



State of Utah

Department of
Natural Resources

MICHAEL R. STYLER
Executive Director

Division of
Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

December 28, 2005

OK

TO: Internal File

THRU: Pamela Grubaugh-Littig, Permit Supervisor *egl*

THRU: Mark R. Mesch, AMR Administrator *mm*

THRU: *D* Dana Dean, Senior Reclamation Hydrologist

THRU: Louis A. Amodt, AMR Senior Reclamation Specialist/Geologist *LA*

RE: White Oak Loadout Reclamation - White Oak Mine, Forfeited Site, C/007/0001

As part of a stipulation to terminate Cessation Order C03-51-1-1 issued at the White Oak Mine pit, Blue Ridge Services, LLC (Blue Ridge) agreed to place a percentage of the profit from any coal they salvaged and sold from the site into a reclamation fund to be used at the loadout facility (see Denise A. Dragoo letter of 4/11/2003). In April of 2003, upon completion of salvage operations, Blue Ridge agreed to do the following in order to receive the escrowed money back in the amount of \$106,848.60 (see Scott Kiscaden letter of 4/25/03).

Total structure removal, demolition, burial, grading, roughening, and seeding of approximately 18 acres referred to as the northern portion of the loadout, including the following:

- Valcam Well House (S-1)
- Storage Shed (S-1A)
- Storage Shed (S-1B)
- Valcam Shop (and Floor) (S-2)
- Valcam Shop Substation (S-3)
- Valcam Bathhouse/Office (S-4)
- Truck Shop (and Floor) (S-5)
- Salt Shed (S-6)
- Oil Storage Shed (S-7)
- 10,000 Gallon Water Head Tank (S-8)
- Truck Scale House (also Mechanism and Pit) (S-9)
- Power Service to Shops and Offices
- Transformers
- Guardrail from Oil Shed to Mine Shed
- Road to Mine Shop
- Road to Truck Shop
- Parking Lot at Truck Shop
- Concrete Barrier Blocks
- Salt Pile
- Underground Conduits
- Feeders in Yard (portable)
- Junkyard Above Rail Line

- 10,000 Gallon Diesel Tank
- 3,000 Gallon Gas Tank (Already Done)
- Spill Protection (Gasoline Tank)
- Spill Protection (Diesel Tank)
- Underground Tank
- Pond 001A – (construct a wetland, i.e. do not completely fill)
- Backfill and Grade (approx. 18 Acres)
- Pock (approx. 18 Acres)
- Seeding (same as above)

Blue Ridge completed each of the above tasks as required, except for the removal of Pond 001A and the funds held in escrow were released (**see Lowell P. Braxton letter of 6/12/2003**).

The pond (001A) remained un-reclaimed as a result of a personal communication with the contractor, in which Mr. Geroge Liodakis, the landowner, had requested pond (001A) remain in place at the time Blue Ridge was conducting the reclamation. This is documented in an internal email between Daron Haddock and Mary Ann Wright (**see email 5/29/2003**). This request was followed with a Project Field Work Authorization removing pond (001A) from the reclamation plan (**see Field Work Authorization of 6/12/2003**). After Blue Ridge had completed the work at the loadout and demobilized the equipment, the attorney for Mr. Liodakis then sent the Division a letter asking that everything on his property, including pond (001A), be reclaimed (**see Lawrence D. Buhler letter of 6/5/2003**).

Mr. Mark Wayment formed an agreement between his company dba Whiskey Creek Mining Services, LLC and Lodestar Energy, Inc. Bankruptcy Estate to perform salvage and reclamation services at the loadout (**see Lodestar Energy, Inc. Bankruptcy Estate agreement of 9/16/2003**). Mr. Wayment was given the salvage rights to all equipment and structures left on site and this work began on 10/6/2003. Mr. Wayment planned to pay for the demolition, earthwork, seeding, etc. with the profits from selling the structures. Unfortunately, he was unable to sell most of the structures as units, and the price of scrap metal was quite low. He did, however remove all structures and perform some earthwork during October of 2003, but did not seed or remove pond 002A

Kent Bethers Construction completed the loadout reclamation during the first week of November 2005 under contract to the Division. This reclamation included:

- Removal of vertical portion of culvert C-1-32
- Reclamation of pond 002A by the road to the site (middle pond)
- Re-grading the slope by the highway
- Shaping the corner of pond 003A (up canyon side – in the area where stacking was located)
- Re-seeding on the west side of the tracks from the north end to the middle of the site
- Seeding on both sides of railroad tracks from the middle of the site to the south

Page 3
Internal File
White Oak Loadout C/007/0001
December 28, 2005

Pond 001A (farthest north – down canyon) was not reclaimed; only vertical portions of CMP drains were removed. Access to pond 001A would have involved ingress along the Union Pacific Rail Road right-of-way, which covers a distance of 25 feet on either side of the tracks. Federal law requires that the Union Pacific must authorize any activities along that right-of-way. This notification and authorization process is time consuming and cumbersome. As the reclamation work was occurring in early November timing was critical. Funds were not available for re-mobilizing equipment the following year when a Right-of-Way agreement may or may not have been secured.

cc: Wayne Hedberg

P:\GROUPS\AMR\WP\Projects\007Carbon\934WhiteOak\Construction_AMR\Construction\pghwhiteoakloadoutreclaim_12_28.doc

Snell & WilmerL.L.P.
LAW OFFICES15 West South Temple, Suite 1200
Gateway Tower West
Salt Lake City, Utah 84101
(801) 257-1900
Fax: (801) 257-1800
www.swlaw.comDenise A. Dragoo (801) 257-1998
ddragoo@swlaw.com

April 11, 2003

*Via E-Mail and U.S. Mail*Pamela Grubaugh-Littig, Permit Supervisor
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801**RE: Reclamation Fund -- Agreed Order to Terminate Cessation Order C-03-39-1-1 -- Stone,
Blue Ridge Services, LLC, and Partially Terminate C-03-51-1-1 -- Lodestar
Energy, Inc.***Incoming
e-p007/001
Copy Mary Ann,
PAM
FAX PFO*

Dear Ms. Littig:

By Agreed Order filed on March 19, 2003 with the U.S. Bankruptcy Court for Eastern Kentucky, the State of Utah, Blue Ridge Services, LLC ("Blue Ridge"), and the Frontier Insurance Company in Rehabilitation, agreed to have Blue Ridge establish a reclamation fund from a portion of the proceeds from the removal and sale of certain pit coal from the Whiskey Creek Mine and certain stockpiled coal at the Valcam loadout for the period from February 13, 2003 through June 1, 2003. See ¶ 6(b) of Agreed Order and Stipulation. Blue Ridge has now opened Zions Bank Account No. 002994648. The escrow agent for the account is John A. Madison, CPA, Riverpine Services, Inc., P.O. Box 1916, Mechanicsville, Virginia 23116. Zions Bank is forwarding Mr. Madison deposit slips and checks for the account. He will prepare a schedule of the shipments made to date and forward the full fund to the account per the Agreed Order upon receipt of these deposit slips. We propose to provide you with a monthly statement of this account as it is provided by Zions Bank to Mr. Madison.

Please give me a call if you have any questions regarding this matter.

