's decision to pay or perform on the Bond. Specifically, the effects on the cost of reclamation are considered; more than one surety or other financial assurance mechanism on any one permit and certain regulatory uncertainties, which arise by virtue of judicial or regulatory action. Each permit will be analyzed, and where applicable, a cost will be assigned to each of these three elements.

Reclamation Liability Estimates - A reclamation cost spreadsheet format has been developed to assist in making "order of magnitude" liability cost estimates for all three phases of reclamation concluding in bond release. This spreadsheet allows the input of earthwork estimates, length of haul or push, demolition and maintenance over the life of a permit. The program is simplistic in some aspects, but experience has shown that estimates obtained are realistic for the parameters outlined. In most cases, the estimates

present a “worst-case” scenario. Copies of permit maps are utilized, along with on ground observations and mining maps provided by Lodestar to determine data input. Additionally, a review of individual permit files is conducted at central state or federal offices. Each site is evaluated relative to a specific date to give a snapshot or reclamation benchmark.

Spoil volumes are estimated from permit maps and visual observations along with travel distances and slopes. Assumed reclamation methods for each site are dozer push, truck/loader, blasting (highwall reduction), and combinations thereof. Cost estimates are made using the Means’ Heavy Construction Cost Data handbook, Caterpillar handbook, experience with USDOI/OSM and state reclamation estimating procedures, contacts with reclamation contractors, and decades of actual reclamation experience.

Site Review - Each mine site is visited and compared to the current permit maps to estimate spoil volumes and reclamation methods necessary for backfilling and grading. Basic assumptions are made in order to determine the most practical and efficient reclamation methods for each mine site.

Factors that significantly affect reclamation are as follows:

1. Operator or contractor performing reclamation.
2. Has reclamation been performed as job progressed?
3. Has reclamation been planned, allowances made for it?
4. Number status of job – Active, Idled, Reclamation Only.
5. Availability and quality of spoil material.
6. Any offsite disturbances, such as slides.

7. Unstable slopes or hollowfills.
8. Acid mine drainage.
9. Remaining structures
10. Mitigation or restoration of streams.

Standard Methodology - A spreadsheet is utilized to calculate cost estimates in the categories of:

- I. Backfilling and Grading
- II. Reclamation of Surface Features
- III. Other Features
- IV. Mobilization
- V. Contingency and Management

Backfilling and grading is calculated by inputting yardage moved by dozer push and truck haulage, distance and rise. Equipment is selected based on the approved reclamation plan as modified to fit current circumstances. Performance characteristics, operator efficiency, material factors, and job efficiency are accounted for by a standard correction factor. Operating costs for each unit can be varied to reflect local conditions. Alternative equipment selections and variations in hourly rates could result in significant cost difference. Actual contractor estimates or quotes can also be plugged in to override the spreadsheet as conditions dictate.

Reclamation of surface features includes ponds, roads and revegetation. Some costs are estimated based on past experience with similar situations. Most mining

operations will salvage useable structures such as belt, power centers and buildings before reclamation. While not considered in these calculations, some salvage value is generally present in any equipment left on site.

Other features include maintenance and special conditions. Monitoring costs are based on monthly samples of ponds and quarterly ground and surface water samples. Maintenance is generally estimated as \$100 per disturbed acre per year with a minimum of \$1,000 for the site.

Mobilization is estimated as 5% of backfilling and grading, reclamation of surface features, and other factors, with a minimum cost of \$500.

Contingency and management is 15% of all categories with a minimum of \$150.

Basic Assumptions

Surface and Underground Operations – Backfill volumes are estimated from the maps and visual observations of the sites based on achieving A.O.C., all available spoil or the four foot of cover over coal seam elevation requirement. Assumptions are made as to the reclamation methods based on the location and availability of backfill material and distance from highwall, (i.e. dozer push, truck/loader haulback, or combinations of these.) Calculations of standard costs for revegetation and maintenance are based on the number of disturbed acres. Usually primary roads are approved to remain as permanent facilities; however, some are to be removed and must be included in the costs. Standard costs for pond removal are incorporated. A management and contingency cost category

has been included and increased on those permits where a greater degree of difficulty of reclamation maintenance was perceived as a possibility.

It is assumed that all costs are based upon achieving reclamation as currently described in the existing permits at the date of this report. In reality, pending and future design changes and revisions to the permits may occur which will affect both engineering costs and final reclamation liability costs based upon the revised facilities, projections, etc.

