

0050



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

OUTGOING
C/007/001

Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

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PO Box 145801
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UTAH DIVISION OF OIL, GAS & MINING FACSIMILE COVER SHEET

DATE May 30, 2003

FAX (801) 733-0541

ATTENTION GEORGE LIODAKIS

COMPANY

DEPARTMENT

NUMBER OF PAGES: (Including this one) **10**

FROM DARON R. HADDOCK

If you do not receive all of the pages, or if they are illegible, please call (801) 538-5340. We are sending from a sharp facsimile machine. Our telecopier number is (801) 359-3940.

MESSAGE:

Here is a copy of the White Oak Mine Bond Information

Important: This message is intended for the use of the individual or entity of which it is addressed and may contain information that is privileged, confidential and exempt from disclosure under applicable law. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone and return this original message to us at the above address via regular postal service. Thank you.

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RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

Permit Number: ACT/007/001

SURETY BOND (FEDERAL COAL)

THIS SURETY BOND entered into and by and between the undersigned **PERMITTEE**, and **SURETY COMPANY**, hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors, and assigns unto the State of Utah, Division of Oil, Gas & Mining (**DIVISION**), and the U.S. Department of Interior, Office of Surface Mining Reclamation and Enforcement (**OSM**) in the penal sum of \$4,292,000 (Surety Bond Amount) for the timely performance of reclamation responsibilities of the surface disturbance described in Exhibit "A" of this **RECLAMATION AGREEMENT**.

This **SURETY BOND** shall remain in effect until all of the **PERMITTEE**'s reclamation obligation have been met and released by the **DIVISION** and is conditioned upon faithful performance of all of the requirement of the Act, the applicable rules and regulations, SMCRA, the approved permit, and the **DIVISION**.

The **SURETY** will not cancel this bond at any time for any reason, including non-payment of premium or bankruptcy of the Principal during the period of liability.

The **SURETY** and their successors and assigns, agree to guarantee the obligation and to indemnify, defend, and hold harmless the **DIVISION** and **OSM** from any and all expenses which the **DIVISION** and **OSM** may sustain as a result of the **PERMITTEE**'s failure to comply with the condition(s) of the reclamation obligation.

The **SURETY** will give prompt notice to the **PERMITTEE** and to the **DIVISION** and **OSM** of any notice received or action alleging to insolvency or bankruptcy of the **SURETY**, or alleging any violations or regulatory requirement which could result in suspension or revocation of the **SURETY**'s license.

Terms for release or adjustment of this **BOND** are as written and agreed to by the **DIVISION** and the **PERMITTEE** in the **RECLAMATION AGREEMENT** incorporated by reference herein, to which this **SURETY AGREEMENT** has been attached as Exhibit "B".

BOND# 143715

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

IN WITNESS WHEREOF, the PERMITTEE has hereunto set it's signature this 9th day of July, 19 99.

BOND # 143715

LODESTAR ENERGY, INC. PERMITTEE

R. Eberley Davis

By: R. Eberley Davis Title: Vice President & Assistant Secretary

IN WITNESS WHEREOF, the SURETY has hereto set it's signature this 9th day of July, 19 99.

Frontier Insurance Company SURETY

Dawn L. Morgan By: Dawn L. Morgan Title: Attorney-in-Fact

ACCEPTED BY THE STATE OF UTAH:

Lowell P. Braxton, Director - Division of Oil, Gas & Mining Mary Ann Wright Mining

NOTE: An Affidavit of Qualification must be completed and attached to this form for each authorized agent or officer. Where one signs by virtue of Power of Attorney for a company, such Power of Attorney must be filed with this Agreement. If the PERMITTEE is a corporation, the Agreement shall be executed by it's duly authorized officer.

POWER OF ATTORNEY

Know All Men By These Presents: That FRONTIER INSURANCE COMPANY, a New York Corporation, having its principal office in Rock Hill, New York, pursuant to the following resolution, adopted by the Board of Directors of the Corporation on the 4th day of November, 1985:

"RESOLVED, that the Chairman of the Board, the President, or any Vice President be, and hereby is, authorized to appoint Attorneys-in-Fact to represent and act for and on behalf of the Company to execute bonds, undertakings, recognizances and other contracts of indemnity and writings obligatory in the nature thereof, and to attach thereto the corporate seal of the Company, in the transaction of its surety business;

"RESOLVED, that the signatures and attestations of such officers and the seal of the Company may be affixed to any such Power of Attorney or to any certificate relating thereto by facsimile, and any such Power of Attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company when so affixed with respect to any bond, undertaking, recognizance or other contract of indemnity or writing obligatory in the nature thereof;

