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DIV. OF OIL, GAS & MINING

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October 28, 2003

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Ms. Maureen Hardy
Frontier Insurance Company in Rehabilitation
195 Lake Louise Marie Road
Rock Hill, NY 12775-8000

Steven Alder, Esq.
Office of the Utah Attorney General
1594 West North Temple
Salt Lake City, UT 84114-5801

RE: Lodestar Energy, Inc., Whiskey Creek Reclamation Project Documents

Dear Laura, Mary Ann, Maureen, and Steve:

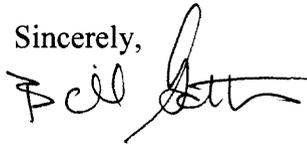
I am pleased to be forwarding to you the full set of final executed agreements that constitute the framework for the Whiskey Creek Reclamation Project. Enclosed you will find:

1. Reclamation Agreement by and between Frontier Insurance Company in Rehabilitation and under the Supervision of the New York Insurance Department, Lodestar Energy, Inc., Chapter 7 Bankruptcy Trustee and the Utah Division of Oil, Gas and Mining;
2. The Reclamation Plan which is part and parcel of the Reclamation Agreement;
3. The Reclamation Fund Escrow Agreement by and between Frontier, DOGM and Bank One Trust Company, NA;
4. The Reclamation Contract by and between Frontier and Ledcor Industries; and
5. The Sales Agreement by and between Whiskey Creek Mining Services and the Lodestar Energy Chapter 7 Trustee regarding sale of remaining assets (equipment, prep plant, etc.).

Laura Day DelCotto, Esq.
Ms. Mary Ann Wright
Ms. Maureen Hardy
Steven Alder, Esq.
October 28, 2003
Page 2

If you have any questions in regards to this project, please feel free to call me. On behalf of our client and the attorneys at Stites & Harbison, we are pleased to have been able to participate in this interesting and exciting project and look forward to a result that will make all parties proud of their involvement.

Sincerely,



William T. Gorton III

WTG:cs
Enclosures

**UTAH DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING**

LODESTAR ENERGY, INC.
WHISKEY CREEK MINE
PERMIT NO. ACT/007/001

RECLAMATION AGREEMENT

This Reclamation Agreement regarding the Lodestar Energy, Inc., Whiskey Creek Mine (the "Agreement") is made and entered on October 3, 2003 by and between Frontier Insurance Company, in Rehabilitation and under the Supervision of the New York Insurance Department ("Frontier"), the Lodestar Energy, Inc. Chapter 7 Bankruptcy Trustee, and Utah Department of Natural Resources, Division of Oil, Gas and Mining ("DOGM").

RECITALS

1. Lodestar Energy, Inc. ("Lodestar") received approval from DOGM of its plan of operations under Permit No. ACT/007/001 for coal mining and reclamation and coal preparation and train loading operations in Carbon County, Utah on July 14, 1999 by a permit transfer. As a condition to receiving its permit, Lodestar obtained a corporate surety bond from Frontier Insurance Company providing for the reclamation of surface disturbances associated with the Whiskey Creek Mine and loadout.

2. Frontier Insurance Company issued performance bond, No. 143715 (the "Bond") to DOGM and the United States Department of Interior, Office of Surface Mining ("OSM") as obligees, on behalf of Lodestar for the reclamation of surface disturbances associated with the Whiskey Creek Mine and loadout.

3. Lodestar was the subject of an involuntary Chapter 11 bankruptcy petition filed on March 30, 2001 captioned In re: Lodestar Energy, Inc., Lodestar Holdings, Inc. and Industrial Fuels Minerals Co. Case Nos. No. 01-50969 and 01-50972, Jointly Administered

under Case No. 01-50969, in the United States Bankruptcy Court for the Eastern District of Kentucky (Lexington Division). Relief was granted on April 27, 2001.

4. The Bankruptcy Court appointed a Chapter 11 Trustee, William D. Bishop, under U.S. Bankruptcy Code Sections 1107 and 1108 on or about February 3, 2003.

5. The Lodestar Chapter 11 bankruptcy proceeding was converted to a Chapter 7 bankruptcy proceeding on or about July 15, 2003 requiring, inter alia, liquidation of Lodestar's assets.

6. By letter dated May 1, 2003, DOGM issued to the Trustee and Frontier a Determination to Forfeit Reclamation Bond notifying the parties of its intent to forfeit the bond due to Lodestar's failure to comply with applicable regulations and failure to cure Orders issued to Lodestar to abate hazardous conditions at the permitted sites.

7. Reclamation of the Whiskey Creek Mine remains incomplete, creating dangerous health and safety issues as well as environmental damage.

8. The mining equipment used at the White Oak Mine, and certain real property associated with the mine were sold by Debtor at an auction sale that was confirmed by the bankruptcy court in February, 2003.

9. The trustee in bankruptcy entered into an agreement for the sale of certain coal in storage and "pit coal" to Blue Ridge Services; DOGM issued a Cessation Order to the Trustee and Blue Ridge objecting to mining operations by Blue Ridge without a permit or bond; and subsequently a Stipulation was approved by the court on March 19, 2003 requiring a portion of the funds from the sale of the coal to be placed into escrow to be used for reclamation of the site.

10. The Trustee subsequently on _____ 2003 approved an agreement among DOGM, Blue Ridge, and Frontier providing for Blue Ridge to complete certain reclamation

work at the Load out facility in exchange for the release of the equipment and buildings at the site and the release of a portion (\$106,000.00) of the moneys held in escrow from the sale of the stockpiled and pit coal.

11. The sale of the remaining personal property within the permit boundaries, including the crushing, processing, loading, and ancillary equipment was approved by the Bankruptcy Court on September 12, 2003 and has been sold by the Trustee as part of the bankruptcy liquidation to Whiskey Creek Mining Services in consideration of removal of all equipment and assumption of the reclamation liabilities at the preparation plant and loadout site.

12. Lodestar has defaulted on its bonded obligations and DOGM has declared Lodestar to be in default under the terms of its permits and the bond, and has terminated Lodestar's right to proceed under its permits without obtaining additional bonding and has demanded that Frontier Insurance Company discharge its obligation under the bond.

13. Frontier Insurance Company has been found to be insolvent and is the subject of an Order of Rehabilitation (attached hereto as Exhibit 1) issued by the Supreme Court of the State of New York on October 15, 2001 (In Re: Application Gregory Serio, Supt. of Insurance of New York v. Frontier Insurance Co., Index No. 405090/01) appointing the Superintendent of the New York Insurance Department as Rehabilitator and under which all persons are enjoined and restrained from commencing or prosecuting any actions, lawsuits or proceedings against Frontier Insurance Company, or the Superintendent as Rehabilitator (Order ¶ 7). Under the Order, the Rehabilitator is also authorized to inter alia, settle claims within his sole discretion (Order ¶ 1).

14. The Rehabilitator is willing and able to settle the claim on the Whiskey Creek bond in order to discharge Frontier Insurance Company's obligations to DOGM under the bond

by terms of this agreement which provides inter alia for the funding of a defined Reclamation Plan at the Whiskey Creek Mine, as provided herein.

15. DOGM is the Utah agency authorized to administer and enforce the Utah Coal Mining Regulation Program, Utah Code Annotated 40-10-1 et seq. and the rules and regulations thereunder and has an approved permanent program to enforce the Surface Mine Control and Reclamation Act, 30 U.S.C. §1201 et seq., 30 C.F.R. §944. Utah and the U.S. Department of Interior have entered into a State-Federal Cooperative Agreement under 30 U.S.C. § 1273(c) which allows a state with an approved permanent regulatory program to elect to enter an agreement for state regulation of surface coal mining and reclamation operations on federal lands.

16. DOGM has determined that it is in the best interests of the State of Utah to forfeit the bonds and accept Frontier's offer to settle its claim on the bond under the terms and conditions of this Agreement.

17. To facilitate reclamation of the Whiskey Creek Mine, Frontier, DOGM, and Bank One N.A., as Escrow Agent will enter an Escrow Agreement (in a form materially similar to that attached hereto as Exhibit 2) for payment of reclamation expenses upon certain reclamation completion milestones. Frontier will deposit in escrow the contract sum as per an agreement between it and the reclamation Contractor for funding the Whiskey Creek Mine reclamation project ("Reclamation Contract"). Funds are to be dispersed to the Contractor in accord with the terms of the Escrow Agreement.

18. The reclamation work required by the Whiskey Creek Reclamation Plan is a partial satisfaction of the full reclamation requirements set out in the mine plan approved July 14, 1999 for which work Frontier was contracted as surety.

19. Upon funding of the escrow account for the benefit of the Whiskey Creek Mine reclamation plan approved by DOGM, DOGM will forebear from collection of amounts under Bond No. 143715 in accordance with the terms and conditions of this agreement.

20. Frontier, the Trustee and DOGM are reserving their rights collectively and individually to pursue actions against third parties in regard to the Whiskey Creek mining operation under any applicable theory of liability.

COVENANTS

NOW, THEREFORE, in consideration of the mutual covenants contained herein, it is hereby agreed between the parties as follows:

1) **Bond Forfeiture**

- A) Bond No. 143715 is hereby declared forfeit.
- B) Neither the Trustee nor Frontier shall appeal the forfeiture.

2) **Reclamation Plan, Schedule and Contract**

A) Attached to this Agreement is the Lodestar Energy Whiskey Creek Mine Reclamation Plan and which has been reviewed and accepted by the parties.

B) The Whiskey Creek Mine Reclamation Plan provides for completion of itemized reclamation work at the Whiskey Creek Mine and related facilities including identified pit backfilling, highwall reduction, portal closures, structure removal, stream restoration, topsoil placement, restoration of other disturbances caused by the reclamation project, and revegetation of disturbed areas using best efforts to reach Substantial Completion during the 2003 reclamation season, but in no event later than the Spring 2004 planting season.

C) The Whiskey Creek Mine Reclamation Plan shall be incorporated into this Agreement as further obligations under the Agreement and will become the Scope of Work

under the Reclamation Contract with the Contractor. DOGM will be a named third party beneficiary of the Reclamation Contract.

D) The Reclamation Contract will require the Contractor to provide a performance and payment bond equal to 100% of the contract sum. The bonds will name the DOGM as the Obligee.

