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S T O L L | K E E N O N | & | P A R K | L L P

300 WEST VINE STREET | SUITE 2100 | LEXINGTON, KENTUCKY 40507-1801  
(859) 231-3000 PHONE | (859) 253-1093 FAX | WWW.SKP.COM

C0070001 Incoming  
cc: PAm

R. EBERLEY DAVIS  
859-231-3087  
davis@skp.com

April 22, 2004

Ms. Mary Ann Wright  
Associate Director, Mining  
Utah Department of Natural Resources  
Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, Utah 84114-5801

Re: Troy L. Francisco  
Notice of Potential Liability for an Individual Civil Penalty Assessment  
Lodestar Holdings, Inc. – Cessation Order C03-42-1-3

Dear Ms. Wright:

This letter is written on behalf of Troy L. Francisco concerning the above-referenced notice (copy enclosed) issued by you on March 15, 2004.

I served as general counsel and assistant secretary of Lodestar Energy, Inc. and assistant secretary of Lodestar Holdings, Inc. from 1997 through May, 2002. As such, I can verify that Troy L. Francisco was not an officer of either of these entities after January 30, 2003.

RECEIVED

APR 26 2004

DIV. OF OIL, GAS & MINING  
HENDERSON

Ms. Mary Ann Wright  
April 22, 2004  
Page 2

I trust this letter will resolve all issues you have regarding Mr. Francisco and cause withdrawal of the above-referenced notice. If that is not the case, please contact me immediately.

Very truly yours,

A handwritten signature in black ink, appearing to read "R. Eberley Davis", with a long horizontal stroke extending to the right.

R. Eberley Davis

Enclosure

cc: Troy L. Francisco

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State of Utah

Department of  
Natural Resources

Division of  
Oil, Gas & Mining

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STATE OF UTAH  
NOTICE OF POTENTIAL LIABILITY FOR AN INDIVIDUAL CIVIL PENALTY  
ASSESSMENT UNDER THE UTAH COAL MINING AND RECLAMATION  
ACT (UTAH CODE §§40-10 ET SEQ.(2003))

Name of Corporate Official:	Titles of Corporate Official:
Troy L. Francisco	CEO, Lodestar Energy, Inc. President, Lodestar Energy, Inc. CEO, Lodestar Holdings, Inc.
Name of Corporate Permittee:	Permit Number:
Lodestar Energy, Inc.	C/007/0001

The Utah Division of Oil, Gas, and Mining (UDOGM), pursuant to Utah Code §40-10-20 (2003) and Rules at §§R645-402, Utah Administrative Code (2003) may assess an Individual Civil Penalty against a director, officer, or agent of a corporate permittee which has violated a condition of its permit or fails or refuses to comply with a cessation order. Rule R645-402-200, in pertinent part, provides that:

[A] n assessment officer may assess an individual civil penalty against any corporate director, officer, or agent of a corporate permittee who knowingly and willfully authorized, ordered, or carried out such violation, failure or refusal...

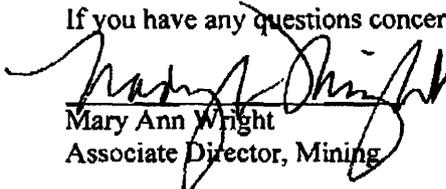
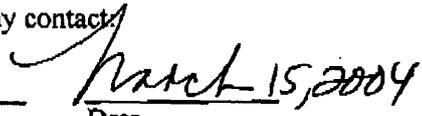
As President and CEO of Lodestar Energy, Inc., CEO of Lodestar Holdings, Inc., of the above-referenced corporate permittee, you are hcreby notified that the corporation was issued imminent harm cessation order C03-42-1-2 on June 20, 2003 for incomplete elimination of highwalls at the White Oak Mine (as well as failure to abate cessation order C03-42-2-2) (see attached copy). You will be subject to assessment of an Individual Civil Penalty if you willfully and knowingly fail or refuse to take all reasonable steps within your legal authority to bring about abatement of these cessation orders.

RECEIVED  
APR 26 1004  
**Utah!**  
*Where ideas connect*  
DIV. OF OIL, GAS & MINING

In the event that any violation cited in the cessation order is not abated, you may provide for UDOGM consideration, written documentation that demonstrates that you took all reasonable steps within your authority to bring about abatement. Assessment of an Individual Civil Penalty does not affect UDOGM's authority to assess civil penalties or take other enforcement action against the corporate permittee or other directors, officer, or agents as well.