Very truly yours,



Denise A. Dragoo

DAD:jmc:248511

cc: Steve Alder, Esq. (via e-mail)
Scott Kiscaden (via e-mail)
John Madison (via e-mail)
Mark Wayment (via e-mail)

RECEIVED

APR 14 2003

DIV. OF OIL, GAS & MINING

LLI WHITE Lark
OSM - Tim Fulz
EASTERN DISTRICT OF KENTUCKY 5/51
FILED OK

MAR 19 2003

**UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF KENTUCKY
(LEXINGTON DIVISION)**

AT LEXINGTON
JERRY D. TRUITT, CLERK
U.S. BANKRUPTCY COURT

IN RE

CHAPTER 11 PROCEEDING

**LODESTAR ENERGY, INC.
LODESTAR HOLDINGS, INC.
INDUSTRIAL FUELS MINERALS CO.**

**CASE NO. 01-50969
CASE NO. 01-50972
CASE NO. 03-70015**

(Jointly Administered)

DEBTORS.

Judge Joseph M. Scott, Jr.

**AGREED ORDER APPROVING STIPULATION TO TERMINATE CESSATION
ORDER ISSUED BY THE STATE OF UTAH AGAINST BLUE RIDGE SERVICES, LLC
AND STIPULATION TO PARTIALLY TERMINATE CESSATION ORDER ISSUED BY
THE STATE OF UTAH AGAINST THE DEBTOR/LODESTAR ENERGY, INC.
(BLUE RIDGE SERVICES, LLC)**

This matter came before the Court on March 13, 2002, upon the MOTION PURSUANT TO 105(A), 363, 365, 503 AND 507 OF THE BANKRUPTCY CODE FOR ORDER APPROVING STIPULATION AND AUTHORIZING SALE TO BLUE RIDGE SERVICES, LLC OF CERTAIN OF DEBTORS' UTAH PROPERTIES, FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES, WITH ALL VALID LIENS, CLAIMS AND ENCUMBRANCES TO ATTACH TO THE PROCEEDS OF SALE, dated February 24, 2003 (the "Motion"). One of the issues that needed to be addressed in connection with consideration of the Motion, was certain cessation orders issued by the State of Utah against the Debtors and Blue Ridge Services, LLC ("Blue Ridge"). To address these issues, at the hearing an agreement in principle was made upon the record, with the understanding that the affected parties would prepare a written stipulation memorializing their agreement and submit the same to the Court for review and approval.

Accordingly, the parties subsequently prepared and filed that certain STIPULATION TO TERMINATE CESSATION ORDER ISSUED BY THE STATE OF UTAH AGAINST BLUE

RIDGE SERVICES, LLC AND STIPULATION TO PARTIALLY TERMINATE CESSATION ORDER ISSUED BY THE STATE OF UTAH AGAINST THE DEBTOR/LODESTAR ENERGY, INC., dated March 18, 2003 (the "Division Stipulation"). The Court having reviewed the Division Stipulation, good cause appearing for the approval of the same, and being advised, hereby

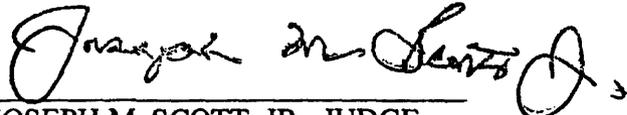
FINDS, CONCLUDES AND ORDERS¹ that:

1. The Court has subject matter jurisdiction to enter this Order and venue is proper in this Court.
2. Notice of the hearing on the Motion, and of the opportunity to consider the Division Stipulation, was adequate and proper in all regards under the circumstances.
3. The Division Stipulation represents a fair and reasonable compromise of disputed issues, satisfies the requirements of Rule 9019, F.R.B.P., and is in the best interests of the Debtors, their creditors and their estates.
4. The Division Stipulation is APPROVED IN ALL RESPECTS.
5. Any objections to the Motion filed or expressed by the parties to the Division Stipulation are WITHDRAWN.
6. The Reclamation Fund, as defined in the Division Stipulation, shall not be considered to be an asset of the Debtors or their respective estates, and shall be distributed either to the Division or to Blue Ridge in accordance with the terms of the Division Stipulation.
7. The parties shall be, and hereby are, authorized and directed, forthwith, to implement the Division Stipulation in accordance with its terms, and to negotiate, prepare,

¹ Any terms used in this Order that are not defined in this Order shall have the same meanings as such terms are used or defined in the Division Stipulation.

execute and deliver any and all other and further documents and instruments as may be reasonable or necessary in connection therewith, without further order of this Court.

Entered: _____ MAR 19 2003



HON. JOSEPH M. SCOTT, JR., JUDGE
UNITED STATES BANKRUPTCY COURT

TENDERED BY:

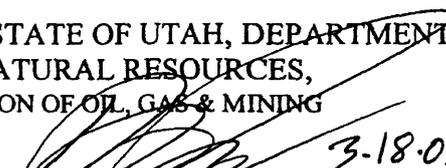
L. Edwin Paulson, Esq.,
209 East High Street
Lexington, Kentucky 40507
Telephone: 859-253-3333
Facsimile: 859-254-9925

COUNSEL FOR BLUE RIDGE SERVICES, LLC

Pursuant to Local Rule 9022-1(c), L. Edwin Paulson shall cause a copy of this Order to be served on each of the parties designated to receive this Order pursuant to Local Rule 9022-1(a) and shall file with the court a certificate of service of the Order upon such parties within (10) days hereof.

THE STATE OF UTAH, DEPARTMENT
OF NATURAL RESOURCES,
DIVISION OF OIL, GAS & MINING

BLUE RIDGE SERVICES, LLC

BY:  3-18-03 BY:

MATTHEW B. BUNCH, ESQ.
Bunch & Brock, Attorneys
P. O. Box 2086
Lexington, KY 40588
(859) 254-5522


DENISE A. DRAGOO, ESQ.
DAVID E. LETA, ESQ.
L. EDWIN PAULSON, ESQ., Atty.
209 East High Street
Lexington, KY 40507
(859) 253-3333

FRONTIER INSURANCE COMPANY IN REHABILITATION

BY: 

BENNETT BAYER, ESQ.
Landrum & Shouse
106 West Vine Street, Suite 800
Lexington, KY 40507
(859) 255-2424

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
(LEXINGTON DIVISION)

In re: : Chapter 11 Proceeding
: :
LODESTAR ENERGY INC., : Case No. 01-50969
LODESTAR HOLDINGS, INC., : Case No. 01-50972
INDUSTRIAL FUELS MINERALS, CO. : Case No. 03-70015

Debtors. : (Jointly Administered)

STIPULATION TO TERMINATE CESSATION ORDER ISSUED BY THE STATE OF
UTAH AGAINST BLUE RIDGE SERVICES, LLC

AND

STIPULATION TO PARTIALLY TERMINATE CESSATION ORDER ISSUED BY THE
STATE OF UTAH AGAINST THE DEBTOR/LODESTAR ENERGY, INC.

