
 * P. 01 *
 * 0016 *
 * TRANSACTION REPORT *
 * AUG-06-2004 FRI 11:33 AM *
 * FOR: OIL, GAS & MINING 801 359 3940 *
 * DATE START RECEIVER TX TIME PAGES TYPE NOTE M# DP *
 * AUG-06 11:31 AM 13038441545 2' 06" 8 SEND OK 875 *
 * TOTAL : 2M 6S PAGES: 8 *

Pam Grubaugh-Littig - frontier release of bond Page 1

From: Steve Alder
To: Mary Ann Wright
Date: 7/19/04 11:22AM
Subject: frontier release of bond

*Outgoing
 c/007/0001*

Mary Ann,
 Pam brought me a copy of the request for bond release. As I expect you know it is the release for the Kiscaden boys operation: White Oak construction. The bond should have been released upon assignment of the lease to Lodestar Energy, since at the time (7-9-99) I believe our records show that a replacement bond was provided and both Lodestar and Frontier were then solvent and so the requirements for release, i.e., providing an adequate replacement bond would have been met. Why this is hanging around now is a mystery to me. I don't think it would be worth the trouble to explore additional avenues of liability. I think even if we did we have given Frontier a release, and the Kiscadens too, based on the agreements with each of them for partial reclamation.

I think Lowell should sign and return the release.

CC: Lowell braxton; Pam Grubaugh-Littig

*FAX #
 303-844-1545
 8 pages*

8/5

— [Signature]

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To: Mary Ann Wright
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CC: Lowell braxton; Pam Grubaugh-Littig

FAX # 303-844-1545
8 pages

8/5

To: Jim Fulton

From: Pam

Re: ~~Do~~ We need OSM

to release, too? In

replacement bonds we don't

and that is what this is...

Because this is Frontier - just checking.
THX, Pam

facsimile
TRANSMITTAL



to: Dept of Natural Resources, Division of Oil, Gas & Mining
Attn: Lowell P Braxton, Director

fax #: 801-359-3940

from: Andrea Ammendola, Associate Surety Underwriter

fax #: 845-807-4901

phone #: 845-807-5129

re: White Oak Mining & Construction Co dba Horizon Mining / Bond #125421
Bond Release

date: May 11, 2004

pages: 7, including cover sheet

SECOND NOTICE

6/16/04

RECEIVED

JUL 16 2004

DIV. OF OIL, GAS & MINING



195 Lake Louise Marie Road
Rock Hill, New York 12775-8000
(800) 836-2100 / (845) 796-2100

May 11, 2004

State of Utah, Division of Oil, Gas & Mining
and the Office of Surface Mining
P.O. Box 145801
Salt Lake City, UT 84114-5801

RE: Principal: White Oak Mining & Construction Co / Horizon Mining
Bond No.: 125421
Description: Surety Bond (Federal Coal)

Dear Sir/Madam:

We, as surety for the above captioned, have been advised that our bond has been replaced by **Lodestar Energy, Inc.**, Permit # **ACT/007/001** effective **July 9, 1999**.

As a result, we hereby respectfully request the release of our bond effective July 9, 1999.

Please acknowledge this release by signing in the space provided below and returning same in the enclosed self-addressed, postage paid envelope.

RELEASE APPROVED: Effective July 9, 1999

By: Lowell P BAXTER *Lowell P Baxter*
Title: Director, Ut Division of Oil, Gas & Mining
Date: 7/29/04

If your office is not agreeable to releasing Frontier's bond at this time, please sign and date in the space provided and return to us for our records.

RELEASE DECLINED:

By: _____
Title: _____
Date: _____

Your response to this inquiry is greatly appreciated. Thanking you in advance for your time and consideration regarding this matter.

If you have any questions please contact Tammy King at ext. 5091.

Sincerely,

Sharon A. Maralia
Sharon A. Maralia
Surety Underwriting Division

cc: White Oak Mining & Construction Co
Smith-Manus

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

Permit Number: ACT/007/001

SURETY BOND
(FEDERAL COAL)

COPY

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".

RECLAMATION AGREEMENT

Exhibit "B" - SURETY BOND

IN WITNESS WHEREOF, the PERMITTEE has hereto set it's signature this 28th day of July 19 99.