Preparation plant and refuse areas generally create one of the greatest potential liabilities. All assumptions and costs are estimated based on current dollars. The preparation plant and components are considered to have no salvage value; therefore, a high dollar figure for demolition and disposal is usually included. Parts of these estimates are based on reported preparation plant demolitions in other areas where no salvage value is available. Office buildings, trailers, shops and warehouses should realistically retain some salvage or resale value; therefore, no figures for demolition and disposal are considered for these.

General – From a practical mining standpoint, the assumption is that outside structures, e.g. belt conveyors, power centers, and buildings will retain some salvage value. Even at the projected end of life, most prep plants should have salvageable components that can help offset demolition costs.

Reclamation Cost Estimates/Conclusions – Information, gathered during site reviews, maps and basic assumptions, is used to generate input for the standard reclamation cost estimation procedures. Most estimated reclamation costs (90% +/-) should occur in the first year after mine closure, at which time approximately 50-60% of the bond should be released. Other costs such as pond removal and maintenance would be distributed over the five-year bond liability period.

In past studies of this nature, it has not been unusual to find permits that qualified for bond release where releases had not yet been filed. Also, there are occasions where permits are overlapping resulting in double bonding of areas. This can be a whole permit or increments of the permit. Oftentimes, a permit can be revised to further increment a permitted area and obtain a release of some portion of the bond, if the entire permitted area is not suitable for release. Also, a change of permitted land use is often needed to facilitate bond release.

Multiple Sureties

As noted earlier, the cost estimation process associated with final reclamation and bond release can be complicated where two or more sureties or financial assurance mechanisms exist on a single permit or mine. Among these complicating factors is the possibility of differing strategies of two or more sureties. Most often these differing strategies are manifested by a decision on the part of one surety to proceed to perform the reclamation required of the principal while that of the other sureties is to pay the bond amount in forfeiture. Often times the regulators find these strategies a tactful advantage and will extract more work or forfeiture from one or the other sureties. Any instances

where multiple sureties have bonded the same permit or mine will be identified, if pertinent, and where this occurrence could yield additional expense or uncertainty. It is very difficult to quantify the magnitude of the additional expense, but every attempt will be made to do so.

Regulatory Uncertainties

At present, we have identified four possible regulatory uncertainties that could impact the ultimate cost should forfeiture become imminent on any permit:

1. The possible reclamation liability impact of the Haden Decision.

On May 8, 2002, Judge Charles H. Haden, Chief Judge of the United States District Court for the Southern District of West Virginia, Charleston Division, stopped the issuance of Section 404 Permits by the Corps of Engineers. A Section 404 Permit is necessary for a mining company to place a hollowfill in a streambed. Judge Haden reasoned that the then current definition of "fill material" did not apply to mining overburden and that such overburden was waste. Since current regulations prohibit the dumping of waste into a streambed, Judge Haden reasoned that all hollowfills were placed illegally and that the Corps cannot permit such activity. Thus, no new Section 404 permits can be issued in the Corps Huntington District. Currently, this decision has effect only in the Corps Huntington District.

Engineering Consulting Services, Inc.

