

**APPLICATION FOR DESIGNATION OF OPERATOR
(Short-Term Contract Operator)**

**NON-SIGNIFICANT PERMIT AMENDMENT FOR
WHISKEY CREEK MINE
PERMIT NO. C/007/001**

R645-301-112.100. STATUS OF OPERATOR

Lodestar Energy, Inc., a Delaware corporation, permittee of C/007/001, proposes to designate Blue Ridge Services, LLC, a Virginia limited liability corporation, ("Blue Ridge"), as short-term contract operator of the Whiskey Creek Mine pursuant to the February 13, 2003 Stipulation of the Trustee, attached at Exhibit A. Blue Ridge is a Virginia limited liability company and has prepared this identification of interests with information as to the proposed new operator only. Blue Ridge has further contracted with KTK Mining of Virginia, LLC ("KTK") to perform contract mining services. **Other information currently on file with the Utah Division of Oil, Gas & Mining ("Division") regarding the owner and permittee is not changed by this application.** The text of Chapter 1 of the Mining and Reclamation Plan was revised on _____, 2003, to include this information.

R645-301-112.200. NAMES, LOCATIONS, RESIDENT AGENT

The Resident Agent who will accept service of process for Lodestar and will pay the abandoned mine land fees for the Whiskey Creek Mine is:

Mark Wayment
HC35 Box 370
Helper, Utah 84526
Telephone: 435-448-9420

The Resident Agent who will accept service of process for Blue Ridge and KTK is:

Todd Kiscaden
KTK Mining of Virginia, LLC
P.O. Box 1918
Mechanicsville, Virginia 23116
Telephone: 877-905-5633

R645-301-112.300. IDENTIFICATION OF INTERESTS
(For Identification of Interests, see Appendix A)

1. The managers of Blue Ridge are as follows:

MANAGERS	TITLE	DATE POSITION WAS ASSUMED
Scott Kiscaden	Manager and Sole Member	6/24/99
John Madison	Manager	6/24/99
George Oberlick	Manager	6/24/99

The address for the above managers is:

P.O. Box 1916
Mechanicsville, Virginia 23116

The federal employer identification number for Blue Ridge is 542-048-697.

The sole member of Blue Ridge is Scott Kiscaden.

2. Todd Kiscaden, Manager and Member, 7/16/1999 (date position was assumed)

The address for the above manager is:

For Virginia:
P.O. Box 1916
Mechanicsville, Virginia 23116

For Local:
HC35 Box 370
Helper, Utah 84526

The federal employee identification number for KTK is 11V; Virginia LLC ID No. S039689.

3. Other names under which Blue Ridge or KTK has or is operating coal mining activities in the United States within the last five years preceding the date of this application are listed below:

NONE

4. Lodestar continues to hold the exclusive coal operating interests in the permit area subject to limited contractual authority of Blue Ridge pursuant to the February 13, 2003 Stipulation with the Trustee, attached as Exhibit A.

R645-301-112.400. PENDING, CURRENT AND PREVIOUS COAL PERMITS

Blue Ridge and KTK have not previously held coal mining permits.

R645-301-112.500. SURFACE AND MINERAL OWNERSHIP

Surface and mineral ownership will not change as a result of the designation of a new operator.

R645-301-112.600. ADJACENT SURFACE AND MINERAL OWNERSHIP

Owners of record will not change as a result of the designation of a new operator.

R645-301-112.700. MSHA NUMBERS FOR ALL MINE-ASSOCIATED STRUCTURES

MSHA numbers will not change as a result of the designation of a new operator.

R645-301-112.800. STATEMENT OF ALL LANDS AND INTERESTS IN LANDS

This statement of interest will not change as a result of the designation of a new operator.

R645-301-113. VIOLATION INFORMATION

Blue Ridge is a new entity which has no past history of violations. KTK has no past history of violations.

R645-301-113.100. COMPLIANCE INFORMATION

Neither Blue Ridge, KTK nor Lodestar or affiliates or persons controlled by or under common control with those entities have had a mining permit suspended or revoked within the last five years.

Neither Blue Ridge, KTK nor Lodestar or affiliates or persons controlled by or under common control with those entities have forfeited a mining bond or similar security in lieu of bond.