EASTERN DISTRICT OF KENTUCKY

FILED

AT _____ O'CLOCK & _____ MIN _____ M

MAR 19 2003

AT LEXINGTON

U.S. BANKRUPTCY COURT

By agreement of the parties hereto, the State of Utah, Department of Natural Resources, Division of Oil, Gas and Mining (“**Division**”), Blue Ridge Services, LLC (“**Blue Ridge**”) and Frontier Insurance Company in Rehabilitation (“**Frontier**”) as set forth below, by and through their respective Counsel, hereby stipulate and agree to the following so that certain cessation orders issued by the Division may be terminated and/or partially terminated, *i.e.*, modified or altered, so that Blue Ridge may act as a contractor for the Debtor at Whiskey Creek Mine in Carbon County, Utah, under the Debtor’s Permit No. C/007/001, for the limited purpose of removing, hauling and transporting coal from the stockpile and pit area therein onto trains and/or trucks, as the case may be, and for Blue Ridge to establish a reclamation fund (defined below) therefore (this entire document being described as the “**Division Stipulation**”), as follows:

BACKGROUND

1. On February 13, 2003, the Court-Appointed Trustee, being Bill Bishop, and Blue Ridge entered into a STIPULATION AND AGREEMENT FOR SALE OF CERTAIN OF DEBTORS’ UTAH PROPERTY FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES TO BLUE RIDGE SERVICES, LLC (the “**Trustee Stipulation**”).

2. On February 24, 2003, Blue Ridge filed a MOTION PURSUANT TO §§ 105A, 363, 365, 503 AND 507 OF THE BANKRUPTCY CODE FOR ORDER APPROVING STIPULATION AND AUTHORIZING SALE TO BLUE RIDGE SERVICES, LLC, OF CERTAIN OF DEBTORS’ UTAH PROPERTIES FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES WITH ALL VALID LIENS, CLAIMS AND ENCUMBRANCES TO ATTACH TO THE PROCEEDS OF THE SALE. A hearing before the Court on this Motion has been set for 9:00 a.m. on Thursday, March 13, 2003. The Division Stipulation shall be specifically contingent upon the

entry of an order approving the Trustee Stipulation; however, the Division Stipulation shall be effective upon March 18, 2003.

3. Pursuant to the terms of the Trustee Stipulation, the Trustee granted Blue Ridge the authority to perform several functions, including, but not limited to: access to Debtor's Whiskey Creek Mine; the right to operate and use certain equipment; and the authority to load, haul, remove and receive all of the sale proceeds from stockpiled and pit coal as necessary to fulfill Debtor's obligations under a Purchase Order with Mt. Poso Cogeneration Co. dated September 20, 2002 ("**Purchase Order**"). Blue Ridge agreed to operate as a contractor under Debtor's coal mine permit for the Whiskey Creek Mine, Permit No. C/007/001, in the Trustee Stipulation's paragraphs 8 and 12.

4. On March 11, 2003, the Division issued Cessation Order No. C-03-39-1-1 ("**Blue Ridge CO**") to Blue Ridge for conducting surface coal mining and reclamation operations without a permit from the Division at the Whiskey Creek Mine. To abate the Blue Ridge CO, Blue Ridge is required to cease extracting coal from the earth (pit) and transporting it from the pit area and to obtain a permit or to obtain a designation as an operator under Debtor's existing permit. A copy of the Blue Ridge CO attached hereto as Exhibit 1.

5. On March 12, 2003, the Division issued Cessation Order No. C-03-51-1-1 to Debtor ("**Debtor CO**"), regarding underground operations at the White Oak Mine and surface operations at the Whiskey Creek Mine, both of which operations are governed by Permit No. C/007/001. To abate the Debtor CO, the Debtor is required to cease coal extraction and transporting coal within or from

the White Oak/Whiskey Creek mine site and immediately post an adequate bond or to complete reclamation in accordance with the approved mining and reclamation plan. A copy of the Debtor CO is attached hereto as Exhibit 2.

AGREED TERMS OF THE DIVISION STIPULATION

6. At the request of Blue Ridge to load, haul and transport the above-described coal, the Division has agreed to terminate the Blue Ridge CO and to partially terminate, *i.e.*, modify or alter, the Debtor CO, in exchange for Blue Ridge establishing a Fund, as follows:

(a) The Division Stipulation shall be specifically contingent upon the entry of an order approving the Trustee Stipulation; however, the Division Stipulation shall be effective upon March 18, 2003. Blue Ridge's authority to operate as the Debtor's contractor under Permit No. C/007/001 shall terminate on June 1, 2003. After June 1, 2003, Blue Ridge shall not have authorization under Permit No. C/007/001 to load, haul or transport any coal as described above, except as expressly authorized in writing by the Division, which authorization may be withheld at its sole discretion.

(b) Blue Ridge shall establish an interest-bearing escrow account ("Account") at Zions Bank (the "Bank") within the State of Utah and shall immediately provide the Division with the Account number, which the Division hereby is granted irrevocable access only to monitor all deposits to the Account and may use this document as Blue Ridge's authorization to gain such access to the Account. Blue Ridge shall deposit funds to the Account at the rate of \$3.00 per ton for all coal removed from the pit by Blue Ridge at the Whiskey Creek Mine or removed from the inventory stockpile at the ValCam Loadout facility (aka Loadstar loadout facility) by Blue Ridge from February 13, 2003, through June 1, 2003. Blue Ridge shall, in lieu of the \$3.00 per ton as mentioned above, deposit funds to the Account at the rate of \$1.00 per ton of coal relating only to the

approximately 13,500 tons of coal that have been represented by Blue Ridge as having been "moved aside" from the load out facility due to inadequate BTU quality, including other similar poor quality coal demonstrated by Blue Ridge to the Division to be of similar poor quality. (All funds with any accrued interest that have been deposited into the Account shall be referred to as the "Reclamation Fund"). Blue Ridge shall not be authorized to withdraw any funds from said Account without the express written consent of the Division, and a written restriction of same shall be delivered to the Bank. Blue Ridge shall deposit all such funds as described in this paragraph into said Account within five (5) business days after any such coal is loaded onto the above-described trains or trucks. All deposits as described herein shall not be deemed to be any cash payments to the Division until such funds are actually delivered to the Division in accordance with paragraph no. 6(f) below.

(c) During the term of this Division Stipulation, Blue Ridge agrees to follow the terms and conditions of the mining and reclamation permit for the Whiskey Creek Mine, Permit No. C/007/001, with respect to Blue Ridge's operations. Blue Ridge shall specifically satisfy all regulations governing blasting, drainage control, dust control, cleaning and re-grading of the pit area in accordance with the terms of Permit No. C/007/001. Blue Ridge's obligations herein shall not include backfilling or elimination of existing high walls. Blue Ridge shall not disturb any other undisturbed areas not specifically described in this Division Stipulation. ✓

(d) Blue Ridge agrees to survey the pit coal and provide the Division with a certified map of Blue Ridge's activity as of March 18, 2003 and upon completion of activities, which shall be no later than June 1, 2003.

(e) Said Reclamation Fund with accrued interest shall then and only then be payable to Blue Ridge upon the satisfaction of the following: (i) a written agreement between Frontier or any other party who agrees to complete reclamation and who is qualified to perform such reclamation under all administrative provisions, statutes and regulations of the State of Utah and the Division, regarding the Whiskey Creek Mine; or (ii) replacement of the reclamation bond for Permit No. C/007/001 by a successor operator, which is acceptable to the Division, under all administrative provisions, statutes and regulations of the State of Utah and the Division.

(f) The Reclamation Fund with accrued interest shall be payable to the Division if either of the events set forth at paragraph 6(e) above do not occur within two (2) years from the date of this Agreement. Upon the expiration of the two (2) year period and thirty (30) days prior notice thereafter to Blue Ridge, the Division shall be authorized to deliver a copy of this Division Stipulation to the Bank, together with an affidavit of a Division representative substantiating the fact that neither of the events described in paragraph no. 6(e) above have occurred, and, upon receipt of the same, the Bank shall be authorized to deliver the Reclamation Fund, with all accrued interest thereon, to the Division without any liability to any party hereto, unless, prior to the expiration of the thirty (30) day period, a Court of competent jurisdiction has entered an order preventing such delivery.

