

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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October 9, 2003

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Re: White Oak Reclamation

Dear Surface Landowner:

This letter is to inform you that the Division of Oil, Gas and Mining (OGM) has signed an agreement with the reclamation bonding company for the White Oak Mine and Loadout, which is Frontier Insurance Company in Rehabilitation. As you may know, Lodestar discontinued mining earlier this year at the White Oak surface mine. The bankruptcy court, under Chapter 11, sold certain assets, which included some exposed coal. That coal was mined and shipped this spring by Blue Ridge Services. The bond, which was posted by Blue Ridge Mining Services mining activities, was subsequently utilized, in June 2003, to reclaim approximately half of the White Oak loadout area. The goal was to reclaim areas closest to the summer camps in Scofield.

Since April, OGM, as the regulatory authority (RA) over coal mining and reclamation in Utah, has been negotiating for reclamation of the pit and loadout area. The negotiation phase followed a formal notice to Lodestar in bankruptcy (in Chapter 7 since July 15, 2003), and Frontier in Rehabilitation, of OGM's "Intent to Forfeit" the reclamation bond. On October 3, 2003, OGM, the federal Office of Surface Mining (OSM) and Frontier signed agreements providing for the reclamation of the sites.

Beginning Monday October 6, Whiskey Creek Mining Services began actively removing structures from the Loadout, and beginning on Thursday, October 9, 2003 Ledcor of Reno, NV began mobilizing reclamation equipment to the Mine.

OGM intends to provide for inspection at the sites and is involved in signoff of payments to the contractor to ensure the work is being completed to the satisfaction of the RA. Since only one quarter of the roughly \$4M reclamation bond estimate is available, OGM has negotiated to prioritize 1) elimination of underground mine openings, 2) removal of dangerous equipment and structures, 3) elimination of dangerous highwalls, 4) restoration of major drainage ways, and 5) ecological stabilization of the site. We hope you agree with these priorities. We plan that the site will be left in a stable and usable condition. We believe that you will be pleased to have these mining hazards and features removed from your property, and to have the surface use of the site again.

So that you are aware, OGM is also planning to pursue other potential sources of funding and is involved actively with OSM in capturing any further available dollars. If you have any questions, please contact me at 801-538-5306.

Sincerely,

Mary Ann Wright,
Associate Director, Mining

vs
cc:

Steve Alder, AAG
Dan Meadors, Skyline
William T. Gorton, III, Esq
Mark Wayment, Whiskey Creek Mining Services
Alice Carlton, Manti -La Sal N.F.
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Jerry Helms, Ledcor
Scott Kiscaden, Blue Ridge Services, LLC
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