R645-301-113.110. SUSPENDED OR REVOKED PERMITS

Neither Blue Ridge, KTK nor Lodestar or affiliates or persons controlled by or under common control with those entities have had a mining permit suspended or revoked within the last five years.

R645-301-113.120. FORFEITED BONDS

Neither Blue Ridge, KTK nor Lodestar or affiliates or persons controlled by or under common control with those entities have forfeited a mining bond or similar security in lieu of bond.

R645-301-113.200. EXPLANATION OF PERMIT OR BOND FORFEITURE

N/A

R645-301-114. RIGHT OF ENTRY INFORMATION

February 13, 2003 Stipulation with the Trustee, attached as Exhibit A.

R645-301-115. STATUS OF UNSUITABILITY CLAIMS

Unsuitability status will not change as a result of the designation of a new operator.

R645-301-116. PERMIT TERM

The permit term will not change as a result of the designation of a new operator.

R645-301-117.100 CERTIFICATE OF INSURANCE

A revised certificate of liability insurance consistent with R645-301-800 is attached as Exhibit B.

R645-301-117.200. ADVERTISEMENT

N/A

R645-301-117.300. SHARED FACILITIES

N/A

R645-301-118. FILING FEE

N/A

R645-301-120. PERMIT APPLICATION FORMAT AND CONTENTS

N/A

Respectfully submitted this _____ day of March, 2003, by _____.

LODESTAR ENERGY, INC.

BY: _____

Mark Wayment
Its Resident Agent

EXHIBIT A

EASTERN DISTRICT OF KENTUCKY

FILED

AT _____ O'CLOCK & _____ MIN _____ M

FEB 13 2003

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF KENTUCKY
(LEXINGTON DIVISION)

AT LEXINGTON

U.S. BANKRUPTCY COURT

IN RE:

LODESTAR ENERGY, INC.
LODESTAR HOLDINGS, INC.

DEBTORS.

CHAPTER 11 PROCEEDING

CASE NOS. 01-50969
and 01-50972

Jointly Administered Under
Case No. 01-50969

Judge Joseph M. Scott, Jr.

**STIPULATION AND AGREEMENT FOR SALE OF CERTAIN OF DEBTOR'S UTAH
PROPERTY FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES
TO BLUE RIDGE SERVICES, LLC**

William D. Bishop, Chapter 11 Trustee ("Trustee") for Lodestar Energy, Inc., and Lodestar Holdings, Inc. ("Debtors") and Blue Ridge Services, LLC ("Blue Ridge"), hereby agree to resolve Trustee's concerns as to the sale to Blue Ridge of the Utah Properties (as defined below), which sale was approved by Order of the Court dated February 5, 2003, and to the sale of **Additional Utah Properties** to Blue Ridge by this Stipulation and Agreement, subject to approval of the Court after appropriate notice, as follows:

1. On February 5, 2003, the Court entered an ORDER PURSUANT TO 105(A), 363, 365, 503 AND 507 OF THE BANKRUPTCY CODE AUTHORIZING SALE TO BLUE RIDGE SERVICES, LLC OF CERTAIN DEBTOR'S PROPERTY FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES ("**Utah Order**") authorizing sale to Blue Ridge of equipment and real property described therein ("**Utah Properties**").

2. On February 6, 2003, Notice of the Utah Order was served on the consolidated Lodestar Service List No. 23, dated January 15, 2003.

1923

3. The Trustee is concerned that certain additional Utah Properties described at Exhibit A hereto ("**Additional Utah Properties**"), were not purchased at public auction on Thursday, January 30, 2003.

4. To resolve the Trustee's concerns, Blue Ridge agrees to purchase the **Additional Utah Properties** in accordance with the terms hereof, free and clear of all liens, claims and encumbrances, with all such liens, claims and encumbrances, if any, to attach to the proceeds of the sale, for the purchase price of \$325,000.00 in immediately available funds ("**Purchase Price**").

