

cc: Pam ✓  
Mary Ann ✓  
Steve Alder ✓

TELEFAX

U.S. Department of the Interior  
Office of Surface Mining Reclamation and Enforcement  
Applicant/Violator System Office  
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Date: 10-15-03

5 Number of Pages to Follow

Sending to: Pam Grubagh-Littig & Steve Alder

Telefax Number: 801-359-3940

From: Sherry Wilson

Telephone Number: 800-643-9748

Subject or Message: Pam - could you provide  
Steve a copy of Mark Wayment's  
statement. I can't find his  
fax #. Thanks

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DIV. OF OIL, GAS & MINING

**DECLARATION OF MARK D. WAYMENT**

I, Mark D. Wayment, make the following sworn declaration in lieu of affidavit as permitted by 28 U.S.C. § 1746:

1. I reside at 1380 South 980E, Spanish Fork, Utah 84660 and am over 21 years of age. I have personal knowledge of the facts to which I testify in this declaration.

2. I was employed by Lodestar Energy, Inc. (Lodestar) as a P.E. from the time Lodestar purchased the operations in Utah (July, 1999) until I was laid off on April 15, 2003. I was Manager of Mountain Operations in Colorado and Utah, referred to by Lodestar as the "Mountain Operations." I was not employed by any other Lodestar-related company.

3. Between July, 1999 and December, 2001, I reported to and took orders from Bill Potter, Vice President of Operations for Lodestar, and John Hughes. From December, 2001 until the time I was laid off I reported to and took orders from Mike Francisco and/or the bankruptcy trustee. In December, 2001, there was a change of power from John Hughes to Mike Francisco as President.

4. From my perspective, Lodestar's expenditures were controlled/approved from July, 1999 (when I became a part of the Lodestar operations) until the bankruptcy, based on the dollar level and purpose of the expenditure. For instance, when we became aware of the opportunity in Colorado for an additional mining site, that level of expenditure required Lodestar's staff to submit an "AFE" (a 20 +/- page document detailing the proposed expenditure) to management in New York. I believe Ira Rennert was one of the persons who reviewed such AFE's and approved the expenditure for the new mining site in Colorado. The document which approved the AFE for the acquisition of the new Colorado site included signatures from Lodestar's staff in Utah, Kentucky and finally New York. Depending on the amount, routine

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OCT 15 2003

expenditures such as buying operating supplies, machine parts, etc., could be approved locally or by Bill Potter and/or John Hughes, assuming those purchases were already in the Lodestar budget.

5. Before the bankruptcy of Lodestar, I attended Management Review Meetings in Lexington, Kentucky, where I would tell Lodestar's upper-level management how Lodestar's Mountain Operations were doing. Typically these meetings included Ira Rennert, John Hughes, Roger Fay (one of Rennert's people), Mike Francisco and a few others. Decisions were made at these meetings involving numerous matters - land issues, etc. Either Ira Rennert or John Hughes made decisions about Lodestar at these meetings.

6. I was surprised to hear that John Hughes and Bill Potter left in December, 2001. After the bankruptcy, I still reported to Bill Potter or John Hughes. For me, there was no change in who I reported to after Lodestar's bankruptcy.

7. After the bankruptcy was filed and Wexford had come in, I was not asked to attend any meetings in Lexington, Kentucky. However, I did have phone conversations with Bill Potter, John Hughes or Mike Francisco on the status of the Mountain Operations in their preparation for the Management Review Meetings.

8. I assumed after the bankruptcy was filed that Wexford was involved. Also, there was an undertone within the company that Wexford was involved because they had made investments in the company.

9. After the bankruptcy, the only real change in my duties was that I had to do more work with the vendors to convince them to continue to do business with Lodestar in spite of the bankruptcy. No one directed me to do the additional work.

10. As for other officers or employees of Lodestar, I do not know what duties were added or changed after the bankruptcy. The only change I am aware of is that Mike Donahue, who was the financial person with Lodestar, left due to an illness.