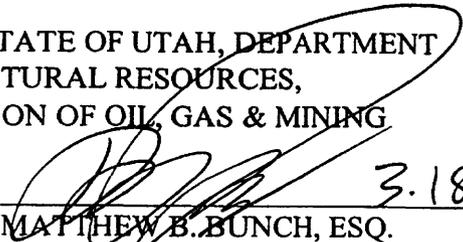
(g) The Division shall immediately terminate the Blue Ridge CO upon the date signed below and shall modify the Debtor CO to remove and exclude Blue Ridge's surface activities at the Whiskey Creek Mine so as to permit Blue Ridge to perform under the Trustee Stipulation and this Division Stipulation. The Debtor CO shall remain in full force and effect except as specifically set forth herein.

(h) Frontier agrees that the terms and conditions of this Division Stipulation shall not affect, change or be deemed to be in violation of any term or condition set forth in Frontier's reclamation bonds regarding the Debtor's mining operations in the State of Utah. Blue Ridge agrees to indemnify and hold Frontier harmless from any loss it may suffer as a result of the activities by Blue Ridge.

SO STIPULATED AND AGREED TO on this 18th day of March, 2003.

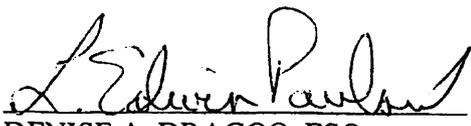
THE STATE OF UTAH, DEPARTMENT
OF NATURAL RESOURCES,
DIVISION OF OIL, GAS & MINING

BY:

 3.18.03
MATTHEW B. BUNCH, ESQ.
Bunch & Brock, Attorneys
271 West Short Street
805 Security Trust Building
P. O. Box 2086
Lexington, KY 40588-2086
Telephone: (859) 254-5522
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BLUE RIDGE SERVICES, LLC

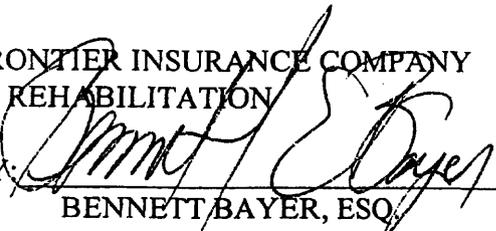
BY:


DENISE A. DRAGOO, ESQ.
DAVID E. LETA, ESQ.
Snell & Wilmer, LLP, Attorneys
Salt Lake City, Utah and
L. EDWIN PAULSON, ESQ., Atty.
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Email: paulsonjrlaw@aol.com

AUTHORIZED AGENT FOR DIVISION

FRONTIER INSURANCE COMPANY
IN REHABILITATION

BY:


BENNETT BAYER, ESQ.
ATTORNEY FOR FRONTIER
Landrum & Shouse
106 West Vine Street
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(859) 255-2424
Email: bbayer@landrumshouse.com

AUTHORIZED AGENT FOR
BLUE RIDGE SERVICES

FRONTIER INSURANCE COMPANY
IN REHABILITATION

BY:

ITS: _____

AUTHORIZED AGENT FOR FRONTIER
INSURANCE COMPANY IN
REHABILITATION

Email: Matt@BunchLaw.com

(859) 253-3333

Email: paulsonjrlaw@aol.com

AUTHORIZED AGENT FOR DIVISION

AUTHORIZED AGENT FOR
BLUE RIDGE SERVICES

FRONTIER INSURANCE COMPANY
IN REHABILITATION

FRONTIER INSURANCE COMPANY
IN REHABILITATION

BY: _____

BY: 

BENNETT BAYER, ESQ.
ATTORNEY FOR FRONTIER
Landrum & Shouse
106 West Vine Street
Suite 800
Lexington, Kentucky 40507
(859) 255-2424
Email: bbayer@landrumshouse.com

ITS: ADMINISTRATOR

AUTHORIZED AGENT FOR FRONTIER
INSURANCE COMPANY IN
REHABILITATION

EXHIBIT 1

MAR-11-2003 TUE 04:43 PM OIL, GAS & MINING

FAX NO. 801 358 3940

P. 02/03



3 Triad Center • Suite 350 • Salt Lake City, UT 84180-1203 • 801-638-5340

Page 1 of 2

NO. C 03-39-1-1

cessation order

To the following Permittee or Operator:

Name Blue Ridge Services, LLC, Scott Kiscaden, Donald Kiscaden ^{Todd Kiscaden}

Mine Whiskey Creek Mine Surface Underground Other

County Carbon State Utah Telephone _____

Mailing Address P.O. Box 1916 Mechanicsville, Va 23116

State Permit No. C/007/001 (HedestAR Energy Inc. Permit)

Ownership Category State Federal Fee Mixed

Date of inspection March 10, 2003, 19__

Time of inspection 10:30 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, 1963, 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.

Date of service/ mailing March 11, 2003

Time of service/ mailing 1:22 PM a.m. p.m.

Donald Kiscaden
Permittee/Operator/representative

OWNER
Title

Todd Kiscaden
Signature

Stephen J Demczak
Division of Oil, Gas & Mining representative

Reclamation Specialist
Title

Stephen J Demczak
Signature

39
Identification Number

SEE REVERSE SIDE

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

MAR-11-2003 TUE 04:43 PM OIL, GAS & MINING

FAX NO. 801 359 3940

P. 03/03



Page 2 of 2

CESSATION ORDER NO. C 03-39-1-1

Violation No. 1 of 1

Nature of condition, practice or violation

Conducting coal mining and reclamation operations without a permit from the Division

Provisions of act, regulations or permit violated

UCA 40-10-9
RC45-300-112-400
RC45-301-100

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

Extracting coal from the earth (pit) and transporting it from the pit area.

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

Obtain a permit to conduct coal mining and reclamation operations, or obtain designation as a non-operator under existing permit.

WHITE-DOGM YELLOW-OSM PINK-PERMITTEE/OPERATOR GOLDENROD-NOV FILE

EXHIBIT 2

MAR-12-2003 WED 02:00 PM OIL, GAS & MINING

FAX NO. 801 358 3940

P. 02



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

NO. CD3-51-1-1

cessation order

To the following Permittee or Operator:

Name Lodestar Energy, Inc.
 Mine White Oak / Whiskey Creek Surface Underground Other
 County Carbon State Utah Telephone (435) 448-9420
 Mailing Address HC 35 Box 370, Helper, Utah 84526
 State Permit No. C/007/001
 Ownership Category State Federal Fee Mixed
 Date of inspection _____ 19____
 Time of inspection _____ a.m. p.m. to _____ 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.

Date of service/mailling March 12, 2003 Time of service/mailling _____ a.m. p.m.

Mark Wayment
Permittee/Operator representative

Title

Mailed
Signature

Mary Ann Wright
Division of Oil, Gas & Mining representative

Associate Director of Mining
Title

Mary Ann Wright
Signature

#51
Identification Number

SEE REVERSE SIDE

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

CC: Bill Bishop, Lodestar Trustee

DOGMEC-1

an equal opportunity employer

Rev. 5/92



CESSATION ORDER NO. C03-51-1-1

Violation No. 1 of 1

Nature of condition, practice or violation

Conducting coal mining and reclamation operations without an adequate bond.