5. Immediately upon entry of an order of the Court approving the sale of the **Additional Utah Properties** to Blue Ridge pursuant to the terms of this Stipulation, the Trustee agrees to sell the **Additional Utah Properties** to Blue Ridge for the Purchase Price and to convey at Closing the **Additional Utah Properties** to Blue Ridge free and clear of all liens, claims and encumbrances in the form of conveyance documents specified herein. Such sales shall be by a Trustee's Bill of Sale without any representations and warranties whatsoever, express or implied, including, without limitation, any warranty of merchantability or fitness for a particular purpose or any expressed or implied warranty as to the nature, quality, value or condition of any portion of the **Additional Utah Properties**, except that the sales shall be free and clear of any and all liens, claims and encumbrances. Blue Ridge shall receive all of the Debtor's rights, titles and interests in the **Additional Utah Properties** on an "AS IS" and "WHERE IS" and "WITH ALL FAULTS" basis, except that the titles shall be free and clear of any and all liens, claims and encumbrances.

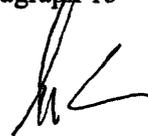
6. The Trustee further agrees that neither Trustee nor Debtor will attempt to set aside or appeal the Order approving the sale of the Utah Properties, and will not encourage any other

parties in interest to do so, and Trustee will immediately execute the Bill of Sale and Quit Claim Deed conveying the Utah Properties to Blue Ridge free and clear of all liens, claims and encumbrances. This portion of the Stipulation shall be enforceable upon execution of this Stipulation and without regard to approval of the Stipulation by the Court.

7. Blue Ridge agrees to immediately tender the Purchase Price to Trustee, which shall be held by the Trustee in escrow in an interest-bearing account prior to Closing and subject to the terms of this Stipulation, and, upon entry of an order approving this Stipulation and as a further condition of the sale of the Additional Utah Properties, Blue Ridge also agrees to obtain a waiver for the benefit of Debtors from Horizon Mining, LLC, White Oak Mining & Construction Co., Inc. and Grand Valley Coal Company of any pre-petition or post-petition claims, including administrative claims, of such entities against the Debtors.

8. Upon tender of the Purchase Price, and effective immediately upon execution of this Stipulation and without regard to entry of the order approving this Stipulation, the Trustee hereby grants Blue Ridge access to Debtors' Utah properties, access to and the right to operate and use the Equipment described in Exhibit A, as well as authority to load, haul, remove and receive all of the sales proceeds from any of the Stockpiled Coal, as described on Exhibit A, as necessary to service the Debtors' obligations under the Purchase Order described in paragraph 15 below.

9. If an order approving this Stipulation is not entered by March ~~X~~, 2003, or by a date thereafter that is acceptable to Blue Ridge, Trustee shall immediately return the Purchase Price to Blue Ridge less ~~\$~~ ^{NET PROFITS REALIZED LDB FROM} ~~per ton of coal shipped~~ by Blue Ridge ~~in connection with~~ its sales of the Stockpiled Coal described at Exhibit A hereto. 

14 LDB:3 

10. Upon entry of an order approving this Stipulation, the Purchase Price will be released to Trustee and Trustee shall withhold sufficient funds to pay royalties, fees and taxes on the Stockpiled Coal, including but not limited to Black Lung payments, Abandoned Mine Land Fund fees and royalties due to Carbon County, Utah., and shall use such withheld funds to pay such royalties, fees and taxes forthwith.

11. Upon tender of the Purchase Price, and effective immediately upon execution of this Stipulation and without regard to entry of the order approving this Stipulation, Trustee on behalf of the Debtors shall immediately instruct Mt. Poso Cogeneration Co. to make all payments for coal delivered under the Purchase Order to a bank account to be designated by Blue Ridge. Said funds shall be the sole property of Blue Ridge.

12. With respect to the Stockpiled Coal, Blue Ridge shall be a contract operator and independent contractor operating under Debtors' coal mine permits and, as an independent contractor, Blue Ridge shall be responsible for workers' compensation and liability insurance and shall indemnify and hold harmless Debtor and Trustee from any and all claims that might arise from Blue Ridge's activities on or in connection with Debtor's property or business or from Blue Ridge's activities as a contract operator.

13. The parties agree to submit to the Court a Motion for order approving this Stipulation and the sale of the **Additional Utah Properties** free and clear of all liens, claims and encumbrances to Blue Ridge and will make best efforts to have this such Motion heard on ¹³ March 6, 2003. In the event that a hearing on the Motion cannot be conducted on March ¹³ 6, ²⁰⁰³ 2003, the parties agree to extend this Stipulation until the next available date at which the hearing can be scheduled before the Court.