"RESOLVED, that any such Attorney-in-Fact delivering a secretarial certification that the foregoing resolutions still be in effect may insert in such certification the date thereof, said date to be not later than the date of delivery thereof by such Attorney-in-Fact"

This Power of Attorney is signed and sealed in facsimile under and by the authority of the above Resolution:

DOES HEREBY MAKE, CONSTITUTE AND APPOINT: **Lewis James Scheer Michael J. Scheer Alice Rhoads
 James I. Moore Bonnie Kruse Stephen T. Kazmer Dawn L. Morgan**

of **Countryside** In the State of **Illinois**
 its true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred in its name, place and stead to sign, execute, acknowledge and deliver in its behalf, and as its act and deed, without power of redelegation, as follows:

Bonds guaranteeing the fidelity of persons holding places of public or private trust; guaranteeing the performance of contracts other than insurance policies; and executing or guaranteeing bonds and undertakings required or permitted in all actions or proceedings or by law allowed; ~~not to exceed Four Million Three Hundred Thousand (\$4,300,000.00) Dollars~~ and to bind FRONTIER INSURANCE COMPANY thereby as fully and to the same extent as if such bond or undertaking was signed by the duly authorized officers of FRONTIER INSURANCE COMPANY, and all the acts of said Attorney(s)-in-Fact pursuant to the authority herein given are hereby ratified and confirmed.

In Witness Whereof, FRONTIER INSURANCE COMPANY of Rock Hill, New York, has caused this Power of Attorney to be signed by its President and its Corporate seal to be affixed this **29th** day of **April**, 19 **97**.

FRONTIER INSURANCE COMPANY



BY: 
 HARRY W. RHULEN, President

State of New York ss:
 County of Sullivan

On this **29th** day of **April**, 19 **97**, before the subscriber, a Notary Public of the State of New York in and for the County of Sullivan, duly commissioned and qualified, came HARRY W. RHULEN of FRONTIER INSURANCE COMPANY to me personally known to be the individual and officer described herein, and who executed the preceding instrument, and acknowledged the execution of the same, and being by me duly sworn, deposed and said, that he is the officer of the Company aforesaid, and that the seal affixed to the preceding instrument is the Corporate Seal of the Company, and the Corporate Seal and signature as an officer were duly affixed and subscribed to the said instrument by the authority and direction of the Corporation, and that the resolution of the Company, referred to in the preceding instrument, is now in force.

In Testimony Whereof, I have hereunto set my hand, and affixed my official seal at Rock Hill, New York, the day and year above written.



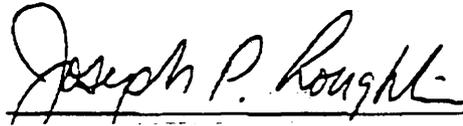

 NANCY V. PIERRO
 Notary Public State of New York
 Sullivan County Clerk's No. 2395
 Commission Expires July 8, 1998

CERTIFICATION

I, JOSEPH P. LOUGHLIN, Secretary of FRONTIER INSURANCE COMPANY of Rock Hill, New York, do hereby certify that the foregoing Resolution adopted by the Board of Directors of this Corporation and the Powers of Attorney issued pursuant thereto, are true and correct, and that both the Resolution and the Powers of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the facsimile seal of the corporation this **9th** day of **July**, 19 **99**




 Joseph P. Loughlin

BOND# 143715

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION SURETY COMPANY

-ooOOoo-

I, Dawn L. Morgan, being first duly sworn under oath, deposes and say that he/she is the (officer or agent) Attorney-in-Fact of Frontier Insurance Company; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said SURETY COMPANY is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

Dawn L. Morgan
[NAME- POSITION]

Dawn L. Morgan - Attorney-in-Fact

Subscribed and sworn to before me this 9th day of July, 1999.

Kelly A. Jacobs
NOTARY PUBLIC

My Commission Expires:

June 15, ~~19~~ 2002



Attest:

STATE OF Illinois)
COUNTY OF Cook)

SS:

BOND # 143715

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION
PERMITTEE
--ooOOoo--

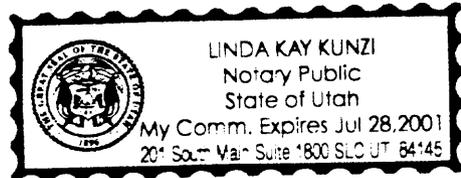
I, R. Eberley Davis, being first duly sworn under oath, deposes and says that he/she is the (officer or agent) Vice President and Assistant Secretary of Lodestar Energy, Inc.; and that he/she is duly authorized to execute and deliver the foregoing obligations; and that said PERMITTEE is authorized to execute the same and has complied in all respects with the laws of Utah in reference to commitments, undertakings and obligations herein.