Provisions of act, regulations or permit violated

UCA 40-10-15
R 645-301-840.520

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

Cease coal extraction and transporting coal within or from the White Oak / Whisky Creek mine site

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

Immediately post adequate bond
or
complete reclamation according to the approved mining and reclamation plan

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

MAR-12-2003 WED 02:00 PM OIL, GAS & MINING

FAX NO. 801 359 3940.

P. 03

IMPORTANT - READ CAREFULLY**4. PENALTIES.**

a. **Proposed assessment.** The Board of Oil, Gas & Mining assesses fines based upon a proposed assessment recommended by an assessment officer. You may submit written information pertaining to violation(s) covered by this order within 15 days of the date this notice or order is served on you or your agent. Information will be used by the assessment officer in determining facts surrounding the violation(s) and amount of penalty. A representative of the Division of Oil, Gas & Mining will serve the proposed assessment on you or your agent within 30 days of issuance of notice or order.

b. **Assessment.** The penalty will be finalized unless you or your agent file a written request within 15 days of receipt of proposed assessment for an informal hearing before the assessment officer.

For each violation included in this notice, a penalty of up to \$5,000 may be assessed for each separate day the violation continues.

If you fail to abate any violations within the time set for abatement or for meeting any interim step, you will be assessed a minimum penalty of \$750 for each day of continuing violation beyond the time set for abatement. You will be issued a Cessation Order requiring you to cease surface coal mining operations or the portion of the operations relevant to the violation

requires cessation of mining. Please review this finding and inform the authorized representative if you disagree with it. (See Utah Admin. R. 645-400-350 et seq.)

If this notice requires cessation of mining, it will expire within 30 days from date you are notified unless an informal public hearing is held or waived, or the condition, practice or violation is abated within the 30-day period. You will be notified of date, time and location of hearing.

3. FORMAL REVIEW AND TEMPORARY RELIEF.

You may apply for review of this notice or assessment before the Board of Oil, Gas & Mining by submitting an application for hearing within 30 days of receipt of notice or assessment by you or your agent. Apply to:

Secretary
Board of Oil, Gas & Mining
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

If applying for a formal board hearing, you may submit with your petition for review a request for temporary relief from this notice. Procedures for obtaining a formal board hearing are contained in the board's Rules of Practice and Procedure and in Utah Admin. R. 645-401-800 et seq.

4. EFFECT ON PERMIT.

The permit may be suspended or revoked if it is determined that a pattern of violations of the act

0042

*Pam/Darn
Copy: PFO
(Also sent to
Dana & Wayne)
Janij
4/007/00)*

SCOTT KISCADEN

18073 North Fork River Road
Abingdon, Virginia 24210



276 628 1485
276 628 6779 fax

4/25/03

Lowell Braxton/ Mary Anne Wright

Re: reclamation load out site.

Good day, per our conversation I propose that in return for releasing the funds escrowed per our agreement at the Whisky Creek site, Blue Ridge will start the reclamation process at the Valcam loadout. The scope of this work shall include.

- Removal of
- 10,000 gal water head tank
- Scale house
- Mine office
- Salt shed
- Truck shop
- Bathhouse
- 10,000 gal diesel tank
- 3,000 gal gas tank
- Spill protection

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APR 25 2003

DEPT OF OIL, GAS & MINING

Oil shed

Mine shop

Mine substation

Power service to shops and offices

Guardrail from oil shed to mine shed

8,000 gal freeze proofing tank

Road to mine shop

Road to truck shop

Parking lot at truck shop.

This will complete the demolition and road removal on the lower half of the permitted area associated with the loadout permit. As we are on site with equipment and people we would like to do this work now. It will save a future mobilization cost and begin the process of reclaiming the site most visible to the public road.

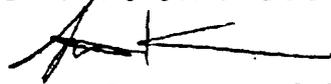
I have spoken to Frontier and to the Trustee and they both are supportive. This will cost the Trustee and Frontier nothing and will allow the funds that Frontier may make available to be used "in the dirt" at the balance of the sites that need to be reclaimed.

If this is agreeable with your Organization please acknowledge this and send a copy back to me.

WRT the balance of the reclamation project, I have had a good conversation with Bill Gorton and we would both like to meet with you as soon as schedules allow to discuss

the best use of the funding that Frontier may make available. I will come prepared to discuss cost associated with each location and phase of the project so that you can decide where you would like the funds spent. I have told Frontier that time is important as this work needs to start now so that it can be done before the next winter. Thank you for your time on these matters.

Scott Kiscaden



Agreed _____ Division of Oil , Gas and Mining

June 12, 2003

John A. Madison, CPA
Escrow Agent
Riverpine Services, Inc.
P.O. Box 1916
Mechanicsville, Virginia 23116

Re: Authorization to Release Funds, Blue Ridge Services, White Oak Mine Loadout, C/007/001, and Carbon County, Utah

Dear Mr. Madison:

This letter is sent to authorize the release of the reclamation funds being held in escrow by Zions Bank as reclamation surety for the White Oak Mine, on behalf of the Division of Oil, Gas and Mining. The Division entered into a "Stipulation to Terminate Cessation Order Issued by the State of Utah against Blue Ridge Services, LLC (BRS) and Stipulation to Partially Terminate Cessation Order Issued by the State of Utah against the Debtor/Lodestar Energy, Inc." (Stipulation), March 18, 2003, with Blue Ridge Services LLC, and Frontier Insurance Company in Rehabilitation. As a part of the Stipulation, reclamation funds were paid to a Zions Bank Escrow Account No. 002994648.

Under agreed term, 6.e. of the Stipulation, the Division, BRS, and Frontier, on May 15, 2003, entered into an "Agreement for the Partial Release of the Reclamation Fund" (Agreement) to reclaim part of the White Oak (Valcam) loadout. The partial escrow amount of \$106,848.60 was agreed upon to reimburse BRS for performing reclamation tasks at the Valcam site.

BRS has now completed the agreed upon reclamation of the Valcam site and has formally requested release of \$106,848.60 of the escrow funds, according to the Stipulation and the Agreement. Please make the effective date of this transaction occur as soon as possible. Please forward the check for the herin identified amount to BRS to the attention of:

Mr. Scott Kiscaden
Blue Ridge Services, LLC
18073 North Fork River Road
Abingdon, Virginia 24210

Page 2
John A. Madison, CPA
June 12, 2003

Thank you for your assistance in this matter. If you have questions, or if we need to also address a letter to Zions Bank to make this authorization, please contact Mary Ann Wright at 801-538-5306 or maryannwright@utah.gov.