14. It shall be the responsibility of Blue Ridge, at its option, to either reject, or to accept and satisfy, without any reduction of the Purchase Price, all amounts necessary to cure any default under any executory contracts that are part of the assets identified in Exhibit A, and, in connection with the Motion, the Trustee shall seek to assume and assign all such contracts to Blue Ridge. The Trustee shall have no obligation to assume and assign to Blue Ridge any contract under which a default exists unless Blue Ridge has provided to the Trustee upon entry of the order approving this Stipulation sufficient funds to cure such defaults.

15. The Stockpiled Coal sold hereunder by Blue Ridge is to be shipped on the Purchase Order No. M-16649 dated September 20, 2002, under which 5 trains remain to be delivered, and, subject to paragraphs 10 and 11 above, the proceeds derived from those 5 trains shall be Blue Ridge's property, provided, however, that if the buyer refuses to accept or pay for any of the Stockpiled Coal under Purchase Order No. M-16649, Blue Ridge shall be free to ship said coal to any customer at its sole discretion and retain the proceeds therefrom.

SO AGREED this 13 day of February, 2003.

LODESTAR ENERGY, INC.
LODESTAR HOLDINGS, INC.

BY: William D. Bishop
William D. Bishop, Chapter 11 Trustee

BLUE RIDGE SERVICES, LLC

BY: [Signature]
ITS Manager

EXHIBIT A

The Additional Utah Properties are described as follows:

A. **Equipment** (to be conveyed by Bill of Sale):

- One (1) battery operated fork lift 91 model, 3000 pound capacity, Raymond brand
- One (1) 1979 model John Deere tractor
- Three (3) multiquip light plants
- Miscellaneous shop tools located at the old truck shop, including 2 drill presses, 2 battery chargers, parts washer, 5hp air compressor, steam cleaner, portable air compressor, welder and trailer, welder, manual chain hoist, welder, band saw, jacks, torches and work bench
- One (1) 1992 John Deere farm tractor
- One (1) Whiteman light plant
- Miscellaneous belt drives (in poor condition) located at the Mountain States Machinery junk yard
- One (1) Joy 10SC 32 junk car for core
- One (1) Allis-Chalmers vibrator
- One (1) Jeffrey crusher
- Fletcher roof support cores, serial numbers 92900, 92901, 92902 and 92903

B. **Real Property** (to be conveyed by Quitclaim Deed)

Fee Property

1. **Township 13 South, Range 6 East, SLB&M**

Section 24: NE $\frac{1}{4}$ NE $\frac{1}{4}$

2. That certain Easement dated October 21, 1975 between the Board of Education of Alpine School District and Kanawha and Hocking Coal & Coke Company, covering the following lands:

A tract of land 50 feet wide, being 25 feet on either side of the following described centerline:

Commencing at the South quarter corner of Section 8, Township 13 South, Range 7 East, SLB&M, thence East 1510 feet; thence North 275 feet to the point of beginning, located on the westerly right of way line of Utah Highway 96;

Thence North 83° West 210 feet; thence North 81° West 295 feet.

3. That certain Easement dated October 21, 1975 between the Board of Education of Alpine School District and Kanawha and Hocking Coal & Coke Company, covering the following lands:

Beginning at a point 970 feet East of the South quarter corner of Section 8, Township 13 South, Range 7 East, SLB&M, thence East 50.48 feet along the Section Line; thence North 6° East 330 feet to south edge of existing Alpine School District access road; thence North 81° West 50.27 feet along said road; thence South 6° West 337.90 feet to the point of beginning.

4. That certain parcel of land situated in Section 8, Township 13 South, Range 7 East, S.L.B. & M., more particularly described as follows:

Commencing at a point which is North 275 feet and East 1510.00 feet from the South ¼ corner of Section 8, which is located on the westerly right of way line of Utah Highway 96 and running thence Southeasterly along said Westerly right of way line to the South boundary line of said Section 8; thence Westerly to a point 986.75 feet East of the South ¼ corner of Section 8; thence North 6° East 355 feet, more or less to the centerline of the existing Alpine School District Access Road; thence South 81° East 295.00 feet, more or less, along said centerline; thence South 83° East 210.00 feet, more or less, along said centerline to the point of beginning.

