

May 16, 2003

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

Re: Follow up to Determination to Forfeit Reclamation Bond, Lodestar Energy, Inc., White Oak Mine, C/007/001, Outgoing File

Dear Mr. Gorton:

Enclosed with this letter, please find three items.

1. Two originals of the "Agreement for the Partial Release of the Reclamation Fund", which we signed yesterday with Blue Ridge Services for reclamation of the north end of the White Oak loadout. Please sign both copies and return one to me.
2. A copy of the most recent mine permit for the White Oak Complex dated 10-26-01.
3. A copy of maps and text of the reclamation plan for the White Oak Complex.

We await your arrival on the 12th of June. We hope that Frontier will be ready at that time with an agreement for Frontier to reclaim the site, in lieu of forfeiture of the bond, per our notice of May 1, 2003.

Please contact me if we can assist in expediting reclamation work on the ground. Call me at 801 538-5306, or email at maryannwright@utah.gov.

Sincerely,

Mary Ann Wright
Associate Director, Mining

VS
cc: Jim Fulton, OSM with Enclosure #1
William Bishop, Lodestar Trustee, w/ #1
Bruce Cryder, Lodestar, w/ #1
Bennett Bayer, Esq., w #1
Scott Kiscaden, Blue Ridge, w #1
Mark Wayment, Lodestar, w/ #1
Steve Alder, AAG w/o
3 Enclosures: as above

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AGREEMENT
For the
PARTIAL RELEASE of the RECLAMATION FUND

UTAH DIVISION OF OIL, GAS & MINING (DIVISION), BLUE RIDGE SERVICES, LLC (BLUE RIDGE); AND FRONTIER INSURANCE COMPANY IN REHABILITATION (FRONTIER) through their respective counsel of record HEREBY STIPULATE AND AGREE as follows:

BACKGROUND RECITALS:

1. On March 19, 2003, a “Stipulation to Terminate Cessation Order Issued by the State of Utah against Blue Ridge Services, LLC and Stipulation to Partially Terminate Cessation Order issued by the State of Utah against Blue Ridge Services, LLC” (Stipulation) was approved by the U.S. Bankruptcy Court for the Eastern District of Kentucky for the White Oak Mine (Site), C/007/001, located in Carbon County, Utah.

2. Pursuant to the Stipulation, the Division has partially terminated the Cessation Order against Lodestar so as to permit Blue Ridge to proceed with the removal and sale of certain identified and uncovered coal in the White Oak pit, and other stockpiled coal located at the White Oak Load-out, but otherwise the Cessation Order remains in full force and effect so as to preclude any other mining operations at the White Oak Mine.

3. Blue Ridge Services has pursuant to the Stipulation paid into a Reclamation Fund an amount per ton of coal, based on the amount of coal shipped from the White Oak Mine and Load-out facility at certain rates as established in the terms of the Stipulation. (See Stipulation attached as Exhibit A.) An amount of \$106,848.60 has, as of April 30, 2003, been disbursed to the escrow account (Reclamation Fund) established in accordance with the Stipulation and Order.

4. Blue Ridge has made a proposal to the Division that would provide that in consideration for payment of the sum of \$106,848.60 paid from the Reclamation Fund, Blue Ridge would remove structures and reclaim certain identified lands and facilities that are a portion of the mine permit area known as the Load-out for the White Oak mine.

5. The Division and Frontier believe that the Blue Ridge proposal will materially further and advance reclamation of the White Oak mine in accordance with the approved mining and reclamation plan and is in the best interests of the Division and Frontier.

6. The parties desire to modify the Cessation Order and Stipulation as necessary to allow Blue Ridge to proceed with reclamation of portions of the Load Out for the White Oak Mine and to set forth the terms and conditions for the reclamation work and for payment of Blue Ridge for that work from the Reclamation Fund.