Cost Data by Permit

Permit No.	Frontier Bd. Aml. (\$)	Bond Aml. (\$)	Acres Bonded	Acres Dist.	Highwall Back. (\$)	Grading D6 (\$)	Grading D10 (\$)	Topsoil (\$)	Seeding (\$)	Trees (\$)	Lime (\$)	Bench Pond Removal(\$)	Embank. Pond Removal(\$)	Pond Cleaning(\$)	Road Rem. (\$)	Slide Rep. (\$)	Hollowfill Grading (\$)	Other Costs (\$)	On-Going Maint. (\$)	Total Recl. Est. (\$)	Yrs to Full Bond Rot.	Reclamation Phase
Lodestar Energy, Inc. -- Reclamation Liability -- Eastern Kentucky Operations (non Wexford)																						
898-0551	14,700	14,700	40.68	40.68	-	-	-	-	-	-	-	3,800	18,000	-	-	-	-	-	4,000	24,000	1	P2
898-0554	181,000	181,000	144.76	144.76	-	-	-	-	-	-	-	7,600	12,000	-	-	-	-	-	43,000	83,000	3	O2
898-5003	76,000	76,000	30.70	10.72	194,400	-	-	-	3,850	2,243	2,144	950	6,000	-	-	-	10,400	-	5,000	225,000	5	O2
898-5080	64,000	64,000	1,462.00	13.00	43,200	2,800	-	-	4,550	2,958	2,600	-	12,000	-	5,800	-	-	-	7,000	81,000	5	O2
836-5047	71,700	71,700	15.30	15.30	384,000	2,800	5,200	-	5,250	3,965	3,060	-	6,000	5,800	11,600	-	-	-	8,000	436,000	5	O2
438-0084	47,500	47,500	11.20	11.20	120,000	7,000	13,000	-	5,250	-	2,240	-	8,000	-	-	-	-	-	1,000	156,000	1	A1
498-5149	78,000	78,000	17.08	10.00	110,400	7,000	13,000	-	3,500	3,543	2,000	950	6,000	-	-	-	10,400	-	5,000	162,000	6	O2
836-0231	508,300	513,300	435.73	381.42	-	-	-	-	-	-	-	4,750	80,000	-	-	-	-	-	145,000	210,000	4	P1
836-0218	259,300	259,300	860.91	800.00	-	-	-	-	7,000	-	3,200	950	64,000	-	-	-	-	20,000	120,000	215,000	2	P2
836-0261	751,700	779,900	811.80	811.80	-	-	-	-	-	-	-	12,350	40,000	-	-	-	-	-	223,000	275,000	4	A2
836-0273	7,000	7,000	8.28	8.28	-	-	-	-	-	-	-	-	8,000	-	-	-	-	-	1,000	9,000	1	P2
898-0284	1,008,700	1,013,700	268.95	258.85	6,960,000	70,000	130,000	-	35,000	53,300	12,500	8,650	24,000	-	-	14,500	130,000	-	126,000	7,562,000	5	D8
898-0503	1,132,500	1,137,800	601.40	564.85	840,000	175,000	325,000	-	105,000	28,000	24,150	38,000	32,000	-	-	-	130,000	-	169,000	1,864,000	3	A1
898-0324	1,401,100	1,401,100	891.56	891.56	96,000	-	23,400	-	7,000	1,625	2,033	-	38,000	-	-	-	-	10,000	446,000	822,000	5	P1
898-0457	1,317,700	1,467,700	325.30	200.00	54,408,214	84,700	156,650	-	70,000	22,750	10,000	2,375	6,000	-	-	-	-	-	100,000	54,861,000	5	D8
898-5003	5,500	5,500	5.47	5.47	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	2	A1
498-8024	66,600	66,600	12.50	12.50	72,000	17,500	32,500	-	4,550	-	825	3,800	-	2,900	-	-	-	-	8,000	140,000	5	A1
836-5052	12,200	12,200	7.60	7.60	-	-	-	-	-	1,983	-	-	6,000	-	-	-	-	-	4,000	12,000	5	P1
836-5352	13,100	14,500	5.20	4.20	-	700	1,300	-	700	-	210	950	6,000	-	-	-	-	-	2,000	12,000	5	P1
898-5816	38,000	38,000	7.60	3.01	38,000	-	-	-	-	-	-	-	8,000	-	-	-	-	-	2,000	44,000	5	A1
860-0369	583,700	583,700	339.80	28.70	-	-	-	-	5,250	-	1,435	-	40,000	-	11,600	-	-	-	14,000	72,000	5	A1
	7,899,100	7,894,000	6,099.60	3,801.68	63,264,214	367,500	700,050	-	256,900	118,365	66,197	83,125	394,000	8,700	29,000	14,500	280,800	30,000	1,432,000	67,046,000		

Lodestar Energy, Inc. -- Reclamation Liability -- Utah Operations

ACT/007/020	711,000	711,000	711.00	8.23	-	-	13,208	13,208	38,100	-	-	-	7,620	-	-	-	-	347,980	2,000	422,000	5	AP
ACT/007-001	4,292,000	4,292,000	3,908.00	151.10	1,234,440	-	145,288	145,288	952,500	-	-	-	30,480	-	1,341,120	-	-	817,860	38,000	4,705,000	5	Active
	5,003,000	5,003,000	4,617.00	159.33	1,234,440	-	158,496	158,496	990,600	-	-	-	38,100	-	1,341,120	-	-	1,165,860	40,000	5,127,000		

