

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

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

April 9, 2004

*Incoming
4/10/04
Copy Ann*

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: Eugene Holdaway
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 Eugene Holdaway 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 Eugene Holdaway resigned from all positions with both those entities in May, 1999. Following such resignation, Mr. Holdaway was not affiliated with either of those entities as an officer, director or otherwise.

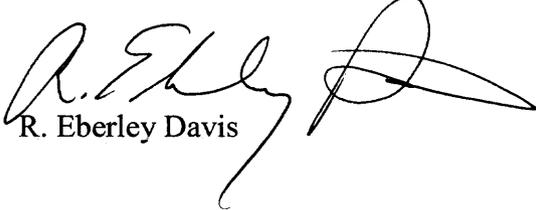
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DIV. OF OIL, GAS & MINING

Ms. Mary Ann Wright
April 9, 2004
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I trust this letter will resolve all issues you have regarding Mr. Holdaway and cause withdrawal of the above-referenced notice. If that is not the case, please contact me immediately.

Very truly yours,


R. Eberley Davis

Enclosure

cc: Eugene C. Holdaway

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State of Utah

Department of
Natural Resources

Division of
Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHNIE
Lieutenant Governor

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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:

Title of Corporate Official:

Eugene Holdaway

Senior Vice President, 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:

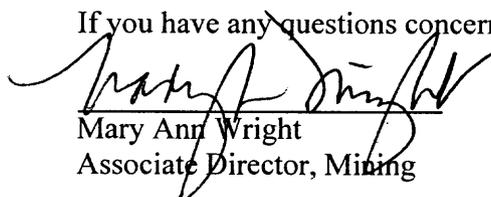
[A] n assessment officer may assess an individual civil penalty against any corporate director, officer, or agent of a corporate permittee who knowingly and willfully authorized, ordered, or carried out such violation, failure or refusal...

As Senior Vice President of Lodestar Holdings, Inc., of the above-referenced corporate permittee, you are hereby notified that the corporation was issued imminent harm cessation order C03-42-1-3 on June 20, 2003 at the loadout of 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.

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:

	<u>(801) 538-5306</u>	<u>March 15, 2004</u>
Mary Ann Wright Associate Director, Mining	Telephone Number	Date

Attachment(s)

cc: Earl Bandy, AVSO (via email)
John Austin (via email)

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cessation order

LOADOUT

NO. C03-42-1-3

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



LOADOUT

CESSATION ORDER NO. C03-42-1-3

Violation No. 1 of 1

Nature of condition, practice or violation

Imminent danger due to the failure of the permittee to eliminate conditions which constitute a hazard to the health and safety of the public.

Provisions of act, regulations or permit violated

UCA 40-10-17 (2) (P)
UCA 40-10-18 (10)
UAC R645-300-145

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 buildings and structures at the White Oak (Valcam) loadout.

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

By July 15, 2003 eliminate all buildings and structures.

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