3) **Escrow**

Within 15 (fifteen) business days of execution of the Reclamation Contract with a Contractor, Frontier shall deposit in a national bank an amount equaling the contract sum under the Reclamation Contract ("Escrow Fund") pursuant to the Escrow Agreement. The escrow is intended to provide funds necessary and solely to fulfill the obligations under the Reclamation Plan. All costs of establishing and managing the escrow account will be paid by Frontier, the interest on which may be used for such costs.

4) **Release of Escrow Funds**

Funds will be released from escrow in stages to provide progress payments to the Contractor for work completed pursuant to the terms of the Reclamation Contract.

A) On a monthly basis a Utah licensed professional engineer and qualified reclamation professional on behalf of Frontier shall inspect the progress of the Contractor's work under the Reclamation Contract, in conjunction with DOGM representatives, and will report that progress to DOGM and to Frontier. Frontier shall bear the expenses of the services of the consultant.

B) The consultant will report and certify, subject to the DOGM's approval, the work progress stating the percent of work completed and that the work is/is not completed consistent with the terms of the Reclamation Contract and the Reclamation Plan. In particular,

the consultant will certify the percent of the work completed for each item on the Bid Schedule of Values attached to the Reclamation Contract. The consultant will submit its certification to Frontier and DOGM within five (5) days of the inspection. The certification will describe the percent complete and other significant milestones relevant to the reclamation project. The consultant's certifications together with DOGM approval will form the basis of requests for release of funds from the escrow. An Escrow Account Withdrawal Request (in a form materially similar to that attached hereto as Exhibit 3) executed by both Frontier and DOGM will form the basis for payment to the Contractor.

5) **DOGM and OSM Forbearance of Collection under Forfeited Bond**

Upon execution of the agreements incorporated into this Agreement and after Frontier has placed the funds into escrow, DOGM and OSM irrevocably forebear collection on Bond No. 143745. Frontier's liability and the DOGM's and OSM's claims will lay solely in the escrow and Frontier's obligation under this Agreement. DOGM's and OSM's forbearance on collection of the bond is subject to the reservation of their rights to pursue claims against third parties for civil penalties, further reclamation work and for recovery of the costs of additional reclamation work that is not included in the Whiskey Creek Reclamation Plan.

6) **Trustee Obligations**

A) The Trustee hereby consents to the terms of this Agreement and has determined that the terms hereunder are in the best interest of the Lodestar bankruptcy estate. This Agreement is subject to the continuing jurisdiction of the court and to such additional conditions that the bankruptcy court may impose. Both parties shall cooperate to obtain approval of the Agreement.

B) The Trustee agrees to cooperate with Frontier and DOGM in accomplishing the goals of reclamation on the Whiskey Creek Mine and related facilities including but not limited to executing documents necessary to furthering the goals under this Agreement, selling or otherwise disposing of assets related to the Whiskey Creek Mine as part of the Reclamation Plan and facilitating the Plan in general.

7) **Limitation of Liability**

Neither DOGM nor OSM will assert that Frontier, its contractors or its agents or the Trustee in his personal capacity have become an agent for Lodestar or an "operator" or "controller" of a mine or facility, or "occupier of land," as a result of any activity accomplished under this Agreement. DOGM will take the necessary steps to preclude and/or remove the Trustee in his personal capacity from listing on the Applicant Violator System due to any violations associated with the Whiskey Creek Mine.

8) **Reservation of Rights**

A) DOGM Reservation of Rights – This Agreement is made in partial satisfaction of the reclamation requirements for the permitted mining operation. Notwithstanding the forbearance of collection of the bond amounts provided in exchange for the establishment of the escrow funding the Whiskey Creek Reclamation Plan, DOGM expressly reserves, and by the foregoing agreement does not waive its rights to take all legal and other action necessary to complete the reclamation work including without reservation the following: (1) such legal action as may be required to enforce the terms of this Agreement against Frontier, or to enforce the Reclamation Contract in the event of breach or default by the Contractor and to be a party to such actions as may be required, if any; (2) with the exception of the Trustee, the right to pursue claims against Lodestar and against other persons or parties who may be liable for

the costs of reclamation of the mining operations pursuant to contract, common law, or pursuant to any state or federal statutory provisions.

B) Frontier Reservation of Rights – Frontier, by entering this Agreement, does not waive and specifically reserve all rights, claims and causes of action including indemnity, subrogation and other principles of law against any third party associated under any theory of liability with the Whiskey Creek Mine.

9) **Cooperation with Landowners**

Frontier shall use reasonable efforts in the design and implementation of the Plan to cooperate in and accommodating the requests of the landowners in performing the reclamation work to their satisfaction. Frontier shall join in defending any action brought against DOGM for the inadequacy of the Reclamation Plan or for deficiencies or failure of the work done pursuant to this Agreement.

10) **Correspondence with DOGM**

All correspondence with the DOGM concerning this Agreement shall be addressed to:

Mary Ann Wright, Associate Director
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

with a copy to:

Steven Alder, Esq.
Office of the Utah Attorney General
1594 West North Temple
Salt Lake City, Utah 84114-5801

11) **Correspondence with Frontier**

All correspondence with Frontier concerning this Agreement shall be addressed

to:

John Hillman
Frontier Insurance Company in Rehabilitation
195 Lake Louise Marie Road
Rock Hill, New York 12775-8000

with a copy to:

William T. Gorton III, Esq.
Stites & Harbison
250 West Main Street
Lexington, Kentucky 40507

Frontier shall notify the DOGM whenever there is a change in the contact person named, title or address. Service of any notice or any legal process for any purpose under this Agreement including its enforcement may be made by mailing a copy by first class mail to the above addresses.

12) **Correspondence with the Trustee**

All correspondence with the Trustee concerning this Agreement shall be addressed to:

William Bishop
Lodestar Energy, Inc. Chapter 7 Trustee
2525 Harrodsburg Road – Suite 235
Lexington, Kentucky 40504

With a copy to:

Laura Day DelCotto, Esq.
Wise DelCotto PLLC
219 North Upper Street
Lexington, Kentucky 40507

13) **Changes in the Reclamation Plan**

Frontier, by its counsel, agents and/or contractors is authorized to make application to the DOGM for changes to the Reclamation Plan. In considering any such request, DOGM shall consider all applicable laws and regulations. DOGM shall be under no obligation to consider any change proposed by Frontier unless it has written assurances that the funds then remaining in the escrow account are sufficient to complete all work at the Whiskey Creek Mine, including the proposed change in allowing for any required retainage following completion of construction. In the event of a change in the Reclamation Plan that results in a lower cost for the work, the Reclamation Plan shall be modified to use the amount saved to add to the amount of reclamation work at the mine site.

14) **Appeals**

Frontier shall have the right to appeal a decision or order of the DOGM official with responsibility of administering this Agreement under the regulations for appealing administrative actions at R645-300-100 Coal Mine Permitting:Administrative Procedures. The parties, to the extent permitted by law may agree to alternative dispute resolution including but not limited to mediation, non-binding arbitration or arbitration.

15) **Force Majeure**

In the event that Frontier or its Contractor is unable to comply, after exercise of reasonable diligence and as a result of unforeseen circumstances not reasonably anticipated, Frontier may petition the DOGM for an extension of time in which to complete the Reclamation Plan. Such extensions will not be unreasonably withheld. Frontier will take such action as may be required including legal action to enforce the terms of the Reclamation Contract. The Contractor's only remedy for delay shall be additional time and shall under no conditions include

monetary damages. If any monetary damages are granted due to delay, Frontier shall be solely liable for the same.

16) **Severability**

The paragraphs of this Agreement shall be severable and should any part hereof be declared invalid or unenforceable, the remainder shall continue in full force and effect between the parties.

17) **Entire Agreement**

This Agreement with its Exhibits 1 through 4 shall constitute the entire integrated agreement of the parties.

18) **Attorney Fees**

The parties shall bear their respective attorney fees, expenses and other costs in the prosecution and defense of this matter or any related matters arising prior to execution of this Agreement.

19) **Modifications**

No changes, additions, modifications or amendments of this Agreement shall be effective unless they are set out in writing and signed by the parties hereto.

20) **Counterparts**

This Agreement or any amendment thereto, may be executed in multiple counterparts, each of which shall be deemed an original agreement, and all of which shall constitute one agreement between the parties.

21) **Consent of Office of Surface Mining**

The Office of Surface Mining is a co-obligee of the Frontier bonds and has jurisdiction as oversight of the Utah Coal Mining Program. This agreement is subject to their

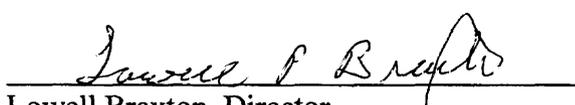
consent, which is indicated by their signatures attached hereto.

Frontier Insurance Company
in Rehabilitation and under the Supervision
of the New York Insurance Department



Neal Connolly, Esq.
Administrator

Utah Division of Oil, Gas and Mining



Lowell Braxton, Director

U.S. Department of the Interior
Office of Surface Mining

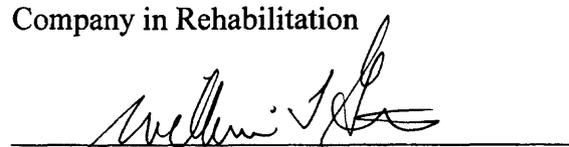
James Fulton, Denver Field Office
Division Chief

Lodestar Energy, Inc. Chapter Seven
Bankruptcy Trustee



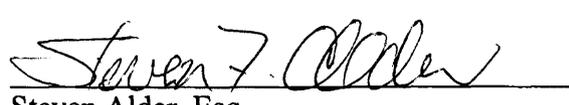
William Bishop, Trustee

Attorney to Frontier Insurance
Company in Rehabilitation



William T. Gorton III, Esq.

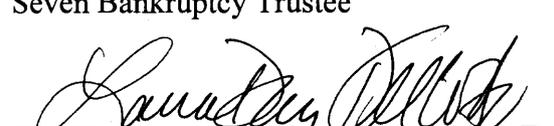
Office of the Utah Attorney General



Steven Alder, Esq.

U.S. Department of Interior
Office of the Solicitor

Attorney to Lodestar Energy, Inc. Chapter
Seven Bankruptcy Trustee



Laura Day DelCotto, Esq.

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consent, which is indicated by their signatures attached hereto.

Frontier Insurance Company
in Rehabilitation and under the Supervision
of the New York Insurance Department

Neal Connolly, Esq.
Administrator

Utah Division of Oil, Gas and Mining

Lowell Braxton
Lowell Braxton, Director

U.S. Department of the Interior
Office of Surface Mining

James Fulton
James Fulton, Denver Field Office
Division Chief

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Company in Rehabilitation

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Steven Alder, Esq.