Lodestar Energy, Inc. -- Reclamation Liability -- Western Kentucky Operations

Pyro - Webster County Operations																						
913-5003	2,842,300	2,842,300	11,185.80	487.10	3,429,900	-	-	308,546	170,485	-	148,130	-	-	-	-	-	-	869,049	122,000	5,044,000	5	A1
517-8008	452,500	452,500	156.70	45.00	218,840	-	-	-	15,750	-	13,500	-	-	-	-	-	-	6,400	11,000	203,000	5	A1
717-5002	588,000	598,800	21,846.13	74.70	28,344	-	-	262,124	26,145	74.70	22,410	-	299,592	-	-	-	-	240,000	19,000	898,000	5	AP
913-0000	233,200	233,200	78.90	29.50	-	-	-	20,710	10,325	-	9,000	-	72,600	-	-	-	-	145,750	7,000	265,000	6	A1
917-0028	288,900	288,900	57.00	57.00	113,419	-	-	339,578	18,950	-	17,100	-	40,000	-	-	-	-	40,000	14,000	562,000	5	A1
	4,202,900	4,215,700	33,324.53	693.30	3,788,203	-	-	928,956	242,655	-	208,140	-	390,192	-	-	-	-	1,301,199	173,000	7,032,000		
Smith Complex - Webster County Operations																						
917-0022	3,707,000	3,707,000	1,114.30	405.00	28,290,180	-	-	1,029,492	141,750	-	77,700	-	41,200	-	-	-	-	15,000	101,000	27,696,000	5	A1
917-0017	2,412,000	2,412,000	987.00	375.50	7,827,110	-	-	372,438	58,800	-	48,600	-	85,600	-	-	-	-	15,000	94,000	8,502,000	5	A1
917-5001	1,092,400	1,255,500	394.50	66.60	658,885	-	-	153,113	23,310	-	19,980	-	-	-	-	-	-	15,000	17,000	805,000	5	A1
917-5012	404,800	404,800	3,268.90	89.50	5,181,243	-	-	137,174	31,325	-	28,850	-	18,876	-	-	-	-	-	22,000	5,397,000	5	O2
917-0019	242,600	242,600	417.90	417.90	-	-	-	128,250	1,085	-	930	-	40,000	-	-	-	-	-	104,000	274,000	5	P1
	7,818,800	8,081,900	6,160.60	1,354.50	39,935,429	-	-	1,820,468	256,270	-	174,060	-	185,676	-	-	-	-	45,000	338,000	42,754,000		
Smith - Hopkins County Operations																						
854-0135	133,900	133,900	183.60	157.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,000	39,000	5	P2
854-0136	84,160	84,160	54.00	54.00	-	-	-	-	-	-	-	-	4,000	-	-	-	-	-	3,000	7,000	1	P1
854-0137	848,300	848,300	199.00	199.00	-	-	-	-	-	4,469	-	-	-	-	-	-	-	20,000	50,000	74,000	5	
854-0142	87,000	87,000	196.00	135.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000	1	P2
	1,142,260	1,142,260	632.60	545.00	-	-	-	-	4,469	-	-	-	4,000	-	-	-	-	20,000	99,000	127,000		
	13,263,960	13,439,860	40,117.73	2,592.80	43,723,632	-	-	2,749,424	498,925	4,469	382,200	-	579,868	-	-	-	-	1,366,199	610,000	49,913,000		

Total	25,968,060	26,336,860	50,834.33	6,553.81	108,222,286	367,500	858,546	2,907,920	1,746,425	122,834	448,397	83,125	1,011,968	8,700	1,370,120	14,500	280,800	2,562,059	2,082,000	122,006,000		
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Engineering Consulting Services, Inc.