Sincerely,

/S/

Lowell P. Braxton
Director

vs
cc: Steve Alder, AAG
Bill Gorton, for Frontier
Bruce Cryder for the trustee, Lodestar
Carl Roberts, DOGM
Zions Bank – Escrow Accounts
Price Field Office
P:\GROUPS\COAL\WP\007001.WO\Bankruptcy\Bond. RelDOC.DOC

AGREEMENT
For the
PARTIAL RELEASE of the RECLAMATION FUND

UTAH DIVISION OF OIL, GAS & MINING (DIVISION), BLUE RIDGE SERVICES, LLC (BLUE RIDGE); AND FRONTIER INSURANCE COMPANY IN REHABILITATION (FRONTIER) through their respective counsel of record HEREBY STIPULATE AND AGREE as follows:

BACKGROUND RECITALS:

1. On March 19, 2003, a "Stipulation to Terminate Cessation Order Issued by the State of Utah against Blue Ridge Services, LLC and Stipulation to Partially Terminate Cessation Order issued by the State of Utah against Blue Ridge Services, LLC" (Stipulation) was approved by the U.S. Bankruptcy Court for the Eastern District of Kentucky for the White Oak Mine (Site), C/007/001, located in Carbon County, Utah.

2. Pursuant to the Stipulation, the Division has partially terminated the Cessation Order against Lodestar so as to permit Blue Ridge to proceed with the removal and sale of certain identified and uncovered coal in the White Oak pit, and other stockpiled coal located at the White Oak Load-out, but otherwise the Cessation Order remains in full force and effect so as to preclude any other mining operations at the White Oak Mine.

3. Blue Ridge Services has pursuant to the Stipulation paid into a Reclamation Fund an amount per ton of coal, based on the amount of coal shipped from the White Oak Mine and Load-out facility at certain rates as established in the terms of the Stipulation. (See Stipulation attached as Exhibit A.) An amount of \$106,848.60 has, as of April 30, 2003, been disbursed to the escrow account (Reclamation Fund) established in accordance with the Stipulation and Order.

4. Blue Ridge has made a proposal to the Division that would provide that in consideration for payment of the sum of \$106,848.60 paid from the Reclamation Fund, Blue Ridge would remove structures and reclaim certain identified lands and facilities that are a portion of the mine permit area known as the Load-out for the White Oak mine.

5. The Division and Frontier believe that the Blue Ridge proposal will materially further and advance reclamation of the White Oak mine in accordance with the approved mining and reclamation plan and is in the best interests of the Division and Frontier.

6. The parties desire to modify the Cessation Order and Stipulation as necessary to allow Blue Ridge to proceed with reclamation of portions of the Load Out for the White Oak Mine and to set forth the terms and conditions for the reclamation work and for payment of Blue Ridge for that work from the Reclamation Fund.

NOW THEREFORE, the above parties hereby agree to modify the STIPULATION TO TERMINATE CESSATION ORDER ISSUED BY THE STATE OF UTAH AGAINST BLUE RIDGE SERVICES, LLC AND STIPULATION TO PARTIALLY TERMINATE CESSATION ORDER ISSUED BY THE STATE OF UTAH AGAINST BLUE RIDGE SERVICES, LLC (STIPULATION), and to provide for terms and conditions for the further partial termination of the cessation order and for additional partial reclamation of the White Oak Mine according to the following terms and conditions.

TERMS OF AGREEMENT:

1. The Division shall partially terminate the Cessation Order to permit Blue Ridge Services, LLC to proceed with the reclamation work provided for herein, and providing that it shall otherwise continue in full force and effect.
2. Frontier, and the Division agree that the sum of \$106,848.60 shall be released and paid from the Reclamation Fund to Blue Ridge as full payment for the partial reclamation work to be performed at the White Oak Load-out as described. Payment shall be made in accordance with the schedule of payments set forth herein.
3. Blue Ridge Services agrees to perform the reclamation work at the White Oak Load-out in accordance with all requirements of the mining and reclamation plan. The work shall be performed in a professional manner according to the standards for prudent operations as established by local, state and federal agencies with regulatory authority over the activities including compliance with all regulations pertaining to occupational health and safety, air and water quality, hazardous waste disposal, and shall protect the environment during demolition and reclamation in accordance with the regulations of SMCRA and the Division. Blue Ridge will obtain all necessary permits for said work.
4. The work to be performed by Blue Ridge under this agreement shall include the total structure removal, demolition, burial, grading, roughening and seeding of approximately an 18 acre area, as set out in more detail in the mining and reclamation plan. The portion of the Load-out to be reclaimed and revegetated shall include the buildings and areas listed below and as shown on the map as Exhibit B:
 - Valcam Well House (S-1)
 - Storage Shed (S-1a)
 - Storage Shed (S-1b)
 - Valcam Shop (and Floor) (S-2)
 - Valcam Shop Substation (S-3)
 - Valcam Bathhouse/Office (S-4)
 - Truck Shop (and Floor) (S-5)
 - Salt Shed (S-6)
 - Oil Storage Shed (S-7)
 - 10,000 Gallon Water Head Tank (S-8)
 - Truck Scale House (also Mechanism and Pit) (S-9)
 - 10,000 Gallon Diesel Tank

(page three - list continued)

3,000 Gallon Gas Tank (Already Done)
Spill Protection (Gasoline Tank)
Spill Protection (Diesel Tank)
Underground Tank
Power Service to Shops and Offices
Transformers
Guardrail from Oil Shed to Mine Shed
Road to Mine Shop
Road to Truck Shop
Parking Lot at Truck Shop
Concrete Barrier Blocks
Salt Pile
Underground Conduits
Feeders in Yard (portable)
Junkyard Above Rail Line
Pond 001a – (construct a wetland, i.e. do not completely fill)
Backfill and Grade (approx. 18 Acres)
Pock (approx. 18 Acres)
Seeding (same as above)

5. The above described work does not include the obligations for hand set shrubs and trees as listed as part of the reclamations plan. The obligation to provide such hand set shrubs and trees shall continue to be part of the reclamation plan together with the obligation for revegetation success required by the reclamation plan and regulations of the Division. These obligations shall continue as part of the mining and reclamation plan and continue as obligations of the permittee and subject to the guaranty of Frontier as surety for the reclamation of the mine.

6. The Division and Frontier shall authorize release and payment to Blue Ridge the sum of \$ 22,000 , upon execution and approval by the Trustee of this Stipulation, and the sum of \$ 58,848.60 upon inspection and approval of the  removal of all structures; and a final payment shall be made of \$ 28,000 upon  inspection and approval of the final grading and seeding.

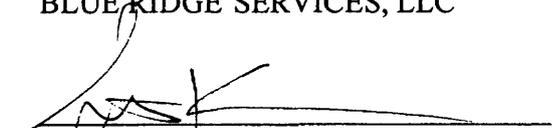
7. Frontier and Division relinquish all assign to Blue Ridge all claims to the above described property, and Blue Ridge shall do whatever may be necessary to obtain the release of the Trustee to the debtor to all claims of ownership or value of the property.

8. Except as expressly modified by this Agreement, the Stipulation and the Cessation Order shall remain in effect and be binding all the parties thereto without change.

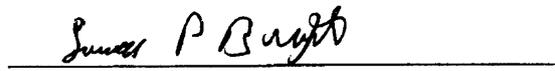
Agreed to this 15 day of MAY, 2003.

BLUE RIDGE SERVICES, LLC

DIVISION OF OIL GAS AND MINING



Scott Kiscaden, Principal



Lowell P. Braxton, Director

Taxpayer ID #: 231666617

FRONTIER INSURANCE CO.

William T. Gorton III

From: Mary Ann Wright
To: Daron Haddock
Date: 5/29/03 9:00AM
Subject: Re: White Oak Confab Thursday

Daron - thank you. Please ensure that a copy of this email goes to the file AND THE BOND FILE. Thank you.