U.S. Department of Interior
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John S. Retrum
John S. Retrum, Attorney

Lodestar Energy, Inc. Chapter Seven
Bankruptcy Trustee

William Bishop
William Bishop, Trustee

Attorney to Lodestar Energy, Inc. Chapter
Seven Bankruptcy Trustee

Laura Day DeCotto, Esq.

LODESTAR ENERGY
WHISKEY CREEK MINE RECLAMATION PLAN

Introduction

The following discussions provide the Scope of Work to be conducted under the Reclamation Agreement between Frontier Insurance Company in Rehabilitation and under the Supervision of the New York Insurance Department, the Chapter 7 Bankruptcy Trustee of Lodestar Energy, Inc. and the Utah Department of Natural Resources, Division of Oil, Gas and Mining related to the Lodestar Energy Whiskey Creek Mine, Permit No. ACT/007/001. This Reclamation Plan addresses coal preparation and loading structures, highwall reduction by substantially backfilling all of the open pits, open portal closure, restoration of surface hydrology, large sediment pond closure and restoration of Whiskey Creek across the mine property. The accompanying drawings depict a plan view of the topography in its present condition based on 2003 aerial photography and upon which the reclamation plan is based (Exhibit A), a plan view of the completed drainage plan depicting the Whiskey Creek restoration plan, a stream profile and typical designs of stream restoration subgrades. The plan includes reclamation concepts and techniques for various components that are the result of coordination with Division technical staff and engineers engaged by Frontier. The following discussions provide detail on a task-by-task basis.

Task 1 – Mobilization, Demobilization. The contractor will deliver to the site all necessary equipment for the extensive earth moving and excavation activity necessary for the performance of the work. It is anticipated that the major pieces of the equipment spread will include two bulldozers at D-10 or equivalent capacity and two large excavators and at least two articulated trucks. The contractor will provide all major equipment necessary for all tasks

including soil preparation and seeding. The caretaker will remove all equipment and support facilities, along with any associated debris from the project following completion of the work.

Task 2 - Erosion Control/Rip-Rap Segregation. The contractor will inspect and restore existing previously installed erosion control systems to minimize sedimentation into Whiskey Creek. As improvements are completed on site, the contractor will install further control measures at designated locations with sediment traps, check dams, silt fence, straw bales and other standard applications for erosion control as necessary. Discussions in Task 9 address the use of the slope cut area for erosion control during and after construction, along with post reclamation habitat enhancement.

In order to provide stream enhancement and for use in aesthetic/natural habitat reproduction, stream drop structures, energy dissipation and bank armouring, the contractor will gather and segregate if necessary on-site durable rip-rap material (e.g., large appropriate sized material) and store for future use.

Task 3 - Area B Backfilling and Highwall Reduction. The large box cut excavation on the Lower O'Conner Seam shall be backfilled and the coal seam totally covered with material from the spoil storage area in the center of the mine. Backfill material will be placed creating a final surface of increasing slopes from toe to crest in a "concave" configuration in order to maximize highwall reduction. See Exhibit B for typical backfill configuration. The range of slopes will be approximately 3:1 at the toe, culminating to an uncompacted crest near 1 1/2:1 repose. The backfill will also be configured to create an "undulating" non linear land form similar to natural talus found in the region.

An on site safety assessment will be made by the contractor to determine the feasibility of further highwall reduction by excavating or pushing a feasible portion of the remaining highwall ledge on to the backfilled pit. Where feasible, in the contractor's discretion, the highwall lip will be excavated or pushed down slope and on to the fill mass below to reduce the highwall and simulate natural conditions of cliff erosion. In order to access Area A, above the Area B excavation, a road will be constructed through a portion of Area B once backfill elevations are raised to a safe level to access Area A. Following spoil placement, the backfilled area, with the exception of slopes over 2:1, will receive approximately eight inches of topsoil* from the topsoil storage areas. Topsoil placement, preparation and seeding is discussed in Task 10.

Task 4 - Area A Backfilling and Highwall Reduction. The Area A pit will be backfilled, topsoiled and revegetated as described in Task 3 with material hauled from the spoil storage area in the center of the mine.

Task 5 - Area C and Open Portal Backfilling. This task will be carefully coordinated with Task 3 activities in order to obtain enough material to completely backfill the existing pit and cover the open underground mine entries. The openings will be covered with a minimum of four feet of cover. There will be no highwalls remaining in this area. The contractor will also uniformly remove and push material from the ridge above the portals. The new reduced slope in this area will be approximately 2:1 to avoid the backfill toeing in Whiskey Creek. Earthwork will include removal of the existing bench above the highwall. Prior to this highwall reduction, existing topsoil, to extent available, will be removed for future use in covering the new graded areas. Should additional fill material be necessary, spoil from the storage area in the center of the mine will be used to create adequate cover of the portals at the appropriate slope. As the

* Topsoil placement are subject to conditions discussed under Task 10.

backfill level reaches the elevation of the open portals, the contractor will push material into the portals as far as practicable to develop an earthen mine seal. Following spoil placement, the backfilled area will receive approximately eight inches of topsoil* from the topsoil storage areas, prepared and seeded as described in Task 10.

Task 6 - The Area D Backfilling. Area D will be totally backfilled at a slope of approximately 2.5:1 with surrounding material and material from the spoil storage area in the center of the mine and graded to create positive drainage and to conform with the Whiskey Creek restoration plan. There will be no remaining highwalls associated with this pit. The drainage channel in the center of the backfill area will be stabilized with rip rap. The confluence with Whiskey Creek will also be stabilized with rip rap. Following spoil placement, the backfilled area will receive approximately eight inches of topsoil* and will be prepared and seeded as described in Task 10.

Task 7 - Area E Backfilling and Highwall Reduction. The large Area E Upper O'Conner coal seam pit will be backfilled with material which will include the current coal outcrop barrier and associated overburden and with material from the spoil storage area in the center of the mine. The backfilling and highwall reduction will be conducted as described in Task 3. The intersection of the Area E backfill and the Area D drainage channel will be ripped. A terrace will remain on the outside portion of the bench as depicted in the drawings to maintain sediment control and a water course. A rip rap lined channel will be utilized in the water course where it leaves the bench and is directed to the restored Whiskey Creek.

Task 8 - General Grading of Borrow Areas/Positive Drainage. Following the removal, backfilling and utilization of all spoil necessary to meet the backfilling plans discussed

above, remaining spoil storage areas and ungraded spoil outslopes will be graded and sloped to create positive drainage in preparation for topsoil placement and stream restoration. Following spoil placement, the backfilled area will receive approximately eight inches of topsoil* from the topsoil storage area and will be prepared and seeded as described in Task 10.

Task 9 - Whiskey Creek Stream Channel Restoration. The Whiskey Creek channel restoration plans when implemented will reclaim the waterway in a stable and habitat-enhancing manner. The attached design presents the plan and profile drawings proposed for this channel. Plate 1 presents the plan view of the site and channel alignment and Plates 2 and 3 present the profiles of the three channel reaches to be reconstructed.

The following criteria and/or conditions were considered to design the channels for the Whiskey Creek area:

- The existing sedimentation pond will be closed (drained, breached, and capped)
- Channel alignments will make use of natural bedrock where possible
- The existing channel immediately downstream from the outlet of the site bypass culvert is cut into bedrock, with cobble and boulder lining
- The boulder field at the toe of the sedimentation pond embankment is stable and shows no sign of erosion
- On-site rock will be used for riprap
- It is imperative that a stable channel be installed
- Any habitat or other enhancements along the reclamation channel should be limited to areas of shallow slopes
- The overall magnitude of excavation and grading efforts associated with channel construction should be minimized to the extent practical to permit as much on-site reclamation as the available funding will allow

Based on these criteria and conditions, the channel was designed to allow the required peak flow to be safely conveyed through the reclaimed area. The permit document indicates that the peak flows for the area are: 3.1 cubic feet per second (“cfs”) from the unnamed drainage from the west (RC-3), 13.4 cfs from the drainage from the southwest (RC-2) and 32.2 cfs at the

toe of the pond embankment (RC-1). These flows were used to design the associated channel reaches.

A review of the rock available on site indicated that materials available for riprap production are similar to that found in the natural materials both up- and downstream from the area to be reclaimed. Therefore, the available on-site rock is suitable as a source of riprap. Based on observation of the rock on the disturbed area, riprap with an approximate D_{50} of up to 12 inches can be achieved for channel reclamation. Smaller rock sizes are available for use in smaller channels and as subgrade materials.

Design flow calculations for the reclamation channels are presented in Attachment A. Plate 2 shows the profile for the reach RC-1. Plate 3 shows the profiles for reaches RC-2 and RC-3.

To ensure that the main channel is not affected by runoff events during the construction, the existing culvert will remain in place until the intervening section of the channel is installed. This will provide the greatest level of protection and will aid in allowing construction to continue during wet weather.

The channel configuration will consist of a trapezoidal channel shape with 2:1 side slopes and a minimum bottom width of 5 feet. Efforts will be made during the construction to ensure that the final channel will be installed such that positive drainage will occur from the final graded surface to the finished riprapped surface (i.e., no berm of riprap will exist to prevent water from freely entering the channel). This will be accomplished by holding the channel side slopes 6- to 12-inches below the grade of the adjacent fill surface. Additionally, the side slopes of the channel will be overdressed with soil to provide growth material for vegetation and to blend with the fill surface. The proposed channel configuration with an armored bottom and side slopes

allows the maximum exposure of flow to the riprap roughness resulting in a reduction in flow velocity. Also, under low flow conditions, a smaller channel will develop naturally within the larger channel.

Based on this channel configuration and the riprap that is available from the site, the maximum allowable velocity for the main, riprapped channel (RC-1) was determined to be approximately 9 feet per second. This can be achieved with the above-mentioned cross section at a maximum channel slope of about 25%. Based on this limitation, the vertical profile of the channel was established. The overall profile consists of a series of steep slopes and shallow riffle areas. At the downstream end of RC-1, where the channel will flow from the main pad elevation to the boulder field at the toe of the sedimentation pond embankment, it was not possible to develop any ladder or drop structures. This was due to the horizontal distance that would be required to handle the hydraulics of such structures. Therefore, a cascading chute was designed to allow the flow to be conveyed down the slope adjacent to the face of the embankment in a stable and controlled manner.