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Lodestar promoted Marilyn Adamson to fill in as the financial person after Mike left. Pam Dillender also assisted with financial duties on a part time basis. Pam Dillender subsequently took over the financial duties when the office moved from Lexington to Pikeville. I am not sure who made these decisions about who to promote and the changes in duties.

11. I participated in a few meetings where representatives from Wexford were present. Terry Coleman, a consultant for Wexford, participated in some of those meetings. Terry visited Utah a couple of times to review the status of the Mountain Operations of Lodestar. Terry always referred to himself as a consultant for Wexford in conversations with me. On one trip he was with Mike Francisco and they were gathering information on the Horizon mine to be used in a decision to possibly shut the Horizon mine down. The Horizon mine subsequently was shut down but I do not know who made that decision. I was told to shut the operation down by Mike Francisco. I never had any other opportunity to meet other representatives of either Wexford or Congress.

12. I am not sure what role, if any, Wexford or Congress played in negotiating the two Agreed Orders with the surface mining regulatory authority for the State of Utah.

13. I do not know of any instance where Wexford or Congress ever exercised any control over the Lodestar operations in Utah. To my knowledge, no Lodestar employees in Utah were directed by Wexford or Congress. Similarly, I do not know of any instances when representatives of Wexford or Congress made final decisions on what sites the employees of Lodestar's Mountain Operations would mine, where coal was to be sold, or for how much.

14. I did not observe or witness Wexford or Congress representatives instructing Lodestar's employees in such a manner where they performed work that

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would only benefit Wexford if Wexford's planned acquisition of Lodestar's assets occurred.

15. John Hughes and Bill Potter continued to make the day-to-day decisions on the business of Lodestar after bankruptcy until they left in December, 2001.

16. In Utah, the same people handled problems identified by the regulators after Lodestar's bankruptcy as before. Dave Miller and I generally handled problems identified by the regulators in the Mountain Operations. We made all the decisions on addressing problems at the site both before and after the bankruptcy. However, in the case of the bond problems, Mike Francisco and who ever he was working were involved with addressing these problems with the State.

17. At some point after the bankruptcy of Lodestar it became unclear to me who I was working for. For example, decisions were made to shut down the Horizon operation and to auction the Whiskey Creek equipment, both part of the Mountain Operations of Lodestar. I am not sure who made those decisions or why they were made. Bill Bishop, the eventual Trustee in Bankruptcy for Lodestar, told me that these actions were set in motion before he was involved.

18. The only effort that I am aware of to try to separate the money-making assets of Lodestar from those that were money-losers was the effort to sell the Horizon operation. Both Mike Francisco and I were involved in the effort to sell the Horizon operation. The Horizon operation was pitched to a lot of companies. It appeared Utah Coal Properties was interested in the Horizon site. However, Utah Coal Properties lost interest when they learned of the auction.

19. I assume Terry Coleman and Wexford were somehow involved in Lodestar's effort to sell the Horizon operation but I am not sure what the role was. My assumption about Terry Coleman's involvement is based upon the fact that he asked me questions on one or two occasions about Horizon.

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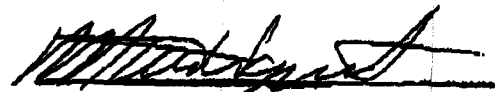
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20. I had face-to-face meetings with Ira Rennert and some of his people at the monthly management meetings in Lexington. On a couple of occasions Ira Rennert and Roger Fay flew out to UT and I showed them the Mountain Operations. They did not make any operational decisions on these visits.

21. I had to provide detailed projections every week or vendors would not get paid. These projections would go to Marilyn Adamson or Gwen (not sure of her last name). It is my understanding that we needed to provide a daily cash flow sheet to get funding. I believe this was submitted to Congress for approval before checks could be cut.

I have read this page and the preceding four pages, and I declare under penalty of perjury that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Date: 10/6/03

  
MARK D. WAYMENT

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