Cost Data Sheet

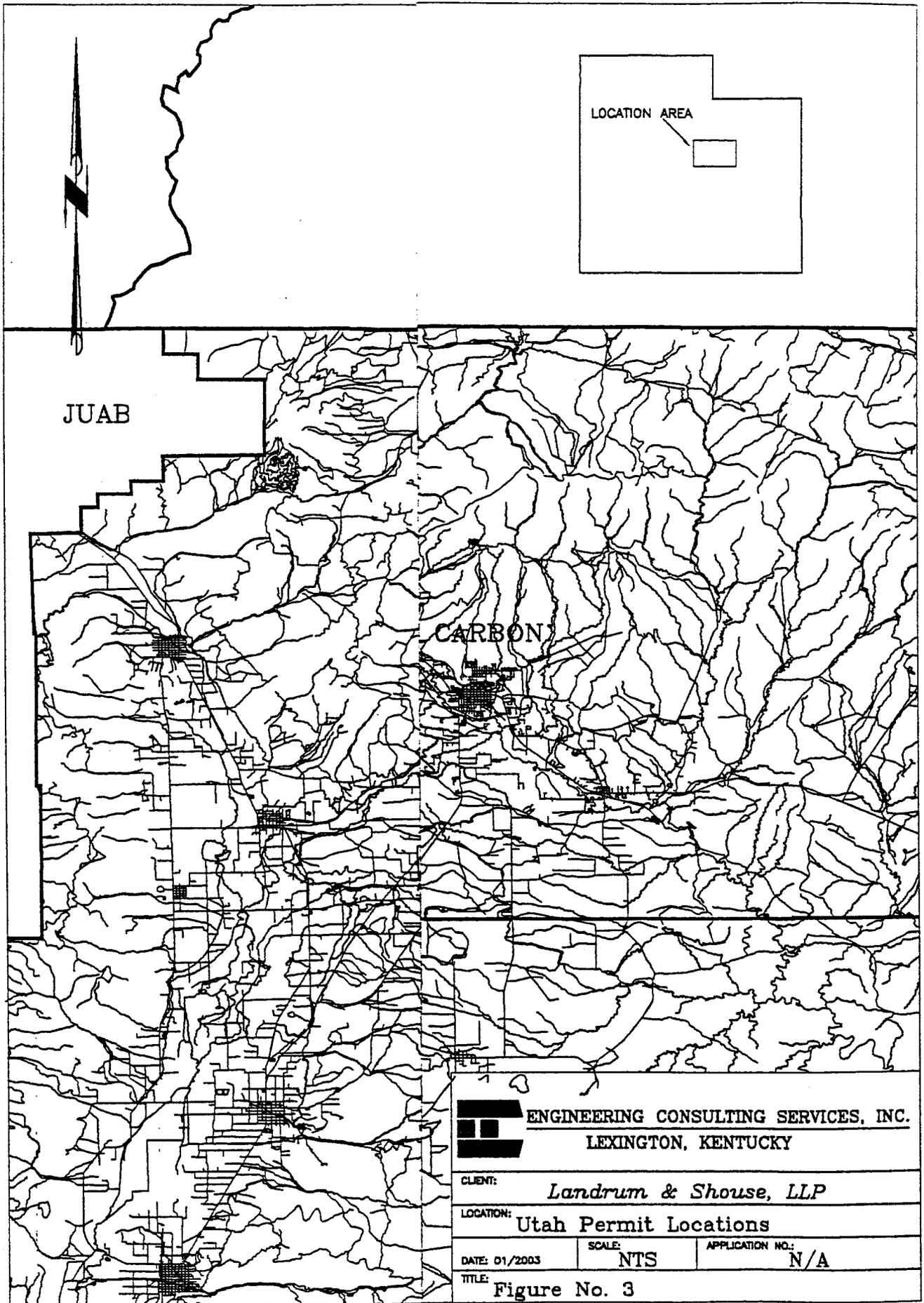
Permit No.	Bond No.	Bond Amt. (\$)	Acres Bonded	Acres Dist.	Highwall Back (\$)	Grading D8 (\$)	Grading D10 (\$)	Topsoil (\$)	Seeding (\$)	Trees (\$)	Line (\$)	Bench Pond Removal (\$)	Embank. Pond Removal (\$)	Pond Cleaning (\$)	Road Rem. (\$)	Slide Rep. (\$)	Highwall Grading (\$)	Other Costs (\$)	Closure Liability (\$)	On-Going Maint. (\$)	Total Recl. Est. (\$)	Yrs In Full Bond Tot.	Reclamation Phase	
Lodestar Energy, Inc. -- Reclamation Liability -- Eastern Kentucky Operations Cont'd																								
860-0388	137,521	585,000	184.10	10.00	-	-	-	-	3,500	-	500	-	40,000	-	11,800	-	-	-	-	-	5,100	60,800	5	A1
	Released		70.80	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	137,523	18,700	18.70	18.70	-	-	-	-	1,750	-	935	-	-	-	-	-	-	-	-	-	9,350	12,035	5	-
	Released		58.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		583,700	338.80	28.70	-	-	-	-	5,250	-	1,435	-	40,000	-	11,800	-	-	-	-	-	14,350	72,835	-	-
		7,894,000	0.170	3,802	63,284,214	367,500	700,050	-	256,900	118,365	66,197	83,125	384,000	6,700	28,000	14,500	280,800	30,000	-	-	1,431,023	67,044,374	-	-

Lodestar Energy, Inc. -- Reclamation Liability -- Utah Operations

ACT007-02	-	711,000	711.00	8.23	-	-	13,208	13,208	38,100	-	-	-	7,920	-	-	-	-	347,960	-	-	2,058	422,174	5	AP
ACT007-00	-	4,282,000	3,806.00	151.10	1,234,440	-	145,288	145,288	852,500	-	-	-	30,460	-	1,341,120	-	-	817,860	-	-	37,775	4,704,771	5	-
	-	5,003,000	4,617.00	159.33	1,234,440	-	158,496	158,496	890,600	-	-	-	38,100	-	1,341,120	-	-	1,165,860	-	-	38,833	5,120,845	-	-