The channels were divided into different portions that, while having the same basic cross sections, will have different channel linings based on the allowable velocities. Plate 1 shows the proposed cross-sections for the various portions of the channels.

During construction, the contractor will not be screening riprap materials, but will mechanically and manually segregate the rock. Initially, the D_{\max} size pieces will be collected and placed in one or more stockpiles. These pieces will be selected based on visual selection, but will generally be greater than 12-inches in size. Next, the medium grade materials will be extracted by use of the excavator bucket and raked into piles. Material pieces will generally be 3- to 12-inches in size.

These materials will be used to develop the required riprap for the channel. The medium grade materials will be suitable for use in all reaches of the channel that are designated Cross-Section 2. For those reaches of the channel that are designated Cross-Section 1, blending the D_{max} and medium grade materials to approximate the required gradations will create the coarse riprap. The blend of riprap will be one bucket of D_{max} material with two buckets of medium grade materials.

Due to the fact that the channels are being reclaimed on a fill rather than a bedrock base, efforts will be made to minimize the potential for seepage from the channel from saturating the fill. This will be accomplished by lining the channel bottoms with a minimum of 6 inches of silty and/or clayey materials found naturally in the mined material. Inspection of the site shows that some quantity of such materials is available on-site. These materials will be used to the extent that they are available, concentrating on areas of new fill that have not settled over time.

In the riffle areas between the drops, the channel gradient is reduced to less than 1 percent. This will allow the development of sediment collection and wetland/wildlife habitat enhancement areas. Specific details of these enhancements have not been developed; however, they could include channel depressions, channel widening, meanders, etc. The only limitation is that the minimum channel width cannot be reduced. These structures will be field fit. Also, it must be recognized that these improvements will result in the expansion of the channel development area. Therefore, with that expansion, the required clayey material lining will also increase and with a limited amount of material, it may well limit the improvements that can take place.

To ensure that no sections of the channel at slopes greater than 2 percent will not be riprapped, beginning at a point 15 to 20 feet upstream from points where the channel transitions

from shallow slopes of less than 1% to steeper slopes, the channel will be lined with the riprap to be used for the drop. At the beginning of this riprap section, the riprap will be keyed into the subgrade to a depth of at least 3 feet below the bottom of the designed riprap depth across the width of the channel. Also, where a steep section enters a section with a decrease in lining requirements (i.e., smaller or no riprap), the riprap from the upper drop section will be extended a minimum of 50 feet into the next channel reach before transitioning to the new lining. Additionally, at the downstream end of each transition section, the riprap from the upper section will be keyed into the channel bottom similar to the crest key. These transitions and keys will help minimize the potential for erosional failure of the reclamation channels.

To aid in the re-establishment of vegetation and to increase the stability of the riprap, soil will be worked into the riprap. This is similar to the concept of a buried riprap channel. However, due to the steep slopes to be encountered at this site, flow velocities for even small storms could erode the soil cover of a buried riprap channel before vegetation could become established. The blended riprap will be placed in the stream channel. The soil will then be spread over the top of the riprap and agitated to allow the soil material to move into the interstitial spaces of the riprap. This will allow the soil to aid in locking the riprap in-place and protect the soil and vegetation during establishment. Such a channel would from its initial construction have an appearance similar to the natural channels upstream and downstream from the site and would function similar to these channels. Similar efforts have been implemented during reclamation of the Star Point mine and have successfully handled significant runoff events. As discussed above, the side slopes of the channel would be covered with at least 2-inches of soil as part of the grading activities to ensure positive drainage and to allow enhanced vegetation establishment on the channel side slopes.

Also, as part of the reclamation of the site, the sediment pond will be drained of water, the embankment will be breached to ensure positive drainage, and the sediments in the pond will be capped. The existing water in the pond will be pumped from the pond and either discharged to the creek or it will be used for dust control during the construction activities. If it is decided to discharge the water to the creek, a water sample will be taken before discharging to ensure that the water meets effluent limitations. Once it is determined that the water does meet criteria, then the water will be discharged to the channel.

Plate 1 shows the proposed topography of the regarded sediment pond. The pond embankment will be pushed into the pond and a portion of the cut material from the adjacent stream channel will be placed and pushed to cover the pond sediments. Based on the design topography for the pond area, the sediments in the pond will be covered by at least 4 feet of materials. The pond surface will be graded to direct any water that is collected on the regarded surface to be conveyed to the existing emergency spillway channel on the north side of the pond embankment.

Task 10 - Topsoil Distribution and Preparation. As discussed in the pit backfilling tasks above, existing on-site topsoil piles will be utilized in order to redistribute material throughout the mine area. The large topsoil pile in the northeast corner of the permit and the topsoil pile under the truck loadout will be excavated and distributed throughout the mine. Other topsoil piles found throughout the mine will be redistributed at the areas of closest proximity. As a clarification to topsoil discussions in previous tasks, it is anticipated that there is enough topsoil in the existing stockpiles to create an average depth of eight inches on the disturbed areas, however, only topsoil to the extent available will be used and any deficits in topsoil will be subject to variable growing media, i.e., existing spoil direct vegetation.

Following topsoil placement, the material will be excavated and dropped by the bucket load to create a rough non-uniform surface of small topsoil/spoil sites and depressions from where the material was excavated. These “pocks” will create a micro-environment that has proven successful for revegetation on Utah reclamation projects. The entire site will receive this surface roughening technique and seeding will be conducted immediately following the operation.

Task 11 – Revegetation. The attached seed mixture will be broadcast on the reclaimed areas upon topsoil preparation. Seeding will take place as described in Task 10.

Task 12 – Surface Mine Structure Removal. The truck loading facility at the Whiskey Creek Mine and related conveyor systems and electrical facilities will be dismantled and removed from the site early in the reclamation process. The structure removal activities will be scheduled so as not to interfere with earth moving/reclamation activities on the remainder of the site. Concrete foundations will generally be broken and buried in the backfill material. The reclaim tunnel at the truck loadout if daylighted will be crushed and buried with spoil as part of the backfilling process.

Task 13 – Preparation Plant/Rail Loadout Facility. The structures at the Unit Train Rail Loadout and Preparation Plant will be dismantled and removed from the site. It is anticipated that all metal structures and transformers will be removed and the concrete silo and foundations will be blasted and/or broken for demolition and buried on site.

Once the structures are removed, the site will be graded to create positive drainage and the existing topsoil pile will be spread throughout the site and revegetated according to the standards in Task 9 for roughening surface area.

**SEED
CALCULATIONS**

<u>Common</u>	<u>Latin Name</u>	<u># / acre</u>	<u>number seed / #</u> <small>(1/43560sqft)</small>	<u>seeds / sq ft</u>	<u>seeds/sqft</u> <u>totals</u>
Grasses					
Thickspike wheatgrass	Elymus lanceolatus	3	154000	10.61	
Mountain brome	Bromus marginatus	6	90000	12.40	
Western wheatgrass	Pascopyrum smithii	4	110000	10.10	
Blue wildrye	Elymus glaucus	3	110000	7.58	
Slender wheatgrass	Elymus trachycaulus ssp. Trachycaulus	4	159000	14.60	55.28

**SEED
CALCULATIONS**

<u>Common</u>	<u>Latin Name</u>	<u># / acre</u>	<u>number seed / #</u>	<u>seeds / sq ft</u>	
Forbs					
Blue flax	Linum lewisii	1	293000	6.73	
White yarrow MUST SPECIFY	Achillea millefolium	0.1	2770000	6.36	
Penstemon, rocky mnt	Pestemon strictus	0.5	550000	6.31	
White prairie clover	Petalostemum candidum	2	354000	16.25	35.65

**SEED
CALCULATIONS**

<u>Common</u>	<u>Latin Name</u>	<u># / acre</u>	<u>number seed / #</u>	<u>seeds / sq ft</u>	
Shrubs					
Fourwinged saltbush	Atriplex canescens	3	52000	3.58	
Sage, Prairie	Artemisia ludoviciana	0.05	4500000	5.17	
Rose	Rosa woodsii	2	45000	2.07	10.81
			GrassForbShrub	Grand Total	101.74

May replace four wing with winterfat
Winterfat

Ceratoides lanata	2	56700	2.60
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<u>Common</u>	<u>Latin Name</u>	<u># / acre</u>	<u>number seed / #</u>	<u>seeds / sq ft</u>
Cover crop				
Triticale	Triticum aestivum x Secale cereale	20	13000	5.97

RECLAMATION FUND ESCROW AGREEMENT

LODESTAR ENERGY, INC. - WHISKEY CREEK MINE

THIS ESCROW AGREEMENT ("Escrow Agreement") is made and entered into as of October 26, 2003 (the "Effective Date"), by and among Frontier Insurance Company in Rehabilitation and under the Supervision of the New York Insurance Department, a New York corporation ("Frontier in Rehabilitation"), the Utah Department of Natural Resources, Division of Oil, Gas and Mining ("DOG M"), and Bank One Trust Company, NA, a national banking association ("Escrow Agent"), all being duly authorized to execute and deliver this Escrow Agreement.

RECITALS:

WHEREAS, among other commercial activities, Frontier Insurance Company issued reclamation surety bonds covering mining and related operations conducted in Utah by Lodestar Energy, Inc. ("Lodestar").

WHEREAS, Lodestar operated the Whiskey Creek Mine (the "Mine") under Permit No. ACT/007/001 issued by DOGM.

WHEREAS, Lodestar defaulted on the performance under its permit. Thereafter, DOGM revoked the permit and ordered that the bond be forfeited.

WHEREAS, Frontier and DOGM have entered into an agreement to conduct reclamation activities at the Whiskey Creek Mine. Their agreement is set forth in the Whiskey Creek Reclamation Agreement ("Reclamation Agreement"), dated October 3, 2003.

WHEREAS, Frontier has negotiated a Reclamation Contract ("Reclamation Contract") with Ledcor Industries (USA) Inc. ("Contractor") to complete work related to reclaiming the Mine.

WHEREAS, Frontier has agreed to place _____ (\$ _____) in escrow to fund the work set forth in the Reclamation Plan to be completed on the terms and conditions set forth in the Reclamation Agreement and this Escrow Agreement.

NOW THEREFORE, in consideration of the recitals, the mutual promises and agreements set forth in this Escrow Agreement, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

SECTION 1. Appointment. Frontier and DOGM hereby appoint Bank One Trust Company, NA as their Escrow Agent for the purposes set forth herein, and the Escrow Agent hereby accepts such appointment under the terms and conditions set forth herein. Subject to paragraph 4.2, the costs and fees associated with the Escrow Agent's performance of its duties under this agreement shall be born by Frontier from funds other than the Escrow Account (hereinafter defined).