COPY

LODESTAR ENERGY, INC.
PERMITTEE

[Signature]
By: R. Eberles Davis

Title: Vice President & Assistant Secretary

IN WITNESS WHEREOF, the SURETY has hereto set it's signature this 28th day of July 19 99.

Frontier Insurance Company
SURETY

[Signature]
By: Dan J. Morgan
Title: Attorney-in-Fact

ACCEPTED BY THE STATE OF UTAH:

[Signature]
Lowell P. Braxton, Director
Division of Oil, Gas & Mining
[Signature]
Mary Ann Wright

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.

RECLAMATION AGREEMENT

AFFIDAVIT OF QUALIFICATION SURETY COMPANY

-ooOoo-

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.

COPY

Kelly A. Jacobs
 NOTARY PUBLIC

My Commission Expires:

June 15, 192002

"OFFICIAL SEAL"
 KELLY A JACOBS
 NOTARY PUBLIC, STATE OF ILLINOIS
 MY COMMISSION EXPIRES 6/15/2002

Attest:

STATE OF Illinois)
 COUNTY OF Cook)

SS:



July 16, 1999

Via Overnight Delivery

Lowell P. Braxton, Director
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suit 1210
Salt Lake City, Utah 84114-5801

Re: Permit Transfers, White Oak Mining and Construction, Inc. to Lodestar Energy, Inc. White Oak #1 and #2 Mines, ACT/007/001, and Horizon Mining, LLC to Lodestar Energy, Inc. Horizon Mine, ACT/007/020, Folder #3, Carbon County, Utah

Dear Mr. Braxton:

Thank you for your letter of July 14th concerning the transfer of the above referenced permits, with the decision documents enclosed.

Enclosed you will find one copy of each permit signed on behalf of Lodestar Energy, Inc. Additionally, we will submit the revised legal and financial information requested by August 13, 1999.

We appreciate the cooperation shown by you and your department in this transfer process. Please always feel free to contact me if you have questions or need information.

Very truly yours,

R. Eberley Davis
Vice President & General Counsel

RED:egs

cc: Dave Miller, Lodestar (w/enclosures)
Mike Malmquist, Parsons Behle & Latimer (w/enclosures)

Lodestar Energy, Inc.
333 West Vine Street, Suite 1700 • Lexington, Kentucky 40507-1628
tel. 606/255-4006 • fax. 606/255-0330



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

1634 West North Terrace, Suite 1210

PO Box 145201

Kathleen Clark
Executive Director

801 Lake City, Utah 84114-5401

801-538-3344

Lowell P. Braxton
Division Director

801-538-3340 (Fax)

801-538-7223 (TDD)

July 14, 1999

R. Eberley Davis, Vice President
Lodestar Energy, Inc.
333 West Vine Street, Suite 1700
Lexington, Kentucky 40507-1628

Re: Permit Transfers, White Oak Mining and Construction, Inc. to Lodestar Energy, Inc. White Oak #1 and #2 Mines, ACT/007/001, and Horizon Mining, LLC to Lodestar Energy, Inc. Horizon Mine, ACT/007/020, Folder #1, Carbon County, Utah

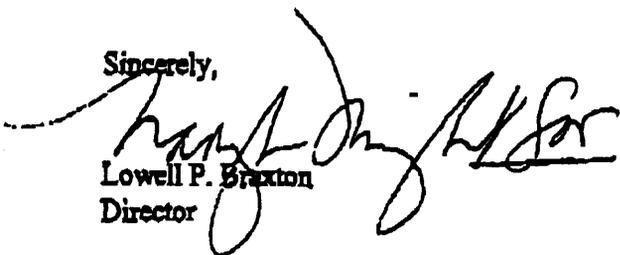
Dear Mr. Davis:

The permit transfers for the White Oak #1 and #2 Mines and Horizon Mine are approved (the decision documents associated with these permitting actions are attached.) Please read the permits and associated conditions of the permits and if you have any questions please let us know. Please sign both copies of each permit and return one of each to the Division.

Additionally, please submit the revised legal and financial information for both the White Oak #1 and #2 Mines and Horizon Mine to update the mining and reclamation plans by August 13, 1999.

We look forward to working with you and your company. Please feel free to call me or my staff anytime.

Sincerely,


Lowell P. Braxton
Director

lm

Enclosure

cc: Jim Fulton, OSM, WRCC
Denise Dragoon, Seall and Wilmer, w/o enclosure
Vicky Miller, EarthFax Engineering, w/o enclosure
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