Lodestar Energy, Inc. -- Reclamation Liability -- Western Kentucky Operations

913-5003	See Note Below	2,642,300	11,185.80	487.10	3,429,600	-	-	306,546	170,485	-	146,130	-	-	-	-	-	-	868,049	-	-	121,775	5,043,505	5	A1
517-6008	123,134	462,600	166.70	45.00	216,840	-	-	-	15,750	-	13,500	-	-	-	-	-	-	6,400	-	-	11,250	203,740	5	A1
717-5002	See Note Below	508,800	21,846.13	74.70	28,344	-	-	262,124	26,145	-	22,410	-	288,592	-	-	-	-	240,000	-	-	18,675	887,290	5	AP
913-6000	See Note Below	233,200	78.80	29.50	-	-	-	20,710	10,325	-	9,000	-	72,600	-	-	-	-	145,750	-	-	7,375	265,760	5	A1
817-0028	123,178	286,900	57.00	57.00	113,418	-	-	338,576	18,950	-	17,100	-	18,000	-	-	-	-	40,000	-	-	14,250	582,295	5	A1
917-0022	See Note Below	3,787,000	1,114.30	405.00	26,290,190	-	-	1,028,482	141,750	-	77,700	-	41,200	-	-	-	-	15,000	-	-	101,250	27,686,563	5	A1
917-0017	See Note Below	2,412,000	887.00	375.50	7,827,110	-	-	372,438	58,800	-	46,600	-	65,600	-	-	-	-	15,000	-	-	93,875	8,501,423	5	A1
917-5001	See Note Below	1,256,500	394.50	66.60	656,885	-	-	153,113	23,310	-	19,980	-	-	-	-	-	-	15,000	-	-	16,850	884,938	5	A1
917-5012	See Note Below	404,000	3,288.80	89.50	5,181,243	-	-	137,174	31,325	-	26,850	-	16,876	-	-	-	-	-	-	-	22,375	5,387,844	5	O2
917-0018	See Note Below	242,800	417.80	417.80	-	-	-	128,250	1,085	-	930	-	40,000	-	-	-	-	-	-	-	104,475	274,740	5	P1
854-0135	123,141	133,800	183.60	157.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,250	30,250	5	P2
854-0138	123,142	84,180	54.00	54.00	-	-	-	-	-	-	-	-	4,000	-	-	-	-	-	-	-	2,700	6,700	1	P1
854-0137	See Note Below	846,300	188.00	198.00	-	-	-	-	-	4,469	-	-	-	-	-	-	-	20,000	-	-	49,750	74,219	5	A2
854-0142	123,147	87,900	198.00	135.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,750	6,750	1	P2
		13,438,600	40,118	2,593	43,723,632	-	-	2,748,424	488,925	4,469	382,200	-	578,668	-	-	-	-	1,388,189	-	-	610,400	48,915,110	-	-
		26,338,600	50,805	6,554	108,222,288	367,500	858,548	2,907,920	1,746,425	122,834	448,397	83,125	1,011,968	6,700	1,370,120	14,500	280,800	2,562,059	-	-	2,061,258	122,086,434	-	-



JUAB

CARBON

LOCATION AREA



ENGINEERING CONSULTING SERVICES, INC.
LEXINGTON, KENTUCKY

CLIENT: *Landrum & Shouse, LLP*

LOCATION: **Utah Permit Locations**

DATE: 01/2003	SCALE: NTS	APPLICATION NO.: N/A
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TITLE: **Figure No. 3**

Utah

UT DNR DOGM Permit No.

ACT/007/020

ACT/007/001

Engineering Consulting Services, Inc.

Permit No.	Bond No.	Bond Amt. (\$)	Acres Bonded	Acres Dist.	Closure Liability (\$)	On-Going Maint. (\$)	Total Recl. Est.(\$)	Yrs to Full Bond Rel.	*Reclamation Phase
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Lodestar Energy, Inc. – Reclamation Liability – Utah Operations

ACT/007/020	-	711,000	711.00	8.23	420,000	2,000	422,000	5	AP
ACT/007-001	-	4,292,000	3,906.00	151.10	4,667,000	38,000	4,705,000	5	-
		5,003,000	4,617.00	159.33	5,087,000	40,000	5,127,000		

Lodestar Energy, Inc. – UTDNR Permit No. ACT/007/020

The Horizon Mine is underground operation that is temporarily abandoned. The mine ceased operation due to market conditions. The listed bonded acreage includes underground mining, however, only eight acres have been disturbed.

This permit encompasses 711 acres (including underground) bonded in one increment totaling \$711,000. Only eight acres are disturbed. The estimated remaining liability is \$422,000 of which \$2,000 is on-going maintenance. The majority of the liability cost is for demolition and removal of fixed facilities.

