

June 28, 2004

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

Re: Notice of Concurrence of Termination for Convenience, Reclamation Contract, Lodestar Energy, Inc., Whiskey Creek Mine, Carbon County, Utah, Leducor Industries, C/007/0001, Outgoing File

Dear Mr. Gorton:

Last fall, through your hard work, Utah benefited from close to a \$1 million settlement from Frontier Insurance Company in Rehabilitation (Frontier), the bonding company for this mine. Through your excellent negotiation and planning, Frontier engaged Leducor of Reno, Nevada and Whiskey Creek Mining Services to perform emergency and interim stabilizing reclamation of the surface mine and loadout. Both contractors performed work until they were 'weathered out' in December 2003.

As you are aware, the state of Utah, Division of Oil, Gas & Mining (DOGM), has signed a global settlement agreement that provides substantial additional funds for reclamation of the White Oak Mine Complex. With the new settlement money available, the current work must be placed on hold, while the scope of work is expanded to reclaim the mine site as required by the Utah Coal Mine Land Reclamation Act. Utah DOGM now has determined that it must take the following actions.

1. **Utah must bid new work under State Purchasing procedures.** Based on additional funds becoming available to the State for reclamation of the White Oak Mine site that were both unforeseen and are substantial in amount, the nature of the options for reclamation work that is now available has changed considerably and OGM is subject to restrictions of Utah laws and rules for the bidding of additional work. Utah Purchasing rules require an open bidding process and an opportunity for all interested parties to bid on the reclamation work.
2. **Utah must avoid completion of WORK currently contracted with Leducor since it will not meet surface mining law requirements and will result in duplication of work and waste of funds.** The scope of work as defined in the contract with Leducor was based on the limited funds available and was designed to provide interim stabilization to the site. All WORK under the current contract with Leducor must be put on "hold" and the scope of work redeveloped. This will maximize the effectiveness of the additional funds. The new scope must meet reclamation obligations under the Surface Mining Control and Reclamation Act.

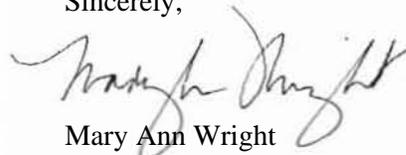
If we were to continue with the Leducor contract, then a large portion of their work on the ground would have to be re-done. Doing such would greatly increase the cost of the reclamation work. Utah OGM will prepare a new scope of work as part of a standard bidding package and advertise the work for bid, all under the Utah State Purchasing process. Leducor will have an equal opportunity to bid on this new scope of work, as will any interested and qualifying contractor.

3. **Utah OGM requires and requests that Frontier give notice pursuant to Paragraph 16 of the contract with Leducor that Frontier on behalf of Utah is exercising its right to terminate the contract as of July 1, 2004 in order to facilitate the bidding of the revised scope of work.** The Notice may advise Leducor that it may elect to avoid costs of termination and increase the advantage of its bid pending selection of a contractor. Such election is solely at the discretion of Leducor.
4. Under the Utah-Frontier agreement, Frontier may elect to retain the unspent part of the Leducor contract in escrow for the benefit of OGM for reclamation of the mine site. In the alternative, Frontier may also elect that the balance be paid to Utah OGM to be held by it for future reclamation of the mine site in accordance with the revised scope of work and new contract.

Please inform us of the next steps which need to be taken to effect the above items.

Bill, we also would like to thank you for your personal diligence and commitment to seeing to the reclamation of this and many other mines in this country. Thanks too for your fine professional dealings and your good common sense. Your depth of dedication to facilitating mine reclamation is that of which our Board's Earth Day Awards are made!

Sincerely,



Mary Ann Wright  
Associate Director, Mining

vs  
cc

Steve Alder, A.G.  
Jim Fulton, OSM

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