[Handwritten signature of R. Eberley Davis]
R. Eberley Davis, Vice President and Assistant Secretary

Subscribed and sworn to before me this 9th day of July, 1999.

[Handwritten signature of Linda Kay Kunzi]
NOTARY PUBLIC

My Commission Expires: July 28, 2001



Attest:

STATE OF UTAH)
COUNTY OF)

ss:

LODESTAR ENERGY, INC.

Unanimous Consent in Lieu of Meeting of Board of Directors

The undersigned, being the sole member of the Board of Directors of Lodestar Energy, Inc., a Delaware corporation ("LODESTAR"), hereby consents to the following corporate action in lieu of a meeting of the Board of Directors as if the same were held on July 28, 1997, effective as of said date as fully as if unanimously adopted at a duly called meeting of the directors:

Recitals

LODESTAR engages in various aspects of the exploration, development, production, storage, transportation and marketing of coal. These activities require LODESTAR through its agents to obtain from time to time various permits, licenses, identifying numbers, orders and approvals necessary for the conduct of its business in normal course (such permits, licenses, identifying numbers, orders and approvals shall hereinafter be called "Permits"). All such Permits are issued by various governmental or regulatory authorities, including the United States Office of Surface Mining Reclamation and Enforcement, the Kentucky Department of Surface Mining Reclamation and Enforcement, the West Virginia Department of Energy, the United States Environmental Protection Agency, the Kentucky Natural Resources and Environmental Protection Cabinet, Department of Environmental Protection, Division of Water, the United States Mine Health and Safety Administration and the United States Bureau of Alcohol, Tobacco and Firearms (hereinafter all such governmental or regulatory authorities shall be called "Government Agency," whether singular or plural). The purpose of the resolutions adopted below is to appoint the named individuals as agents of LODESTAR to execute and deliver to the appropriate Government Agency all manner of documentation necessary for issuance or transfer of Permits.

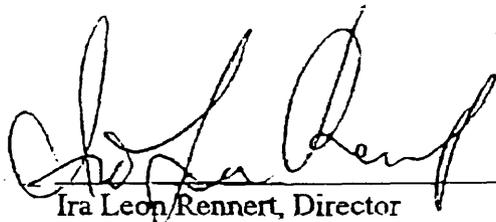
Resolutions

RESOLVED, that each of John W. Hughes, Troy L. Francisco, Bill Potter, Tom Mattox, John McHale, Dennis Bryant, Alex Messamore, and R. Eberley Davis ("Authorized Persons") be, and each of them is hereby, authorized and empowered to execute and deliver to any Governmental Agency having jurisdiction over the business and property of LODESTAR any and all documents necessary for the issuance or transfer of Permits including, but not limited to, applications for the issuance and transfer thereof, and the fact of execution and delivery thereof by any of the Authorized Persons may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted such persons by these resolutions and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency requires that the authority of the Authorized Persons to act as provided herein be further evidenced by any other document, any officer of LODESTAR shall be, and is hereby, authorized and empowered to execute and deliver to the requesting Government Agency any such other document which may be required by the Government Agency as evidence of the authority of the Authorized Persons to act as described herein and the fact of execution and delivery may be relied upon by the receiving Government Agency as conclusive evidence of the authority granted by these resolutions to such officer and this Board of Directors' approval of the item thus received by the Government Agency; and

FURTHER RESOLVED, that in the event any Government Agency to whom a certificate of these resolutions is to be delivered requires that these resolutions be certified in a form other than the form in which the resolutions have been written, any officer of LODESTAR, shall be, and is hereby, authorized and empowered to certify and deliver to the requesting Government Agency a certificate of these resolutions in such form as the requesting Government Agency may require, whether or not the text of such certificate has been actually presented to and approved by this Board of Directors and regardless of whether the certificate states the effectiveness of the resolutions certified to be as of a date other than the date of these resolutions, or that such resolutions may have been adopted in the course of a meeting when they were in fact adopted by unanimous written consent, or the converse thereof, and all of such resolutions so certified shall be, and they are hereby adopted as resolutions of this Board of Directors as though they have been presented to, and approved by, this Board of Directors at a meeting or in an action by unanimous written consent.