5. All of Seller's right, title and interest in a perpetual right of way and easement for the joint use of a roadway as disclosed in the Warranty Deed executed by Kanawha and Hocking Coal and Coke Company in favor of the Board of Education of Alpine School District recorded March 13, 1991, in Book 304 at pages 145-148, across the following land:

The centerline of said right of way and easement is more particularly described as follows: Beginning at a point 986.75 feet East of the North ¼ corner of Section 17, T13S, R7E, SLBM; said point is in center of oiled road; thence S. 27 degrees 19'34" West along said road 213.75 feet; thence southwesterly along a normal curve to the right 101.96 feet, with a central angle of 59 degrees 48' and a radius of 97.69 feet; thence S. 86 degrees 46'57" W. 415.62 feet; thence N. 75 degrees 38'45" W. 118.07 feet; thence S. 63 degrees 18'08" W. 56.98 feet; thence S. 70 degrees 31'10" W. 80.40 feet; thence S 61 degrees 31'40" W. 15.84 feet; thence S. 44 degrees 54'17" West 88.78 feet, thence S. 72 degrees 35'16" W. 72.64 feet more or less to the center of an existing gate.

6. The coal and coal estate in the following described lands:

Township 12 South, Range 6 East, SLB&M

Section 36: S½N½, N½S½.

Township 12 South, Range 7 East, SLB&M

Section 19: SE $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$.
Section 30: SE $\frac{1}{4}$ NW $\frac{1}{4}$.
Section 31: SW $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$.

Township 13 South, Range 6 East, SLB&M

Section 1: NE $\frac{1}{4}$, subject to right of way.

Less the following to EF Coal Resources Limited Partnership:

Within the NE $\frac{1}{4}$, the Lower O'Conner Coal Seam, consisting of that bed or seam of coal intersected in drill hole WQ-08 at a depth from 236 feet to 247 feet with the top of the coal being at 7884.75 feet above sea level. Drill hole WQ-08 has a north coordinate of 505487.369' and an east coordinate of 2084927.351' based upon the Utah State Plan Coordinate system.

Township 13 South, Range 7 East, SLB&M

Section 6: NW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$.
Section 7: W $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$.
Section 8: E $\frac{1}{2}$ E $\frac{1}{2}$.
Section 9: W $\frac{1}{2}$ SW $\frac{1}{4}$.
Section 16: NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$, subject to right of way, NE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NW $\frac{1}{4}$.
Section 17: NE $\frac{1}{4}$ NE $\frac{1}{4}$, subject to a right of way.
Section 18: N $\frac{1}{2}$ SW $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$.
Section 21: N $\frac{1}{2}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, subject to a right of way.
Section 28: W $\frac{1}{2}$ W $\frac{1}{2}$, subject to a right of way.
Section 30: SE $\frac{1}{4}$ SW $\frac{1}{4}$.
Section 31: SW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$.
Section 33: E $\frac{1}{2}$ W $\frac{1}{2}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$.
Section 34: SW $\frac{1}{4}$.

Township 14 South, Range 7 East, SLB&M

Section 3: NW $\frac{1}{4}$
Section 4: Lot 4, comprising the NW $\frac{1}{4}$ NW $\frac{1}{4}$.

7. Easement dated December 5, 1990, executed by the Board of Education of Alpine School District in favor of Kanawha and Hocking Coal & Coke Company, concerning a perpetual right of way and easement for the joint use of the roadway providing access to the area in and around what is referred to as "Green Canyon" as such roadway now exists and as it may hereafter be modified, realigned or reconstructed, affecting the following lands:

Township 13 South, Range 7 East, SLB&M

Section 17: N½NW¼

8. The following described tracts of land:

Township 13 South, Range 7 East, SLB&M

Section 19: NE1/4SW1/4

SUBJECT TO, all prior reservations and easements of record, including any and all previous reservations of the oil, gas and other minerals contained in said lands.

9. The following described lands:

Beginning at a point on the west section line 1,098 ft. S. 0°21' W. from the NW Sec. Cor. of Sec. 31, T. 13 S., R. 7 E., SLBM. Thence northeasterly along the centerline of the creek to a point 1,688' S. 51°0' of NW Sec. corner of Sec. 31, thence 290' S. 0°21' W., thence 241' N. 89°51'40" E., thence 831' S. 0°21' W., thence 1,560' N. 89°39' W., thence 1,071' N. 0°21' E. along west sec. line of Sec. 341, to the point of beginning.
(Containing 40 acres more or less.)