SECTION 2. Escrow Fund.

2.1 Simultaneous with the execution and delivery of this Escrow Agreement, the Escrow Agent agrees to open an interest-bearing escrow account (the "Escrow Account") into which Frontier shall make the deposit set forth in Paragraph 2.2 below.

2.2 Frontier shall deliver to Escrow Agent, simultaneously with the execution and delivery of this Escrow Agreement, the sum of \$ _____ (the "Escrow Funds") for deposit into the Escrow Account. The Escrow Agent agrees to accept the delivery of the Escrow Funds and shall hold the Escrow Funds in the Escrow Account in accordance with the terms and conditions set forth in this Escrow Agreement.

2.3 The interests of Frontier and DOGM in the Escrow Account and in the Escrow Funds shall not be assignable or transferable, other than by operation of law. No transfer of any

of such interests by operation of law shall be recognized or given effect until Escrow Agent shall have received written notice of such transfer from the party to whom the interest is assigned or transferred. Escrow Agent shall be required to give timely notice to DOGM of any such transfer by operation of law.

2.4 The Escrow Funds shall be held as trust funds and shall not be subject to any offset, lien, attachment, trustee process or any other judicial process of any creditor of any party hereto. Escrow Agent shall hold the Escrow Funds in trust for the benefit of DOGM and Frontier. Frontier, tax identification number 132559805, agrees that, for purposes of federal and other taxes based on income, Frontier will be treated as the owner of the Escrow Funds, and that Frontier will report all income, if any, that is earned on, or derived from, the Escrow Funds as its income in the taxable year or years in which such income is properly includable and pay any taxes attributable thereto.

SECTION 3. Investment of Funds in the Escrow Account

3.1 Unless written instructions indicating otherwise, signed by Frontier's representative, are received by the Escrow Agent, all funds shall be invested in the One Group U.S. Treasury Securities Money Market Fund – Class I. Any and all earnings on the funds in the Escrow Account at any time, shall be reinvested in the manner described above.

SECTION 4. Escrow Funds Disbursement and Withdrawal. The Escrow Agent shall disburse the Escrow Funds as follows:

4.1 Promptly, after receipt by the Escrow Agent of a Request for Withdrawal signed by Frontier's representative and DOGM's representative in a form substantially similar to Exhibit 1 attached to this Agreement and incorporated herein by reference, (the "Withdrawal Request"), the Escrow Agent shall withdraw from the Escrow Fund such sums as may be

requested in such Withdrawal Request and as are necessary to pay the progress payments set forth in the Reclamation Contract or otherwise to release funds from escrow in accordance with the terms of the Reclamation Agreement. The Escrow Agent shall disburse such sums as indicated in the Withdrawal Requests.

4.2 Escrow Agent also shall disburse funds as directed by any final, nonappealable order of any court having jurisdiction over the parties subject to the Reclamation Agreement.

4.3 In the event of a dispute with respect to the payment and/or ownership or right of possession of all or any portion of the Escrow Funds, the Escrow Agent is authorized and directed to retain in its possession, without liability to anyone, all or any part of the Escrow Funds until such dispute shall have been settled by written mutual agreement between the parties concerned or, in the absence thereof, receipt by the Escrow Agent of a final, non-appealable order of a court of competent jurisdiction directing disposition of such funds. The Escrow Agent shall be entitled to rely upon such final agreements or orders and to distribute the Escrow Funds and the interest accrued thereon in accordance therewith.

SECTION 5. Duties of Escrow Agent; Compensation and Reimbursement; Limitation of Escrow Agent's Liability.

5.1 The sole duties of Escrow Agent, other than as herein specified, shall be to receive, hold and disburse the Escrow Funds in accordance with this Escrow Agreement.

5.2 Escrow Agent shall be entitled to reasonable compensation as well as reimbursement for its reasonable costs and expenses incurred in connection with the performance by it of services under this Escrow Agreement (including reasonable fees and expenses of Escrow Agent's Counsel). Escrow Agent's fee shall be \$1500.00 plus expense reimbursement. Frontier obligates itself to pay to Escrow Agent the compensation and reimbursement to which

Escrow Agent is entitled. Frontier agrees that the interest that accrues on the Escrow Funds will first be used to compensate and reimburse Escrow Agent and further agrees that Escrow Agent shall have a lien on any remaining accrued interest for payment of its fees and expenses without judicial action to foreclose the said lien. Any interest remaining after payment of amounts due to Escrow Agent shall be paid to DOGM when the original principal amount of the Escrow Funds has been paid out in accordance with this Escrow Agreement.

5.3 Escrow Agent shall incur no liability whatsoever with respect to any action taken or suffered by it in reliance upon any notice, direction, instruction, consent, statement or other documents duly authorized by DOGM and Frontier, nor for other action or inaction except for its own negligence or misconduct. The Escrow Agent shall not be responsible for the validity or sufficiency of this Escrow Agreement. In all questions arising under the Escrow Agreement, Escrow Agent may rely on the advice of Escrow Agent's counsel, and for anything done, omitted or suffered in good faith by Escrow Agent based on such advice, Escrow Agent shall not be liable to anyone; provided however, that this sentence shall not apply to any payment or release of any Escrow Funds not consented to by DOGM and Frontier or ordered by a court of competent jurisdiction. Escrow Agent shall not be required to take any action hereunder involving any expense unless the payment of such expense is made or provided for in a manner reasonably satisfactory to it. The total and entire liability of the Escrow Agent shall be limited to the amount of the Escrow Funds remaining at the time that the action on which such liability occurred.

SECTION 6. Succession. The Escrow Agent may resign and be discharged from its duties or obligations hereunder by giving sixty (60) days advance notice in writing of such resignation to the other parties hereto specifying a date when such resignation shall take effect, but such

resignation shall not become effective until a successor escrow agent shall have been appointed and shall have accepted such appointment in writing. In the event Escrow Agent resigns or is otherwise no longer available to serve as escrow agent hereunder, Frontier shall appoint, with DOGM's reasonable consent, a successor Escrow Agent who shall execute a copy of this Agreement for delivery to Frontier and DOGM. In the case of such a resignation, Escrow Agent shall cooperate with the other parties in the orderly transfer of the Escrow Funds to the successor escrow agent and shall promptly refund the pro rata portion of any unearned escrow fees which may have been paid. After resignation, Escrow Agent's fiduciary duty of confidentiality shall continue. Any corporation into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation to which all or substantially all the escrow business of the Escrow Agent's corporate trust line of business may be transferred shall be the Escrow Agent under this Escrow Agreement without further Act.

SECTION 7. General.

7.1 Nothing in this Escrow Agreement is intended to limit any of Frontier's or the DOGM's rights or obligations under any other agreement.

7.2 Notices. All notices, demands or consents required or permitted under this Agreement shall be given in accordance with this Section 6.2. Such notices, demands or consents shall be in writing and shall be deemed to have been given if delivered or sent by hand, by registered first class or certified mail, postage prepaid, with return receipt requested, by national overnight courier or by facsimile to the addresses set forth below, or at such other address as subsequently shall be given by any party to the others in writing, and shall be effective upon receipt:

if to Frontier:

John Hillman
c/o Frontier Insurance Company in Rehabilitation
195 Lake Louise Marie Road
Rock Hill, New York 12775-8000
Phone: 800-386-2100, Ext. 5532/Fax: 845-807-4940

with a copy (which shall not constitute notice) to:

William T. Gorton III, Esq.
Stites & Harbison, PLLC
250 West Main Street - Suite 2300
Lexington, Kentucky 40507
Phone: 859-226-2241/Fax: 859-253-9144

if to DOGM:

Mary Ann Wright, Associate Director
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801
Phone: 801-538-5340/Fax: 801-359-3940

with a copy to:

Steven Alder, Esq.
Office of the Utah Attorney General
1594 West North Temple
Salt Lake City, Utah 84114-5801
Phone: 801-538-5348/Fax: 801-538-7440

if to Contractor:

Milan Soucek
Ledcor Industries (USA) Inc.
5905 South Virginia St., Third Floor
Reno, NV 89502
Phone: 775-829-8887/Fax: 775-829-8195

with a copy to:

Mark S. Sertic, Esq.
777 Sinclair St., Suite 201
Reno, NV 89501
Phone: 775-327-6300/Fax: 775-327-6301
E-mail: msertic@storysertic.com

if to Escrow Agent:

Bank One Trust Company, NA
201 East Main Street
Lexington, KY 40507
Attn: Betty G. Bain
Phone: 859-231-2997
Fax: 859-231-2208

7.3 This Escrow Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

7.4 The headings contained in this Escrow Agreement are for convenience of reference only, shall not be deemed to be a part of this Escrow Agreement and shall not be referred to in connection with the construction or interpretation of this Escrow Agreement.

7.5 This Escrow Agreement shall be construed in accordance with, and governed in all respects by, the laws of Utah.

7.6 This Escrow Agreement shall be binding upon and shall inure to the benefit of Frontier and its successors and assigns (if any); DOGM and its successors and assigns (if any); and to Escrow Agent and its successors and assigns (if any).

7.7 Any term or provision of this Escrow Agreement may be amended, and the observance of any term of this Escrow Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only by a writing signed by the party to be bound thereby. The waiver by a party of any breach hereof or default in the performance

hereof will not be deemed to constitute a waiver of any other default or any succeeding breach or default. No failure on the part of any party to exercise any power, right, privilege or remedy under this Escrow Agreement, and no delay on the part of any party in exercising any power, right, privilege or remedy under this Escrow Agreement shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

7.8 In the event that any provision of this Escrow Agreement, or the application of any such provision to any person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Escrow Agreement, and the application of such provision to persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law. This Escrow Agreement shall be construed in a manner consistent with the terms of the Reclamation Agreement.

7.9 This Escrow Agreement and the other agreements referred to herein set forth the entire understanding of the parties relating to the subject matter hereof and thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter hereof and thereof.

7.10 Each party agrees to cooperate fully with the other parties and to execute such further instruments, documents and agreements and to give such further written assurances as may be reasonably requested by any other party to evidence and reflect the transactions

described herein and contemplated hereby and to carry into effect the intents and purposes of this Escrow Agreement.