IN WITNESS WHEREOF, the undersigned has executed this consent as of the ^{2nd} ~~27~~ day
of July, 1997.

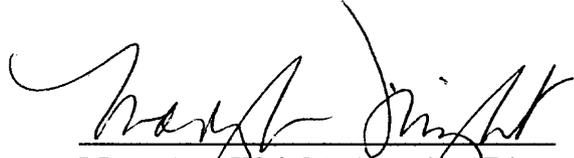


Ira Leon Rennert, Director

AFFIDAVIT OF QUALIFICATION
ASSOCIATE DIRECTOR

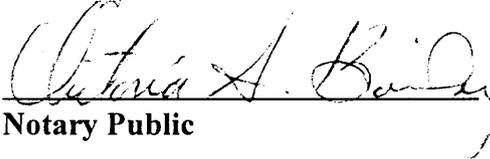
--ooOOoo--

I, Mary Ann Wright, being first duly sworn under oath, deposes and says that she is the Associate Director of the Division of Oil, Gas & Mining, Department of Natural Resources, State of Utah; and that she is duly authorized to execute and deliver the foregoing obligations; and that said ASSOCIATE DIRECTOR is authorized to execute the same authority of law on behalf of the State of Utah.



Mary Ann Wright, Associate Director
Division of Oil, Gas & Mining

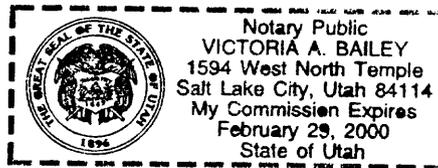
Subscribed and sworn to before me this 14th day of July, 1999.



Notary Public

My Commission Expires:

February 29, 192000



Attest:

STATE OF UTAH)
COUNTY OF SALT LAKE) ss:

RECLAMATION AGREEMENT

Exhibit "A" - PERMIT AREA

Permit Number: ACT/007/001

Effective Date: July 9, 1999

PERMIT AREA

LEGAL DESCRIPTION

In accordance with the RECLAMATION AGREEMENT, the PERMITTEE intends to conduct coal mining and reclamation activities on or within the PERMIT AREA as described hereunder: (The bonded area equals the permit area.)

Total acres of PERMIT AREA: 3,746 acres

Legal Description of PERMIT AREA:

Township 13 South, Range 6 East, SLBM

Section 24: SE ¼, and portions of S ½ NE ¼, NW ¼ NE ¼, and E ½ SW ¼
Section 25: E ½, portion of W ½
Section 35: Portions of E ½ E ½, and SW ¼ SE ¼
Section 36: All

Township 13 South, Range 7 East, SLBM

Section 8: E ½ SE ¼, portion of SW ¼ SE ¼
Section 9: W ½ SW ¼
Section 16: W ½ W ½, NE ¼ NW ¼, NW ¼ NE ¼
Section 17: NE ¼ excluding parts of SW ¼ NE ¼ and NE ¼ NE ¼, N ½ SE ¼,
Section 19: S ½ SW ¼, NE ¼ SW ¼, and portions of W ½ E ½, E ½ NW ¼,
Section 20: Portions of NE ¼ NE ¼
Section 21: Portions of NW ¼ NW ¼
Section 30: W ½ W ½, SE ¼ SW ¼, NE ¼ NW ¼
Section 31: W ½ NW ¼, SW ¼

BOND # 143715

Township 14 South, Range 6 East, SLBM

Section 1: E ½ NE ¼, NE ¼ SE ¼

Township 14 South, Range 7 East, SLBM

Section 6: W ½, W ½ E ½
Section 7: NW ¼, NW ¼ NE ¼

This is the PERMIT AREA that is covered by the reclamation surety provided in Exhibit "B".

IN WITNESS WHEREOF the SURETY has hereunto set it's signature this

9th day of July, 19 99.

Frontier Insurance Company

SURETY

By: Dawn L. Morgan

Title: Dawn L. Morgan, Attorney-in-Fact

TRANSACTION REPORT

P. 01

MAY-30-2003 FRI 12:14 PM

FOR: OIL, GAS & MINING

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UTAH DIVISION OF OIL, GAS & MINING FACSIMILE COVER SHEET

DATE May 30, 2003

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ATTENTION GEORGE LIODAKIS

COMPANY

DEPARTMENT

NUMBER OF PAGES: (Including this one) 10

FROM DARON R HADDOCK