Bond Amount (\$)	711,000
Acres Bonded	711.00
Acres Disturbed	8.23
Backfilling	-
Grading	13,000
Topsoil Replacement	13,000
Seeding	38,000
Tree Planting	-
Lime Application	-
Pond Removal	7,500
Pond Cleaning	-
Road Removal	-
Slide Repair	-
Hollow-fill Finishing	-
Other	348,000
On-Going Maintenance	2,000
Total Liability	<u>\$421,500</u>



Surface Facilities



Sedimentation Pond



Coal Stockpile Area



Deep Mine Portals



Ventilation Shaft Opening



Topsoil Stockpile Area

Lodestar Energy, Inc. – UTDNR Permit No. ACT/007/001

The White Oaks / Whiskey Creek Complex is now a surface mine and loadout facility. An underground mine existed on the permit originally but has been mined out. The surface mine includes the area where the former underground facilities existed and is being used to reclaim it. This operation is active as is the loadout facility. A large portion of the liability with the surface mine is associated with the access road. This is a two mile paved road with concrete ditch and guard rail. Although it is now permitted as a temporary road, the land owner wants to keep the road to access a recreation area on top of the mountain. However, the landowner knows the situation and is hoping to be paid for granting permission to leave the road. This payment should be a small fraction of the actual reclamation cost. It should be noted that even if the road is reclassified as permanent, the state will not lower the bond proportionately.

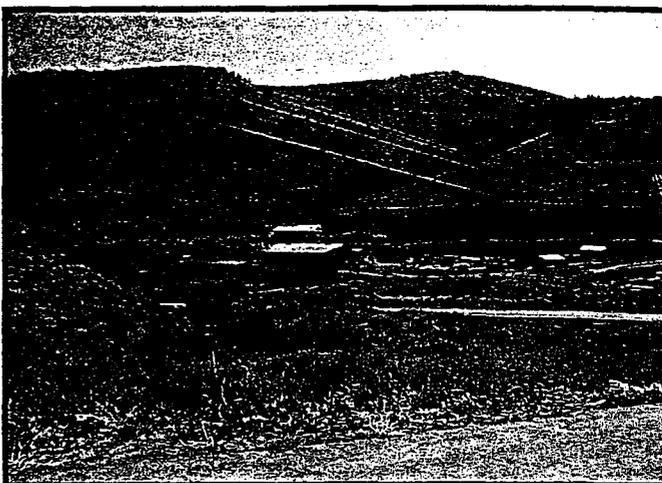
This permit encompasses 3900 acres (including underground) bonded in one increment totaling \$4,300,000. Only 151 acres are disturbed. The estimated remaining liability is \$4,700,000 of which \$38,000 is on-going maintenance. The majority of the liability cost is for backfilling highwall, road removal, and removal of fixed facilities.

Bond Amount (\$)	4,292,000
Acres Bonded	3,906.00
Acres Disturbed	151.10
Backfilling	1,234,500
Grading	145,500
Topsoil Replacement	145,500
Seeding	952,500
Tree Planting	-
Lime Application	-
Pond Removal	30,500
Pond Cleaning	-
Road Removal	1,341,000
Slide Repair	-
Hollow-fill Finishing	-
Other	818,000
On-Going Maintenance	38,000
Total Liability	<u>\$4,705,500</u>

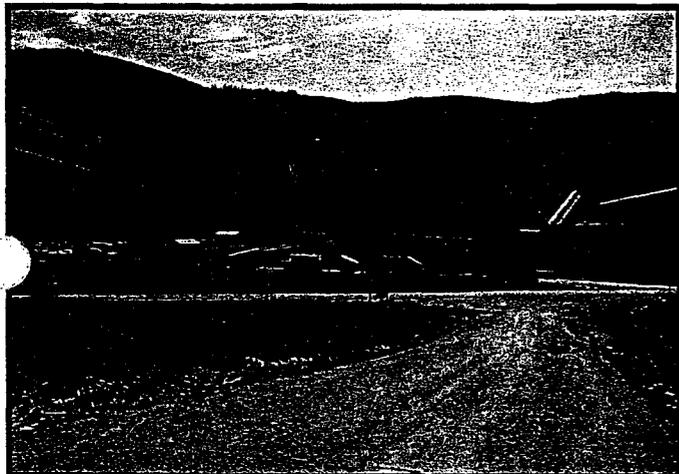
Modestar Energy, Inc. - Utah - White Oak Loadout (ACT/007/001)