This notice does not constitute an assessment, but rather advises you that you are potentially liable for an Individual Civil Penalty. Because a Notice of Potential Liability for an Individual Civil Penalty Assessment is neither a notice of violation nor a cessation order under Utah Code §§40-10- 19 through 23, nor a modification, vacation or termination of such notice or order, no administrative review by the Board of Oil, Gas, and Mining is provided for under the provisions of Utah Administrative Code (2003) R645-402. However, in the event that a Notice of Proposed Assessment for an Individual Civil Penalty is issued, you may then appeal under the provisions of R645-402.

If you have any questions concerning this matter, you may contact:

	(801) 538-5306	
Mary Ann Wright Associate Director, Mining	Telephone Number	Date

Attachment(s)

cc: Earl Bandy, AVSO (via email)  
John Austin (via email)  
O:\007001.WO\FINAL\Notice of Potential  
Liability\NOTICELLIABLITYhighwallTroyPransisco.DOC



STATE OF UTAH  
NATURAL RESOURCES  
Division of Oil, Gas & Mining

3 Triad Center • Suite 350 • Salt Lake City, UT 84180-1203 • 801-538-5340

Page 1 of 2

cessation order

HIGHWALLS

NO. C03-42-1-2

To the following Permittee or Operator:

Name William Bishop, Chapter II Trustee, Lodestar Energy, Inc.

Mine White Oak #1 & #2  Surface  Underground  Other

County Carbon State Utah Telephone (859) 223-7959

Mailing Address 2525 Harrodsburg Road, Suite 235, Lexington, KY 40504

State Permit No. C/007/001

Ownership Category  State  Federal  Fee  Mixed

Date of inspection June 12, 2003, 19

Time of inspection 11:00  a.m.  p.m. to 1:30  a.m.  p.m.

Operator Name (other than Permittee) \_\_\_\_\_

Mailing Address \_\_\_\_\_

Under authority of the Utah Coal Mining & Reclamation Act, Section 40-10-1 et seq., *Utah Code Annotated*, 1953, the undersigned authorized representative of the Division of Oil, Gas & Mining has conducted an inspection of above mine on above date and has found that a Cessation Order must be issued with respect to each of the conditions, practices or violations listed in the attachment(s). This order constitutes a separate Cessation Order for each condition, practice or violation listed.

In accordance with Section 40-10-22, *Utah Code Annotated*, you are ordered to cease immediately the operations described in the attachment(s) and to perform the affirmative obligations described in the attachment(s) within the designated time for abatement. Reclamation operations not directly the subject of this order shall continue while this order is in effect. You are responsible for doing all work in a safe and workmanlike manner.

The undersigned representative finds that this order does  does not  require cessation of mining expressly or in practical effect. For this purpose, "mining" means extracting coal from the earth or a waste pile, and transporting it within or from the mine site.

This order shall remain in effect until it expires as provided on reverse side of this form, or is modified, terminated or vacated by written notice of an authorized representative of the Division of Oil, Gas & Mining.

Fax (859) 223-3793

Date of service/mailling June 20, 2003

Time of service/mailling 3:30  a.m.  p.m.

Permittee/Operator representative \_\_\_\_\_

Title \_\_\_\_\_

Signature \_\_\_\_\_

Wayne Western  
Division of Oil, Gas & Mining representative

Sr. Reclamation Specialist  
Title

Wayne Western  
Signature

#42  
Identification Number

SEE REVERSE SIDE

WHITE-DOG M YELLOW-OPERATOR PINK-OSM GOLDENROD-NOV FILE



HIGHWALLS

CESSATION ORDER NO. C03-42-1-2

Violation No. 1 of 1

Nature of condition, practice or violation

Imminent danger to public safety created by permittee's failure to backfill and grade highwalls.

Provisions of act, regulations or permit violated

UAC R645-301-553
UCA 40-10-18 (10)

Check appropriate box

- Condition, practice or violation is creating an imminent danger to health or safety of the public.
Permittee/Operator is/has been conducting mining activities without a permit.
Condition, practice or violation is causing or can reasonably be expected to cause significant, imminent environmental harm to land, air or water resources.
Permittee or Operator has failed to abate Violation(s) No. included in Notice of Violation No. N within time for abatement originally fixed or subsequently extended.

Operation(s) to be ceased immediately

All highwalls at White Oak #1 & #2 Mine (Whiskey Creek Mine).

Affirmative obligation(s) and abatement time (if applicable)

By July 21, 2003 eliminate all highwalls.

WHITE-DOG M YELLOW OSM PINK-PERMITTEE/OPERATOR GOLDENROD-NOV FILE