7.11 Contractor and its successors and assigns shall be third party beneficiaries to this Escrow Agreement; however, nothing in this Escrow Agreement shall be construed to create any rights or obligations except as among the parties hereto, and no other person or entity shall be regarded as a third-party beneficiary of this Escrow Agreement.

SECTION 8. Indemnity

8.1 The Escrow Agent shall be, and hereby is, indemnified and saved harmless by Frontier and from all losses, liabilities, costs and expenses, including attorney fees and expenses, which may be incurred by it as a result of its acceptance of the Escrow funds or arising from the performance of its duties hereunder, unless such losses, liabilities, costs and expenses shall have been finally adjudicated to have resulted from the bad faith or gross negligence of the Escrow Agent, and such indemnification shall survive its resignation or removal, or the termination of this Agreement

SECTION 9. Termination

9.1 Except for the provisions of Sections 4 and 5, which shall survive termination of this Escrow Agreement indefinitely, this Escrow Agreement shall terminate upon final and complete disbursement of the Escrow Funds.

SECTION 10. Counterparts

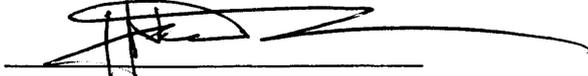
10.1 This Escrow Agreement or any amendment thereto, may be executed in multiple counterparts, each of which shall be deemed an original agreement, and all of which shall constitute one (1) agreement between the parties.

SIGNATURES:

IN WITNESS WHEREOF, Frontier, DOGM, and Escrow Agent have executed and delivered this

Escrow Agreement as of the date first above written.

**FRONTIER INSURANCE COMPANY IN
REHABILITATION**



By: Neal Conolly Esq.

Its: Administrator

Date:

BANK ONE TRUST COMPANY, NA



By: Betty G. Bain

Its: Trust Officer

Date: *October 26, 2003*

**UTAH DEPARTMENT OF NATURAL
RESOURCES
DIVISION OF OIL, GAS AND MINING**



By: Lowell Braxton

Its: Director

Date: *10/03/03*

WITHDRAWAL REQUEST

Date _____

Bank One Trust Company, NA
201 East Main Street
Lexington, KY 40507
Attn: Betty G. Bain

Re: Escrow Account # _____

Dear _____:

Reference is made to that certain Escrow Agreement dated _____, by and among Frontier Insurance Company in Rehabilitation ("Frontier in Rehabilitation"), the Utah Division of Oil, Gas and Mining ("DOG M"), and Bank One Trust Company, NA ("Escrow Agent"). Please be advised that on _____, ____ (date) pursuant to Section 4.1 of said Escrow Agreement, a withdrawal from the Escrow Fund in the total amount of \$_____ is requested for expenses in accord with the Reclamation Contract for the Whiskey Creek Mine. In support of this request the following certifications are made:

Amount Requested	Payee	Payee's Bank/Account #
\$ _____	_____	_____ # _____

Sincerely,

Utah Division of Oil, Gas and Mining

By:
Its:

Frontier Insurance Company in
Rehabilitation

By:
Its:

RECLAMATION CONTRACT
LODESTAR ENERGY, INC.
WHISKEY CREEK MINE
CARBON COUNTY, UT

- LEDCOR INDUSTRIES -

This Contract for the reclamation of the Lodestar Energy, Inc., Whiskey Creek Mine ("Reclamation Contract") is made as of the 6th day of October, 2003, by and among Frontier Insurance Company in Rehabilitation and under the Supervision of the New York Insurance Department, a New York corporation, (hereinafter the "Surety" or "Frontier"), 195 Lake Louise Marie Road, Rock Hill, New York 12775-8000; and Ledcor Industries (USA) Inc., a Washington Corporation, 5905 South Virginia Street, Suite #300, Reno, NV 89502 (hereinafter the "Contractor").

RECITALS

The work to be performed under this agreement is in furtherance of Frontier's obligations to the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining ("DOGM") under a Consent Order and Agreement to implement the Whiskey Creek Mine Reclamation Plan ("Reclamation Plan").

To facilitate reclamation of the Whiskey Creek Mine, the Surety, DOGM, and an Escrow Agent will enter into an Escrow Agreement providing for payment to Contractor upon achievement of certain reclamation milestones. Contractor shall be an intended third-party beneficiary of the Escrow Agreement.

The Surety will deposit in escrow the sum of \$999,000 ("Contract Sum") for funding the Whiskey Creek Mine reclamation. Funds are to be disbursed as progress payments to the Contractor in accord with the terms of this Contract and the Escrow Agreement.

COVENANTS

IN consideration of the mutual covenants contained herein, it is hereby agreed between the parties as follows:

1) **The Scope of Work**

- A) The work remaining to be done in order to complete mine reclamation is referred to herein as the "Work." The scope of the Work to be completed by Contractor is set forth in the Whiskey Creek Mine Reclamation Plan which is incorporated by reference and attached as Exhibit 1 herein, as it may be amended from time to time. The Contractor shall execute the Work described in the Contract Documents as enumerated and discussed in Paragraphs 5 and 6, as they apply to the Work. The Contractor has conducted the necessary investigations to familiarize itself with site conditions and to perform the Work related to surface reclamation of the Whiskey Creek Mine located in Carbon County, Utah. The Contractor has developed a proposal to perform the Work based on its review and knowledge of the Reclamation Plan, the Contract Documents, and site conditions and has professional training and experience in mining and reclamation activities.

2) **Date of Commencement and Substantial Completion**

- A) The date of commencement is the date identified as such in Frontier's Notice to Proceed.

- B) “Substantial Completion” shall be deemed to have been achieved when, following receipt of certification by the Consultant, DOGM has conducted an on-site inspection and submitted a final inspection report stating that the major work items have been completed in accordance with the Contract Documents enumerated in paragraph 5.
- C) “Final Completion” shall be deemed to have been achieved when, following receipt of a final certification by the Consultant, DOGM has conducted a final on-site inspection and submitted a final inspection report stating that the Work has been completed in accordance with the Contract Documents enumerated in paragraph 5.

3) **Contract Sum**

- A) Subject to paragraph 4, Frontier shall fund an escrow account to pay the Contractor a lump sum price of \$999,000 for the Work set forth herein. The Contractor acknowledges that the scope of Work for this project entails the entire project and that, despite individual work item descriptions in the Schedule of Values for payment purposes, the Contract Sum is a lump sum fixed fee for the entire project. Deletion of a work item from the Scope of Work shall reduce the Contract Sum by the amount listed for that work item in the Schedule of Values.
- B) The Contract Sum is based upon the Work detailed in the Reclamation Plan submitted by Contractor and approved by DOGM. The Contract Sum supersedes any documents or verbal quotes to the contrary.

4) **Payments**

- A) The Contractor shall be entitled to monthly progress payments. An independent Professional Engineer or otherwise qualified technical consultant (“Consultant”) engaged by Frontier, who shall be Frontier’s Representative as designated in DOGM Reclamation Agreement and Escrow Agreement, shall, following receipt of the monthly invoice and progress report from Contractor, inspect the work and certify, subject to DOGM's concurrence, the status and percent of work completed. Upon such certification and approval that portions of the Work have been completed in accord with the Reclamation Plan and the Schedule of Values, the Consultant shall notify Frontier and DOGM. If DOGM contests the certification in writing the parties shall immediately meet and confer to resolve any outstanding issues. If DOGM concurs with the certification, Frontier shall immediately submit a Withdrawal Request authorizing disbursement of the appropriate progress payment to Contractor by the Escrow Agent from the Escrow Account. The Withdrawal Request shall be in a form substantially similar to Exhibit 2. Each request for, and payment of, funds to Contractor shall include a retainage factor of ten (10) percent that will be withheld, pending Substantial Completion Payment and Final Payment.
- B) Substantial Completion Payment, constituting ninety seven (97) percent of the Contract Sum (remaining Contract balance and seventy (70) percent of retainage) shall be made to the Contractor when the Work has

been determined by DOGM to be Substantially Complete in accordance with paragraph 2)(B) of this Contract. Prior to submitting its invoice for the Substantial Completion Payment, the Contractor will inform the Consultant and DOGM that the Work is substantially complete and that it is applying the Substantial Completion Payment. The parties shall establish a mutual date for the Substantial Completion inspection which shall not be later than 15 days after notice from the Contractor. The inspection report shall be issued within ten days after the inspection.

- C) Final Payment constituting the remaining three (3) percent of the contract amount held as retainage shall be made to the Contractor when the Work has been determined by DOGM to be complete in accordance with paragraph 2)(C) of this Contract, including punch list items identified during the Substantial Completion Inspection. Prior to submitting its invoice for Final Payment, the Contractor will inform the Consultant and DOGM that the Work is complete and that it is applying for Final Payment. The parties shall establish a mutual date for the Final Payment inspection which shall not be more than fifteen (15) days after notice by the Contractor. As a condition precedent to final payment, if applicable, the Contractor shall execute all appropriate lien waivers and obtain releases and lien waivers from subcontractors, suppliers and sub-subcontractors. Final payment to the Contractor shall be made no later than thirty days following final certification and approval by DOGM.

D) The Contractor may combine its applications for Substantial Completion Payment and Final Payment if it determines, with the concurrence of the Consultant and DOGM, that all Work required under the Contract is complete.

5) **Enumeration of Contract Documents**

A) The Contract Documents are enumerated as follows:

A.1) This Reclamation Contract between Frontier and Contractor;

A.2) The Consent Order and Agreement between Frontier and DOGM.

A.3) The Reclamation Plan and related drawings and exhibits submitted to DOGM by Frontier, and approved by DOGM on October 6, 2003, and any revisions or modifications thereto as approved by DOGM.

A.4) The proposal and "Schedule of Values" received from the Contractor on or about October 6, 2003;

A.5) All As-Built Drawings, monitoring reports and other certifications, which shall be produced hereunder (if required).

A.6) The Escrow Agreement entered into by Frontier, the Escrow Agent and DOGM.

6) **Contract Documents**

A) The Contract Documents consist of those enumerated in Paragraph 5, and written and mutually agreed to modifications issued after execution of

this Reclamation Contract. The intent of the Contract Documents is to include all items necessary for the proper execution and completion of the Work by the Contractor. The Contract Documents are complementary, and what is required by one shall be as binding as if required by all. Performance by the Contractor shall be required only to the extent consistent with the Contract Documents and reasonably inferable from them as being necessary to produce the intended results.