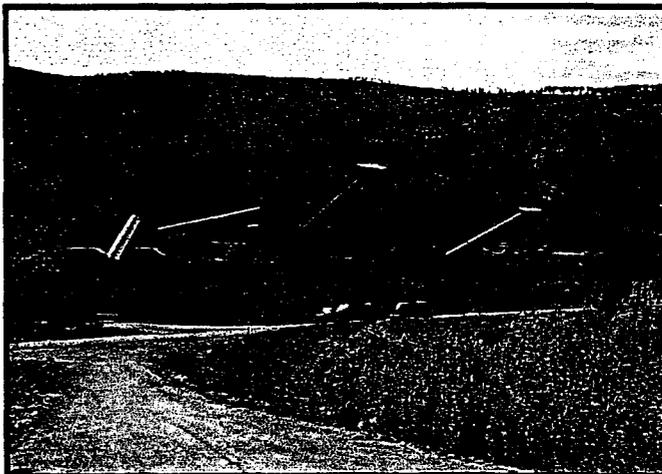
Loadout Facilities - Pan 1



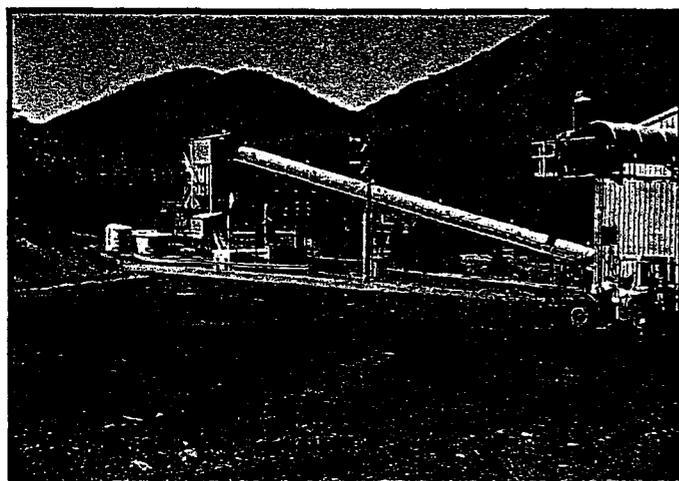
Loadout Facilities - Pan 2



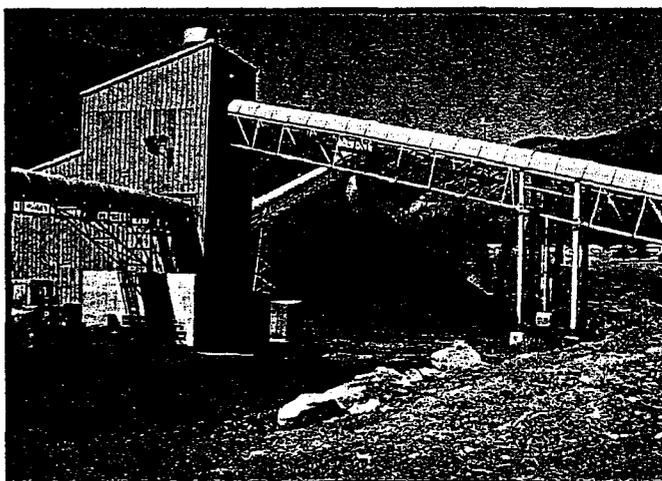
Loadout Facilities - Pan 3



Loadout Facilities - Pan 4

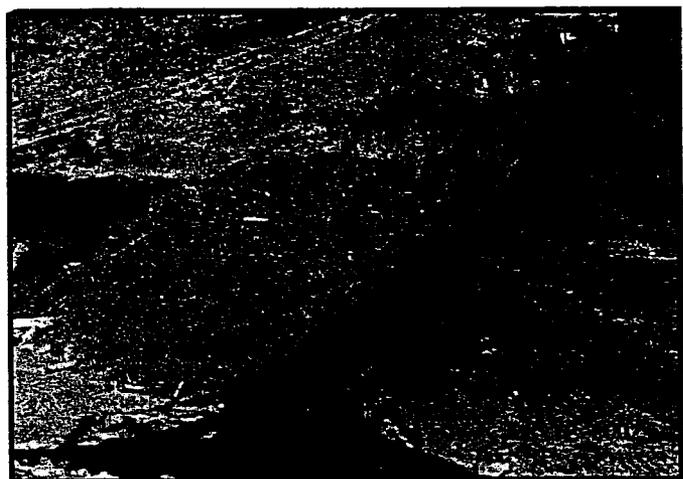


Loadout Facilities



Loadout Facilities

Lodestar Energy, Inc. - Utah - White Oak/Whiskey Creek (ACT/007/001), Cont'd



Topsoil Stockpile



Backfilling Lower Bench



Aerial View



Backfilling Activity