NOW THEREFORE, the above parties hereby agree to modify the STIPULATION TO TERMINATE CESSATION ORDER ISSUED BY THE STATE OF UTAH AGAINST BLUE RIDGE SERVICES, LLC AND STIPULATION TO PARTIALLY TERMINATE CESSATION ORDER ISSUED BY THE STATE OF UTAH AGAINST BLUE RIDGE SERVICES, LLC (STIPULATION), and to provide for terms and conditions for the further partial termination of the cessation order and for additional partial reclamation of the White Oak Mine according to the following terms and conditions.

TERMS OF AGREEMENT:

1. The Division shall partially terminate the Cessation Order to permit Blue Ridge Services, LLC to proceed with the reclamation work provided for herein, and providing that it shall otherwise continue in full force and effect.
2. Frontier, and the Division agree that the sum of \$106,848.60 shall be released and paid from the Reclamation Fund to Blue Ridge as full payment for the partial reclamation work to be performed at the White Oak Load-out as described. Payment shall be made in accordance with the schedule of payments set forth herein.
3. Blue Ridge Services agrees to perform the reclamation work at the White Oak Load-out in accordance with all requirements of the mining and reclamation plan. The work shall be performed in a professional manner according to the 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 the regulations of SMCRA and the Division. Blue Ridge will obtain all necessary permits for said work.
4. The work to be performed by Blue Ridge under this agreement shall include the total structure removal, demolition, burial, grading, roughening and seeding of approximately an 18 acre area, as set out in more detail in the mining and reclamation plan. The portion of the Load-out to be reclaimed and revegetated shall include the buildings and areas listed below and as shown on the map as Exhibit B:
 - Valcam Well House (S-1)
 - Storage Shed (S-1a)
 - Storage Shed (S-1b)
 - Valcam Shop (and Floor) (S-2)
 - Valcam Shop Substation (S-3)
 - Valcam Bathhouse/Office (S-4)
 - Truck Shop (and Floor) (S-5)
 - Salt Shed (S-6)
 - Oil Storage Shed (S-7)
 - 10,000 Gallon Water Head Tank (S-8)
 - Truck Scale House (also Mechanism and Pit) (S-9)
 - 10,000 Gallon Diesel Tank

(page three - list continued)

3,000 Gallon Gas Tank (Already Done)
Spill Protection (Gasoline Tank)
Spill Protection (Diesel Tank)
Underground Tank
Power Service to Shops and Offices
Transformers
Guardrail from Oil Shed to Mine Shed
Road to Mine Shop
Road to Truck Shop
Parking Lot at Truck Shop
Concrete Barrier Blocks
Salt Pile
Underground Conduits
Feeders in Yard (portable)
Junkyard Above Rail Line
Pond 001a – (construct a wetland, i.e. do not completely fill)
Backfill and Grade (approx. 18 Acres)
Pock (approx. 18 Acres)
Seeding (same as above)

5. The above described work does not include the obligations for hand set shrubs and trees as listed as part of the reclamations plan. The obligation to provides such hand set shrubs and trees shall continue to be part of the reclamation plan together with the obligation for revegetation success required by the reclamation plan and regulations of the Division. These obligations shall continue as part of the mining and reclamation plan and continue as obligations of the permittee and subject to the guaranty of Frontier as surety for the reclamation of the mine.

6. The Division and Frontier shall authorize release and payment to Blue Ridge the sum of \$ _____, upon execution and approval by the Trustee of this Stipulation, and the sum of \$ _____, upon inspection and approval of the removal of all structures; and a final payment shall be made of \$ _____ upon inspection and approval of the final grading and seeding.

7. Frontier and Division relinquish all assign to Blue Ridge all claims to the above described property, and Blue Ridge shall do whatever may be necessary to obtain the release of the Trustee to the debtor to all claims of ownership or value of the property.

8. Except as expressly modified by this Agreement, the Stipulation and the Cessation Order shall remain in effect and be binding all the parties thereto without change.

Agreed to this ____ day of _____, 2003.

BLUE RIDGE SERVICES, LLC

DIVISION OF OIL GAS AND MINING

Scott Kiscaden, Principal

Lowell P. Braxton, Director

Taxpayer ID #: _____

FRONTIER INSURANCE CO.

William T. Gorton III