B) Execution of this Reclamation Contract by the Contractor is a representation that the Contractor has reviewed the Reclamation Plan, visited the site and become familiar with the local conditions and, through experience and communication with DOGM, has become familiar with the state and federal regulatory framework under which the work is to be performed.

7) Contractor

A) The Contractor shall supervise and direct the Work, using the Contractor's best skill and attention. The Contractor shall be solely responsible for conducting the Work, including necessary contracting of professional surveying or engineering services to the extent necessary to assure completion of the Work in accordance with the Contract Documents, and shall have control over construction means, methods, techniques, sequences and procedures and for coordinating all portions of the Work.

- B)** The Contractor shall provide and pay for labor, materials, equipment, tools, construction equipment and machinery, water, heat, utilities, transportation, and other facilities and services necessary for the proper execution and completion of the Work, whether temporary or permanent and whether or not incorporated or to be incorporated in the Work.
- C)** The Contractor shall enforce strict discipline and good order among the Contractor's employees and other persons carrying out the Contract. The Contractor shall not permit employment of unfit persons or persons not skilled in tasks assigned to them.
- D)** The Contractor warrants to Frontier that materials and equipment furnished under the Reclamation Contract will be of good quality and new unless otherwise required or permitted by the Contract Documents, that the Work will be free from defects not inherent in the design or quality required or permitted, and that the Work will conform with the requirements of the Contract Documents. Work not conforming to these requirements, including substitutions not properly approved and authorized, may be considered defective. The Contractor's warranty excludes remedy for damage or defect caused by abuse and improper or insufficient maintenance of the Project Site and design deficiencies or defects. If required by Frontier or DOGM, the Contractor shall furnish satisfactory evidence as to the kind and quality of materials and equipment.

E) The Contractor warrants that it will comply with, and that its work will conform to, the standards, as applicable, specified in the Federal Occupational Safety and Health Act, 29 U.S.C. § 651 et seq., the Federal Mine Safety and Health Act, 30 U.S.C. § 801 et seq., and applicable Utah law regarding worker safety, mine closure and reclamation at Utah Code §40-10-17 and the regulations thereunder at Utah Code §40 and Utah Administrative Code §R645, except where the Reclamation Plan as approved by DOGM may vary from regulatory standards for operating mines. Such compliance and conformity includes, but is not limited to, applicable water quality laws, regulations and permits and mine reclamation laws and regulations. Notwithstanding the foregoing, the Contractor makes no warranty that the design of the Work complies with any laws or regulations and the Contractor shall have no liability or responsibility to assure that the Work conforms to such laws or regulations.

F) Contractor warrants that it is familiar with site conditions and the dangers associated with mine reclamation and will mandate strict safety measures for its employees in the performance of the Work.

G) Unless otherwise provided in the Contract Documents, the Contractor shall pay applicable sales, consumer, use, and other similar taxes which are legally enacted when bids are received or negotiations concluded, whether or not yet effective or merely scheduled to go into effect, and

shall secure and pay for permits and governmental fees, licenses and inspections necessary for proper execution and completion of the Work.

- H)** Notwithstanding mining/reclamation regulatory permits, notices and approvals, the Contractor shall comply with and give notices required by laws, ordinances, rules, regulations, and lawful orders of public authorities bearing on performance of the Work.
- I)** The Contractor shall be responsible to DOGM and the property owners for the acts and omissions of the Contractor's employees, Subcontractors and their agents and employees, and other persons performing portions of the Work under a contract, express or implied, with the Contractor. Contractor shall specifically incorporate these Contract Documents into any subcontracts or purchase orders executed for the purpose of performing the Scope of Work.
- J)** When professional certification of performance criteria of materials, systems or equipment is required by law, professional standards or the Contract Documents, Contractor will obtain or provide the necessary certifications and Frontier and DOGM shall be entitled to rely upon the accuracy and completeness of such certifications.
- K)** The Contractor shall keep the premises and surrounding area free from accumulation of waste materials or rubbish caused by operations under the Contract. At completion of the Work, the Contractor shall remove from the Work area waste materials, rubbish, the contractor's tools, construction equipment, machinery and surplus materials.

- L) The Contractor shall provide Frontier and DOGM or their agents reasonable access to the Work wherever located.
- M) To the fullest extent permitted by law, the Contractor shall indemnify and hold harmless Frontier, Frontier's consultants, and agents and employees, and DOGM, and its employees or any of them from and against claims, damages, losses and expenses, including but not limited to, attorneys' fees and costs, arising out or resulting from performance of the Work, provided that such claim, damage, loss or expenses is attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property (other than the Work itself) including loss of use resulting therefrom, but only to the extent caused in whole or in part by negligent acts or omissions of the Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable. Such obligation shall not be construed to negate, abridge, or reduce other rights or obligations of indemnity which would otherwise exist as to a party or person described in this paragraph.

8) Administration of the Contract

- A) The Contractor will have control over and responsibility for construction means, methods, techniques, testing, sequences, procedures and safety precautions and programs in connection with the Work. Contractor shall be responsible for the supervision and coordination of Contractor's Subcontractors.

B) As set forth above, DOGM must approve and accept the results of the surface reclamation activities as described in the Scope of Work. The Escrow Agent's obligation to make progress payments, Substantial Completion Payment or Final Payment is conditioned upon approval by DOGM of those phases where DOGM approval is necessary, as set forth above.

C) The Contractor will submit the necessary documentation to DOGM regulatory authorities when requested in order to assure necessary DOGM approvals. The Contractor will also take any necessary and appropriate actions to correct deficiencies to bring the Work into conformity with the Contract Documents. In case of a dispute with DOGM as to the necessity or appropriateness of DOGM requirements or the improper withholding of necessary approvals in regard to the Scope of Work, it shall be the obligation solely of the Contractor to resolve the dispute with DOGM. Frontier reserves the right to participate in discussions to resolve disputes.

9) **Time**

A) Contractor shall make its best efforts to achieve Substantial Completion during the 2003 reclamation season. If the Contractor is delayed at any time in progress of the Work by changes ordered in the Work, by labor disputes, fire, unusual delay in deliveries, adverse weather conditions including winter conditions or snow accumulation that makes continued performance infeasible, concealed and unanticipated site conditions, unavoidable causalities or any causes beyond the Contractor's

control, then the Contract Time shall be extended to the end of the 2004 planting season.

- B)** CONTRACTOR'S SOLE REMEDY FOR DELAY, HINDRANCE OR INTERFERENCE FOR WHATEVER PURPOSE OR CAUSED BY WHATEVER SOURCE IS AN EXTENSION OF TIME TO COMPLETE THE WORK. WITH THE EXCEPTION OF REMOBILIZATION COSTS DUE TO WORK CESSATION CAUSED BY ADVERSE SNOW AND WINTER CONDITIONS AS ADDRESSED IN PARAGRAPH 9A, IN NO WAY WILL AN EXTENSION OF TIME TO PERFORM THE WORK RESULT IN ALLOWANCE OF INCREASED COSTS TO CONTRACTOR.

10) Payments and Completion

- A)** Payment shall be made as provided in paragraphs 3 and 4 of this Agreement.
- B)** Payments may be withheld on account of: (1) failure of Contractor to receive necessary approvals regarding completion of a phase of Work by the Consultant or DOGM, (2) defective Work not remedied, (3) claims or liens filed by third parties, but payment may be withheld only to the extent of said claims of liens, (4) reasonable evidence that the Work cannot be completed for the unpaid balance of the Contract Sum, (5) damage to the property owner or another contractor, or (6) persistent failure to carry out the Work in accordance with the Contract Documents.

- C) Acceptance of Final Payment by the Contractor, a Subcontractor or material supplier shall constitute a waiver of payment claims by that payee.

11) **Protection of Persons and Property**

- A) The Contractor shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of the Work. The Contractor shall take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to: employees on the Work and other persons who may be affected thereby; the Work and materials and equipment to be incorporated therein; and other property at the Whiskey Creek site or adjacent thereto.
- B) The Contractor shall give notices and comply with applicable laws, ordinances, rules, regulations and lawful orders of public authorities bearing on safety of persons and property and their protection from damage, injury or loss. The Contractor shall promptly remedy damage and loss to property at the site caused in whole or in part by the Contractor, a Subcontractor, a Sub-subcontractor, or anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable and for which the Contractor is responsible.
- C) The Contractor shall erect and maintain, as required by existing conditions and the progress of the Work, all reasonable safeguards for safety and protection, including posting danger signs and other warnings

against hazards, promulgating safety regulations and notifying owners and users of adjacent utilities.

12) Insurance and Bonds

- A) The Contractor shall purchase from and maintain in a company or companies lawfully authorized to do business in Utah, and acceptable to Frontier, insurance for protection from claims under workers' or workmen's compensation acts and other employee benefit acts which are applicable, claims for damages because of bodily injury, including death, and from claims for damages, other than to the Work itself, to property which may arise out of or result from the Contractor's operations under the Contract, whether such operations be by the Contractor or by a Subcontractor or anyone directly or indirectly employed by any of them. The Contractor shall require the same insurance coverages be obtained by Subcontractors. This insurance shall be written for not less than \$2,000,000 for each occurrence and \$4,000,000 aggregate, and shall include contractual liability insurance applicable to the Contractor's obligations under paragraph 7.(L). The insurance policy shall name Frontier and DOGM as additional insureds. Certificates of such insurance shall be filed with DOGM and Frontier prior to the commencement of the Work.
- B) Within ten days of the Reclamation Contract execution, the Contractor shall furnish bonds covering the faithful performance of the Reclamation Contract, payment of obligations arising thereunder and maintenance of

the site. The bonds shall be written by a reputable bonding company having a U.S. Department of Treasury listing and satisfactory to DOGM and shall be in the penal sum of one hundred percent (100%) of the Contract Sum for both the performance and payment bonds. DOGM shall be the named obligee on the bonds. The bonds shall be provided on AIA form A312.

13) Correction of Work

The Contractor shall promptly correct Work rejected by DOGM or the Consultant for failing to conform to the requirements of the Contract Documents, whether observed before or after Substantial Completion and whether or not fabricated, installed or completed, and shall correct any Work found to be not in accordance with the requirements of the Contract Documents prior to Final Payment. The provisions of this paragraph shall apply to Work done by Subcontractors as well as to Work done by direct employees of the Contractor. If Contractor fails to make satisfactory arrangements to promptly correct the work within 30 days after receiving written notice from DOGM, DOGM may make a claim on Contractor's performance bonds.