>>> Daron Haddock 05/28/03 04:28PM >>>

I finally was able to track down the land-owner of the Val Cam loadout. The land owner is George Liodakis and he lives in Salt Lake City (phone # 597-6204). He received title to the property in 1992 from his mother Koula Marakis who lives in Price (phone # 435-637-3347). George had just been to the property this morning and had discussed the reclamation with Tod Kiscaden. He is wanting to leave the North pond (001) and also the well in place for his use. He also discussed leaving part of the silo or truck dump? I guess it is a concrete structure that has 3 openings in the top that could easily be covered and converted into a garage or barn. It would also need a door and some basic clean up. He was also interested in having power left in place (probably a small transformer). I think that is pretty much it. He wanted everything else cleaned up. It is my understanding that Tod Kiscaden is writing up a letter for his (Liodakis') signature that will spell out what his desires are for the property. He would then send the letter to us. Once that is in place, he was interested in having a meeting on-site to make sure everyone was on the same page. That's about it.

>>> Mary Ann Wright 05/28/03 08:40AM >>>

Daron - Can you please make it a priority to talk with the landowner today on the pond at the WO loadout? Thanks!

>>> Daron Haddock 05/28/03 07:44AM >>>

1:00 PM on Thursday works for me.

>>> Mary Ann Wright 05/27/03 04:10PM >>>

I propose getting together at 1pm on Thursday to go over status on

- compliance
 - reclamation
 - AVS listings
 - legal plans/strategy
 - Bill Gorton's visit/Frontier's plans
 - whereabouts of signed agreement
 - communication with the trustee
- etc.

We can tie Steve Demczak in by phone, if reasonable to do, so or fill him in later. We may not need everyone the whole time. We will try for Conf A. Would like Pam, Daron, Steve Alder there for sure.

CC: Pam Grubaugh-Littig; Steve Demczak; Vickie Southwick



*file: White Oak
w/ agreement
w/ Blue
Rid*

for reclaim

0032

FIELD WORK AUTHORIZATION

*Contract 007 001
AMR 1 IC*

Use this form to authorize work changes 1) up to \$500 if current contract price is less than \$5,000 and 2) up to 10 percent or \$10,000 if current contract price is more than \$5,000. Field authorized changes in contract price or completion time must be followed by a formal Change Order.

Contractor Blue Ridge Services Contract no. _____
 Representative Scott Kisladen
 Project name White Oak loadout (Volcan) Field authorization no. 1

You are requested to comply with the following changes in contract plans and specifications.

| Item No. | Description of Changes | Increase/Decrease |
|---|---|-------------------|
| <i>Pond #1A</i> | <i>- Do not reclaim</i> | <i>- 0 -</i> |
| <i>Highwall associated w/ Utah #2 belt access</i> | <i>- Partial reclaim, grade, seed & mulch</i> | <i>- 0 -</i> |
| <i>Highwall assoc. w/ Utah #1</i> | | |

Net change in contract price: \$ - 0 - Net change in contract time: _____ days

This document shall be attached to and become an amendment to the contract, and all contract provisions will apply hereto.

Approved by Owner representative [Signature] Date 6/12/2003
 Approved by Contractor [Signature] Date 6/12/2003

WHITE -- AMR File CANARY -- Contractor PINK -- Project Manager GOLDENROD -- AMR Administration

0047

LAWRENCE D. BUHLER & ASSOCIATES

ATTORNEYS AT LAW
P.O. BOX 537
SALT LAKE CITY, UTAH 84110
TEL: 801-699-2126
FAX: 801-355-8992

Pam
Incoming
1/007/001
Copy Aaron, Pam
Mary Ann

June 5, 2003
VIA FAX: (801) 359 3940

MARY ANN WRIGHT
ASSOCIATE DIRECTOR
DIVISION OF OIL, GAS AND MINING
STATE OF UTAH
PO BOX 145801
SALT LAKE CITY UTAH 84114

Re: Permit Number: ACT/007/001
Permitee: Lodestar Energy, Inc.
Claimants: George and Helen Liodakis
Frontier Bond No.: 143715

Dear Ms. Wright:

As you know, I represent George and Helen Liodakis (the Liodakises) regarding their property leased by Lodestar Mining for its coal mine operations.

Let this confirm that the Liodakises desire to have their entire property reclaimed as a result of the shutdown of the mine. The Liodakises decline at this time to have any mining facilities left behind on their property.

The Liodakises have various claims against the mine operators, including claims for damages to their property interests. No one other than I, as their attorney, is authorized to speak for the Liodakises regarding their rights or desires, and the Liodakises. The Liodakises hereby reserve all rights available to them under state and federal law or regulation, under all contracts and agreements, under all insurance policies and surety bonds and with regard to any and all claims available to them against any party. The Liodakises specifically do not waive any right or rights which they have or will have. The Liodakises hereby request that the state of Utah, all other governmental agencies and all persons or entities notify them and me, as their attorney, regarding any and all activity or actions affecting their interests with regard to their property. The Liodakises request that the state of Utah and all state and federal agencies assist them in recovering their property and reclaiming it to avoid any unnecessary risk, harm, cost, injury or damage.

The Liodakises will consider reasonable offers of compromise (e.g.,

RECEIVED
- mhw
JUN 09 2003 4/10/03
DIV. OF OIL, GAS & MINING

from the permittee or its surety Frontier) in order to assist them in reducing costs while mitigating damages that the Liidakises have suffered. Although I have a partial copy, please provide me a full copy of the Reclamation Agreement and other relevant documents.

I understand that the representatives of the bond issuer, Frontier Insurance Company, and the state of Utah will meet soon to discuss claims against the bond and reclamation of the Liidakises' property. I request, on behalf of the Liidakises, that I be allowed to participate in discussions with Frontier in order to assist the parties in resolving claims under the bond.

I thank you and the other representatives of the state of Utah in assisting the Liidakises in protecting their interests as you protect the public interest. Please call me if you have any questions or comments, and I look forward to hearing from you.

Very truly yours,



Lawrence D. Buhler

BY SIGNING BELOW, GEORGE AND HELEN LIIDAKIS ACKNOWLEDGE AND AGREE TO THE STATEMENTS IN THIS LETTER.

George Liidakis

Helen Liidakis

LODESTAR ENERGY, INC. BANKRUPTCY ESTATE
2525 Harrodsburg Road, Suite 235, Lexington, KY 40504

September 16, 2003

Mr. Mark Wayment
Manager
Whiskey Creek Mining Services, LLC
HC35 Box 370
Helper, Utah 84526

Dear Mr. Wayment:

This letter shall serve as a Salvage and Reclamation Agreement between Whiskey Creek Mining Services, LLC ("Mining Services") and Lodestar Energy, Inc. Bankruptcy Estate ("Lodestar") to perform salvage and reclamation services at the Whiskey Creek White Oak Load-out. Mining Services represents they have met with the State of Utah, Division of Oil, Gas and Mining ("Division"), on site, to discuss necessary field activities to bring the Whiskey Creek mine preparation plant, unit train load-out and truck load-out areas into compliance and to satisfy the Division regarding adequate reclamation. You have informed me that Mining Services will perform the necessary field activities and assume the reclamation liabilities for the affected areas to the satisfaction of the Division field inspectors for the salvage value of the remnants and scrap materials at the Whiskey Creek Surface Mine, the preparation plant, unit train load-out and truck load-out areas.