Property Rights

1. All of Seller's right, title and interest in the following undocumented pipelines and powerlines known to exist on the Properties that may or may not be evidenced by a written instrument:

a. Water Pipeline running from Alpine School District buildings and water source to White Oak offices and affecting T 13 S, R 7 E, Sec 8: SW1/4SE1/4; Sec 17; NW1/4NE1/4.

b. Natural gas distribution pipeline running from the transmission line to the place of use at the White Oak offices and Alpine School district buildings. Affects lands in T 13 S, R 6 E, Sec 25: E1/2NE1/4; Sec 24: E1/2SE1/4; T 13 S, R 7 E, Sec 19: N1/2; Sec 18: SE1/4SE1/4; Sec 17: SW1/4, E1/2.

c. Natural Gas Transmission Line and Lateral pipeline affecting T 13 S, R 6 E, Secs 25 and 36; T 13 S, R 7 E, Sec 27, 28, 29, 30, 32 and 33; T 14 S, R 6 E, Sec 1; T 14 S, R 7 E, Secs 6, 7 and 17.

2. Letter Agreement dated December 23, 1974 between Milton A. and Bessie G. Oman and Kanawha and Hocking Coal and Coke Company regarding Use of Road in Boardinghouse Canyon.

3. The following rights of way located in portions of the E1/2 of Section 32, the W1/2W1/2 of Section 33, T. 13 S., R. 7 E., SLB&M, and the NW1/4NW1/4 of Section 4, T. 14 S., R. 7 E., SLB&M:

A 100 foot right of way through Boardinghouse Canyon through the existing logging road on the north side of the canyon to State Road 96, more specifically described on the map attached as Schedule 1 to the Easement Deed to be delivered pursuant to this Agreement. Said right of way to be used for access, haul road, utilities, conveyor and other purposes associated with coal mining.

A 100 foot right of way (to the east of the Town of Clear Creek) on the west side of Mud Creek to the end of State Road 96, more specifically described on the map attached as Schedule 1 to the Easement Deed to be delivered pursuant to this Agreement. Said right of way to be used for access, haul road, utilities, conveyor and other purposes associated with coal mining. Said right of way will be 100 feet wide except that it will not unreasonably interfere with the town of Clear Creek sewer system or Mud creek.

Water Rights

1. The following described water user's claims as identified in the case now pending in the District Court of the Seventh Judicial District in and for Carbon County, State of Utah, entitled: **IN THE MATTER OF THE GENERAL DETERMINATION OF RIGHTS TO THE USE OF WATER, BOTH SURFACE AND UNDERGROUND, WITHIN THE DRAINAGE AREA OF THE PRICE RIVER AND OF THE DRAINAGE AREA OF THE GREEN RIVER FROM THE CONFLUENCE OF THE PRICE AND GREEN RIVERS TO THE CONFLUENCE OF THE GREEN AND COLORADO RIVERS EXCLUDING THE DRAINAGE AREA OF THE SAN RAFAEL RIVER IN UTAH.**

- (a) Water Right No. 91-3586, 0.5 cfs flow from Clear Creek Spring Area for industrial use for coal mining for the period from 1/01 to 12/31, RESERVING TO SELLER, use of said water for irrigation purposes for the period from 3/01 to 11/30, stock watering purposes for 40 ELU for the period from 01/01 to 12/31 and domestic use for 60 families from the following points of diversion within Clear Creek Spring Area:

T13S, R7E, SLBM

Section 32: S 1140' W 1280' from NE cor.
Section 32: S 1110' W 1325' from NE cor.
Section 32: S 1110' W 1390' from NE cor.
Section 32: S 1085' W 1530' from NE cor.
Section 32: S 1080' W 1590' from NE cor.
Section 32: S 1070' W 1660' from NE cor.

- (b) Water Right No. 91-3595, 0.03 cfs from, O'Connor Mine Tunnel #1 (underground water right) for industrial purposes – coal mining operation in the O'Connor Mine, Section 31, T13S, R 7E SLBM, for the period from 01/01 to 12/31 from the following underground point of diversion

T12S, R10E, SLBM

Section 31: S 1600' E 800' from NE cor.

- (c) Water Right No. 91-3596, 0.047 cfs flow, O'Connor Mine Tunnel #2 (underground water right) for industrial purposes – coal mining operation in the O'Connor Mine, Section 31, T13S R7E, SLBM for period 01/01 to 12/31 from the following underground point of diversion:

T13S, R7E, SLBM

Section 31: S 1400' E 1000' from NW cor.

2. The following Water Right which appears in the name of Valley Camp of Utah Inc.:

- (a) Water Right No. 91-4884, 7.7 ac ft from underground water well for bathhouse and road dust suppression.

3. All of Debtors' right, title and interest in the following water user claim numbers which appear in the name of Kanawha and Hocking Coal & Coke Co.:

91-4140, 0.15 cs, Utah No. 1 Mine Tunnel (underground water right) for industrial (coal mining) and domestic uses (50 persons).

91-4141, 0.268 cfs, O'Connor Mine Tunnel #2 (underground water right) for industrial (coal mining) uses and domestic uses (50 persons).

91-4142, 0.303 cfs, O'Connor Mine Tunnel #1 (underground water right) for industrial (coal mining) uses and domestic uses (50 persons).

91-4159, 1.0 cfs, Old Gibson Mine Tunnel (Utah #2) for industrial (coal mining) uses.

Together with all of Debtors' right, title and interest to other water rights and interest in water, including stock in mutual water companies, now held, owned or used in connection with the real property described in this Agreement, together with all wells, pumps and appurtenant facilities, pipelines, ditches, reservoirs and

related diversion, conveyance and delivery facilities and rights of way and easements used in connection therewith.

C. Stockpiled Coal (to be conveyed by bill of sale)

1. All coal stockpiled at the Valcam Loadout facility in Utah.
2. All pit coal located at the Whiskey Creek Mine, Utah.
3. Debtors make no warranty as to quantity or quality of Stockpiled Coal.

EXHIBIT "B"
(FORM OF WAIVER)

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF KENTUCKY
(LEXINGTON DIVISION)**

IN RE

LODESTAR ENERGY, INC.
LODESTAR HOLDINGS, INC.
INDUSTRIAL FUELS MINERALS CO.

DEBTORS.

CHAPTER 11 PROCEEDING

CASE NO. 01-50969
CASE NO. 01-50972
CASE NO. 03-70015

(Jointly Administered)

Judge Joseph M. Scott, Jr.

**WITHDRAWAL AND RELEASE OF PROOF OF CLAIM, ADMINISTRATIVE
EXPENSE CLAIM AND ANY CURE CLAIMS AGAINST DEBTORS BY WHITE OAK
MINING & CONSTRUCTION CO., INC., HORIZON MINING, LLC, AND GRAND
VALLEY COAL COMPANY**

White Oak Mining & Construction Co., Inc., a Nevada corporation ("**White Oak**"), Horizon Mining, LLC, a Utah limited liability company ("**Horizon**"), and Grand Valley Coal Company, a Colorado corporation ("**Grand Valley**") (jointly "**Creditors**"), and consistent with the Stipulation and Agreement for Sale of Certain of Debtors' Utah Property Free and Clear of All Liens, Claims and Encumbrances to Blue Ridge Services, LLC, dated February 13, 2003, (the "**Stipulation**"), and subject to the entry of a final order approving the Stipulation, hereby agree to withdraw, waive all rights in and release Lodestar Energy, Inc. and Lodestar Holdings, Inc. and Industrial Fuels Minerals Company ("**Debtors**"), from, the following:

1. Proof of Claim, dated October 4, 2001, filed on behalf of Creditors for overriding royalty created pursuant to the sale and transfer of title to minerals in place by the Payment Agreement dated July 14, 1999 between Lodestar Energy, Inc. and Creditors.
2. As to Debtors only, any cure claims arising under the Payment Agreement dated July 14, 1999.

3. Any and all claims for post-petition overriding royalties accruing under the Payment Agreement dated July 14, 1999, in the amount of at least \$253,315.25.

4. Any and all other prepetition, postpetition and administrative claims of the Creditors, or any of them, against the Debtors' estates.