14) Miscellaneous Provisions

- A) The Reclamation Contract shall be governed by the laws of the State of Utah.
- B) As between Frontier and the Contractor, any applicable statute of limitations shall commence to run and any alleged cause of action shall be deemed to have accrued:

- B.1) Not later than the date of Substantial Completion for acts or failures to act occurring prior to the relevant date of Substantial Completion;
- B.2) Not later than the date of issuance of the Department approval for acts or failures to act occurring subsequent to the relevant date of Substantial Completion and prior to issuance of the Final Payment; and
- B.3) Not later than the date of the relevant act or failure to act by the Contractor for acts or failures to act occurring after the date of the Final Payment.

15) **Default and Termination of the Contract**

- A) If the Contractor defaults or neglects to carry out the Work in accordance with the Contract Documents; fails to make payments to Subcontractors or Suppliers for materials or labor in accordance with respective agreements between the Contractor and the Subcontractors; persistently disregards laws, ordinances or rules, regulations or orders of a public authority having jurisdiction or fails to perform a provision of the Reclamation Contract, Frontier, after seven days written notice to the Contractor, and Contractor's failure to commence, within fifteen days receipt of such notice, good faith efforts to cure, and without prejudice to any other remedy Frontier may have, may make good such deficiencies and may deduct the cost thereof, including compensation for Consultants' services and expenses made necessary thereby, as well as all attorney's

fees and expenses from the payment then or thereafter due the Contractor. The Contractor shall not be entitled to receive further payment until the Work is finished. Alternatively, at Frontier's option and concurrence of DOGM, Frontier may terminate the Contract and take possession of the site and of all materials thereon owned by the Contractor and may finish the Work by whatever method Frontier may deem expedient. If the unpaid balance of the Contract Sum exceeds costs of finishing the Work, including compensation for Consultants' services and expenses as well as attorney's fees and expenses made necessary thereby, such excess shall be paid to the Contractor, but if such costs exceed such unpaid balance, Frontier shall pay the difference to Frontier or Frontier may make a claim on Contractor's bond.

16) Frontier's Termination for Convenience

- A)** Frontier may, at any time and with the concurrence of DOGM, terminate the Reclamation Contract in whole or in part for Frontier's convenience and without cause. Termination by Frontier under this paragraph shall be by a written notice of termination delivered to the Contractor specifying the extent of termination and the effective date.
- B)** Upon receipt of a notice of termination for convenience, the Contractor shall immediately, in accordance with instructions from Frontier, proceed with performance of the following duties regardless of delay in determining or adjusting amounts due under this paragraph.
 - B.1)** Cease operations as specified in the notice;

- B.2) Place no further orders and enter into no further subcontracts for materials, labor, services or facilities except as necessary to complete continued portions of the Reclamation Contract;
 - B.3) Terminate all subcontracts and orders to the extent they relate to the Work terminated;
 - B.4) Proceed to complete the performance of Work not terminated; and
 - B.5) Take actions that may be necessary, or that DOGM may direct, for the protection and preservation of the terminated Work.
- C) Upon such termination, the Contractor shall recover as its sole remedy payment for Work properly performed in connection with the terminated portion of the Work prior to the effective date of termination and for items properly and timely fabricated off the Project site, delivered and stored in accordance with Frontier's instructions and all costs incurred for actions taken to protect and preserve the terminated Work. The Contractor hereby waives and forfeits all other claims for payment and damages, including, without limitation, anticipated profits.
- D) Frontier shall be credited for (1) payments previously made to the Contractor for the terminated portion of the Work, (2) valid claims which Frontier has against the Contractor under the Contract and (3) the value of the materials, supplies, equipment or other items that are to be disposed of by the Contractor that are part of the Contract Sum.

17) Third Party Beneficiaries

It is expressly acknowledged by the parties that DOGM is the intended Third Party

Beneficiary of this Contract.

18) Dispute Resolution

In any dispute arising hereunder, the parties will endeavor first to resolve the dispute through mediation under the rules of the American Arbitration Association or an entity specifically agreed upon by both parties and DOGM. Any controversy that remains unresolved forty-five (45) days after the appointment of a mediator shall be settled by arbitration with a single arbitrator subject to the rules of the American Arbitration Association or an entity specifically agreed to by the parties.

19) Correspondence

All correspondence with Frontier concerning this Reclamation Contract shall be addressed to:

John Hillman
Frontier Insurance Company in Rehabilitation
195 Lake Louise Marie Road
Rock Hill, New York 12775-8000

with a copy to :

William T. Gorton III, Esq.
Stites & Harbison
250 West Main Street, Suite 2300
Lexington, Kentucky 40507

All correspondence to DOGM concerning this Reclamation Contract shall be to:

Mary Ann Wright, Associate Director
Utah Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

with a copy to :

Steven Alder, Esq.

Office of the Utah Attorney General
1594 West North Temple
Salt Lake City, Utah 84114-5801

All correspondence to the Contractor concerning this Reclamation Contract shall be to:

Milan Soucek
Ledcor Industries (USA) Inc.
5905 South Virginia St., Third Floor
Reno, Nevada 89502

with a copy to:

Mark S. Sertic, Esq.
777 Sinclair St., Suite 201
Reno, NV 89501

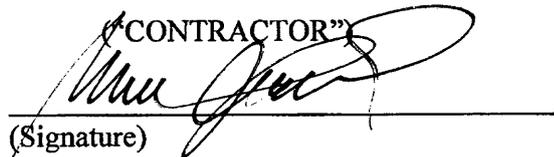
20) **Counterparts**

- A) This Reclamation Contract or any amendment thereto, may be executed in multiple counterparts, each of which shall be deemed an original agreement, and all of which shall constitute one (1) agreement between the parties.

21) Acknowledgement

The Parties hereto acknowledge that they have had the opportunity to consult with legal counsel regarding the obligations created by the Contract Documents and attached Exhibits which are incorporated into this Reclamation Contract and enter into this Reclamation Contract as of the day and year first written above.

LEDCOR INDUSTRIES (USA) INC.

(CONTRACTOR)


(Signature)

MILAN SOCEK

(Printed Name and Title)
GENERAL MANAGER
MILING & CONSTRUCTION
OPERATIONS

FRONTIER INSURANCE COMPANY IN
REHABILITATION AND UNDER THE
SUPERVISION OF THE NEW YORK
INSURANCE DEPARTMENT



(Signature)

Neal Conolly Esq., Administrator

(Printed Name and Title)

LODESTAR ENERGY, INC.
WHISKEY CREEK MINE RECLAMATION AGREEMENT
- LEDCORE INDUSTRIES -
SCHEDULE OF VALUES

Item 1	Mobilization	\$65,750.00
Item 2	Bond.....	\$9,800.00
Item 3	Demobilization	\$65,750.00
Item 4	Area A Backfilling	\$35,840.00
Item 5	Area B Backfilling	\$94,080.00
Item 6	Area C and Open Portal Backfilling.....	\$28,400.00
Item 7	Area D Backfilling.....	\$111,090.00
Item 8	Area E Backfilling	\$254,700.00
Item 9	Sediment Pond Closure	\$12,660.00
Item 10	Whiskey Creek Restoration	\$116,088.00
Item 11	Topsoil Distribution/Preparation	\$141,120.00
Item 12	Fine Grade & Seed	\$45,542.00
Item 13	Survey	\$18,180.00
	Lump Sum Total	\$999,000.00

LODESTAR ENERGY, INC. BANKRUPTCY ESTATE
2525 Harrodsburg Road, Suite 235, Lexington, KY 40504

September 16, 2003

Mr. Mark Wayment
Manager
Whiskey Creek Mining Services, LLC
HC35 Box 370
Helper, Utah 84526

Dear Mr. Wayment:

This letter shall serve as a Salvage and Reclamation Agreement between Whiskey Creek Mining Services, LLC ("Mining Services") and Lodestar Energy, Inc. Bankruptcy Estate ("Lodestar") to perform salvage and reclamation services at the Whiskey Creek White Oak Load-out. Mining Services represents they have met with the State of Utah, Division of Oil, Gas and Mining ("Division"), on site, to discuss necessary field activities to bring the Whiskey Creek mine preparation plant, unit train load-out and truck load-out areas into compliance and to satisfy the Division regarding adequate reclamation. You have informed me that Mining Services will perform the necessary field activities and assume the reclamation liabilities for the affected areas to the satisfaction of the Division field inspectors for the salvage value of the remnants and scrap materials at the Whiskey Creek Surface Mine, the preparation plant, unit train load-out and truck load-out areas.

The scope of work necessary to satisfy the Division inspectors includes: mobilization/demobilization; total removal of all conveyors, stackout tubes, transfer towers, preparation plant and unit train storage silo including structures and foundations; removal of railroad tracks and ties; burial of solid materials if appropriate; backfilling; final grading; roughening and seeding of the areas disturbed during salvage activities. Solid material may be buried on site to the satisfaction of the Division inspector, at a depth of five feet below plow level but concrete material shall be blasted or broken before burial. No liquids, liquid filled equipment or similar material may be disposed of on site. Following backfilling, final grading shall consist of placing approximately eight inches of topsoil on the affected area such that site drainage is maintained. The disturbed areas shall be scarified (pocked) and seeded with the seed mix in Exhibit 1.

Mining Services agrees to perform the demolition/salvage and reclamation work at the site in a professional manner according to standards for prudent operations as established by local, state and federal agencies with regulatory authority over the activities including compliance with all regulations pertaining to occupational health and safety, air and water quality, hazardous waste disposal and shall protect the environment during demolition and reclamation in accordance with regulations of SMCRA and the Division. Mining Services shall obtain all necessary permits for said work.

Please sign below and return a copy of this letter to me and we will consider this agreement final. Following receipt of the signed agreement I will authorize work to begin.

Agreed to this 16 day of September, 2003.

Whiskey Creek Mining Services, LLC


Mark Wayment, Manager


William D. Bishop, Chapter 7 Trustee for
Lodestar Energy, Inc.

EXHIBIT 1

Recommended Seed Mix for Whiskey Creek Reclamation

<u>LBS/Acre</u>	<u>Species</u>
3	Thick Spike
2	Timothy
2	Perennial Rye
6	Mt. Brome
4	Western Wheat
½	Cicer Milkvetch
¼	Blue Flax
1	Yellow Sweet Clover
1	Alfalfa
1	Sainfoin
1/10	Yarrow
<u>½</u>	Forage Kocia

21 lbs. ± Acre