The scope of work necessary to satisfy the Division inspectors includes: mobilization/demobilization; total removal of all conveyors, stackout tubes, transfer towers, preparation plant and unit train storage silo including structures and foundations; removal of railroad tracks and ties; burial of solid materials if appropriate; backfilling; final grading; roughening and seeding of the areas disturbed during salvage activities. Solid material may be buried on site to the satisfaction of the Division inspector, at a depth of five feet below plow level but concrete material shall be blasted or broken before burial. No liquids, liquid filled equipment or similar material may be disposed of on site. Following backfilling, final grading shall consist of placing approximately eight inches of topsoil on the affected area such that site drainage is maintained. The disturbed areas shall be scarified (pocked) and seeded with the seed mix in Exhibit 1.

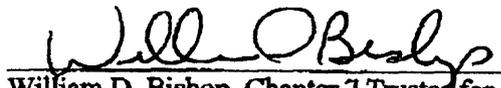
Mining Services agrees to perform the demolition/salvage and reclamation work at the site in a professional manner according to standards for prudent operations as established by local, state and federal agencies with regulatory authority over the activities including compliance with all regulations pertaining to occupational health and safety, air and water quality, hazardous waste disposal and shall protect the environment during demolition and reclamation in accordance with regulations of SMCRA and the Division. Mining Services shall obtain all necessary permits for said work.

Please sign below and return a copy of this letter to me and we will consider this agreement final. Following receipt of the signed agreement I will authorize work to begin.

Agreed to this 16 day of September, 2003.

Whiskey Creek Mining Services, LLC


Mark Wayment, Manager


William D. Bishop, Chapter 7 Trustee for
Lodestar Energy, Inc.

VALLEY CAMP OF UTAH, INC.
SCOFFIELD ROUTE, HELPER, UTAH 84526

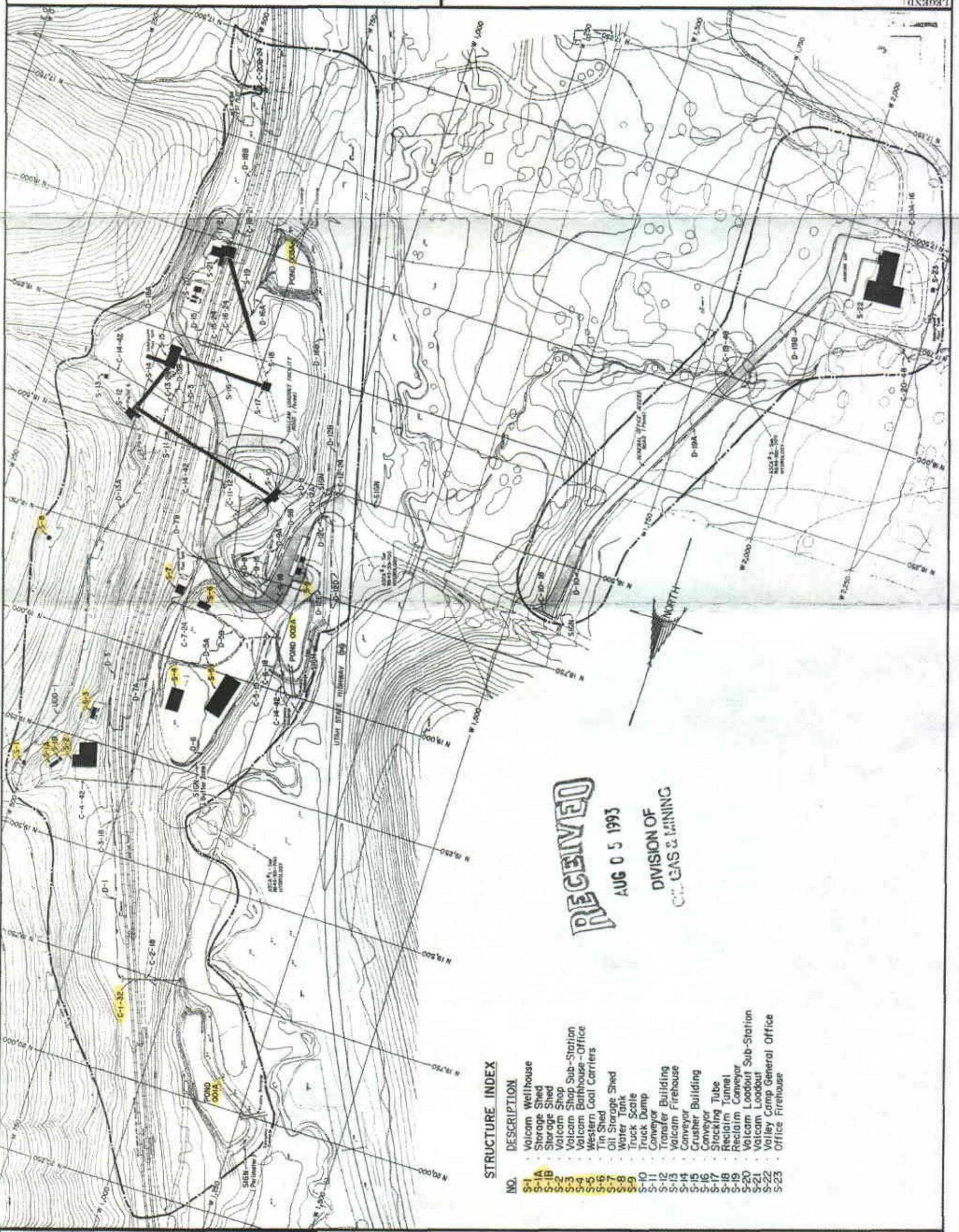
PROJECT: VALCAM LOADOUT FACILITY
DRAWING NO.: R645-301-521.124

SCALE: 1" = 100' AS BUILT
SHEET 1 OF 4

DATE: 5/21/89
DESIGNED BY: Ed Sanderson
CHECKED BY: Ed Sanderson



NOTES:
1. For all hydrology information and structures see HYDROLOGY SECTION (700)
2. Disturbed Area Actives
Disturbed Area Boundary
Ditch
Culvert
Valley Comp Hoops (Power)
Structure



RECEIVED
AUG 05 1993
DIVISION OF
CIVIL GAS & TRAINING

STRUCTURE INDEX

| NO. | DESCRIPTION |
|------|----------------------------|
| S-1 | Valcam Wellhouse |
| S-1A | Storage Shed |
| S-1B | Storage Shed |
| S-2 | Valcam Shop |
| S-3 | Valcam Shop Sub-Station |
| S-4 | Valcam Bathhouse - Office |
| S-5 | Western Coal Carriers |
| S-6 | Tin Shed |
| S-7 | Oil Storage Shed |
| S-8 | Water Tank |
| S-9 | Truck Scale |
| S-10 | Truck Dump |
| S-11 | Conveyor |
| S-12 | Transfer Building |
| S-13 | Valcam Firehouse |
| S-14 | Conveyor Building |
| S-15 | Conveyor |
| S-16 | Stacking Tube |
| S-17 | Reclaim Tunnel |
| S-18 | Reclaim Tunnel |
| S-19 | Conveyor |
| S-20 | Valcam Loadout Sub-Station |
| S-21 | Valcam Loadout |
| S-22 | Valley Camp General Office |
| S-23 | Office Firehouse |

| NO. | DATE | DESCRIPTION | BY | INITIALS |
|-----|------|-------------|----|----------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |