

April 11, 2003

Via E-Mail and U.S. Mail

Pamela Grubaugh-Littig, Permit Supervisor
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

***RE: Reclamation Fund --Agreed Order to Terminate Cessation Order C-03-39-1-1 --
Blue Ridge Services, LLC, and Partially Terminate C-03-51-1-1 -- Lodestar
Energy, Inc.***

Dear Ms. Littig:

By Agreed Order filed on March 19, 2003 with the U.S. Bankruptcy Court for Eastern Kentucky, the State of Utah, Blue Ridge Services, LLC ("Blue Ridge"), and the Frontier Insurance Company in Rehabilitation, agreed to have Blue Ridge establish a reclamation fund from a portion of the proceeds from the removal and sale of certain pit coal from the Whiskey Creek Mine and certain stockpiled coal at the Valcam loadout for the period from February 13, 2003 through June 1, 2003. See ¶ 6(b) of Agreed Order and Stipulation. Blue Ridge has now opened Zions Bank Account No. 002994648. The escrow agent for the account is John A. Madison, CPA, Riverpine Services, Inc., P.O. Box 1916, Mechanicsville, Virginia 23116. Zions Bank is forwarding Mr. Madison deposit slips and checks for the account. He will prepare a schedule of the shipments made to date and forward the full fund to the account per the Agreed Order upon receipt of these deposit slips. We propose to provide you with a monthly statement of this account as it is provided by Zions Bank to Mr. Madison.

Please give me a call if you have any questions regarding this matter.

Very truly yours,

Denise A. Dragoo

DAD:jmc:248511

cc: Steve Alder, Esq. (via e-mail)
Scott Kiscaden (via e-mail)
John Madison (via e-mail)
Mark Wayment (via e-mail)