5. Any liens, claims or overriding royalty interests recorded in Utah and Colorado with respect to the Debtors' Utah and Colorado mining properties.

SO AGREED this _____ day of March, 2003.

WHITE OAK MINING & CONSTRUCTION CO.,
INC., a Nevada Corporation

By: _____
Its _____

HORIZON MINING, LLC, a Utah limited liability
company

By: _____
Its _____

GRAND VALLEY COAL COMPANY, a Colorado
Corporation

By: _____
Its _____

EXHIBIT B

PRODUCER:		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER OTHER THAN THOSE PROVIDED IN THE POLICY. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES LISTED BELOW. COMPANIES AFFORDING COVERAGE
Marsh USA Inc. P.O. Box 36012 Knoxville, TN 37930-6012 865-769-7781		
INSURED:		
KTK Mining of Virginia, LLC P.O. Box 1918 Mechanicsville, VA 23116		
COMPANY LETTER	A	Federal Insurance Company
COMPANY LETTER	B	Kentucky Employers Mutual Insurance Co.
COMPANY LETTER	C	Companion Property & Casualty Group - See "Desc of Ops" Below
COMPANY LETTER	D	Great Northern Insurance Co. - See "Desc of Ops" Below

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED HEREIN HAVE BEEN ISSUED TO THE INSURED NAMED HEREIN FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THE CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES LISTED HEREIN IS SUBJECT TO ALL THE TERMS, CONDITIONS AND EXCLUSIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> OWNER'S CONTRACTOR'S HNDL. <input checked="" type="checkbox"/> POLLUTION LIABILITY \$1,000,000 Ea Inc/Aggregate	9577-54-98 (GL) 3725-21-67 (POL)	7/1/02	7/1/03	GENERAL AGGREGATE \$ 2,000,000 PRODUCTS-COMP/OP AGG \$ 1,000,000 PERSONAL & ADJ INJURY \$ 1,000,000 EACH OCCURRENCE \$ 1,000,000 FIRE DAMAGE (Any one fire) \$ 100,000 MED EXP (Any one person) \$ 10,000
A	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	7330-84-67 (VA) 7351-38-77 (NC)	7/1/02	7/1/03	COMBINED SINGLE LIMIT \$ 1,000,000 BODILY INJURY (Per person) \$ - BODILY INJURY (Per accident) \$ - PROPERTY DAMAGE \$ -
	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ - OTHER THAN AUTO ONLY: EACH ACCIDENT \$ - AGGREGATE \$ -
A	EXCESS LIABILITY <input checked="" type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM	7878-35-34	7/1/02	7/1/03	EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ 1,000,000
B	WORKMAN'S COMPENSATION AND EMPLOYERS LIABILITY THE PROPRIETOR / PARTNERS / EXECUTIVE OFFICERS ARE: <input type="checkbox"/> INCL <input type="checkbox"/> EXCL	300138 (KY)	7/1/02	7/1/03	<input checked="" type="checkbox"/> STATUTORY LIMITS \$ 1,000,000 \$ 1,000,000 \$ 1,000,000
A	OTHER PROPEQUIPMENT	3577-54-98	7/1/02	7/1/03	3600,000 Equipment Owned, Leased or Rented

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / SPECIAL ITEMS
 Company C - Companion Property & Casualty Group #WVAD058641-00 Workers' Compensation (VA)
 11/20/02 - 11/20/03 Workers' Compensation Limits - Statutory
 E.L. - \$1,000,000 BI by Acc - Ea Acc/\$1,000,000 BI by Disease - Ea Empl/\$1,000,000 BI by Disease - Policy Limit
 Company D - International Package Policy - Great Northern Ins. Co. #725-50-03
 9/24/02 - 8/24/03 \$1,000,000 GL/\$1,000,000 Auto-Owned, Hired & Nonowned/\$100,000 Blanket Accident

SHOULD ANY OF THE POLICIES LISTED HEREIN BE CANCELED BEFORE THE EXPIRATION DATE THEREOF, THE INSURER AFFORDING COVERAGE WILL ENDEAVOR TO MAIL _____ DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED HEREIN, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER AFFORDING COVERAGE, ITS AGENTS OR REPRESENTATIVES, OR THE ISSUER OF THIS CERTIFICATE. MARSH USA, INC. By: 
