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State of Utah

Department of Natural Resources

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January 20, 2006

James Fulton, Chief DFD
Office of Surface Mining
Western Regional Coordination Center
Denver, Colorado 80201-6667

Subject: BLM "Report on Federal Coal Trespass at the Whisky Creek Mine"
White Oak Mine, C/007/001

Dear Mr. Fulton:

On several occasions during the past few years, the Bureau of Land Management (BLM) has verbally informed OGM that they suspected there may have been a trespass onto federal coal at the White Oak (Whisky Creek) mine. Since BLM initially dismissed this matter quite some time ago, (approximately in 2002) and later re-expressed their concern, OGM requested that BLM provide a written report of the alleged trespass onto federal coal.

OGM received BLM's "Report on Federal Coal Trespass at the Whisky Creek Mine" in December 2005. OGM then reviewed the report to see if a compliance action by the Utah Coal Regulatory Program would be warranted against Lodestar, a company in Chapter 7 bankruptcy, or against any other entity. After reviewing the report, OGM believes that federal coal may have been mined without appropriate authorization. However, since none of the actual field checking and surveying occurred when the coal was newly exposed in the pit, it is not possible for OGM to certify that federal coal was taken. Below I describe the events that occurred after pit coal was exposed in 2002.

- First, in 2002 and early 2003, Lodestar exposed the pit coal, scaling back the highwall to safely mine under the scarp. The Bankruptcy Court sold the exposed pit coal, which was awarded by auction to Blue Ridge Services (BRS) of West Virginia. BRS had equipment on-site in 2003 and was mining out the exposed pit coal, concurrently performing gratuitous reclamation.
- After BRS de-mobilized from the site, Leducor, Inc. of Nevada mobilized on site in 2003, as a result of a settlement with Frontier Insurance Co-in- Rehabilitation. Leducor began reclamation in several different areas of the mine, including assigning an individual to work along the highwall to perform stabilization measures for safety purposes. This included scaling earth at the top of the scarp and releasing any questionable (leaning) timber at the top of the highwall.

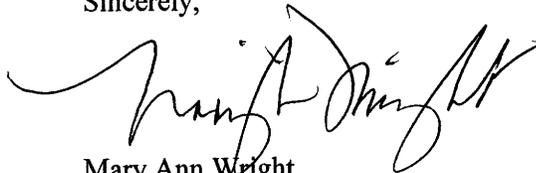
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- The next group that came onto the site was Kent Bethers Construction (KBC) in 2004, under contract with Oil, Gas and Mining's Abandoned Mine Reclamation Program. KBC also began working the site in several areas at once, including performing partial reclamation of the highwalls to create a concave slope over the mined pit.

Thus, OGM believes that the three years of reclamation activity by three different construction companies had very likely obscured the original highwall boundary mined in 2002 by Lodestar. By the time the BLM reviewed and walked the site in September of 2005, KBC was nearing completion of reclamation activities; they de-mobilized on November 5, 2005. Due to the successive obliteration of on-the-ground information, OGM is not able to reconstruct activities that would be conclusive as to the trespass onto federal coal at the site. All inspection reports on this site are available in OGM files to certify as to the activities described above. Unfortunately, the BLM's investigation was conducted far too late to be certifiable as to the exact site conditions at the time of mining in 2002 and 2003.

In summary, OGM declines to conclusively register a decision as to the illegal taking of federal coal. If OSM or any other parties involved have questions, I am pleased to respond. You may contact me at 801-538-5306.

Sincerely,



Mary Ann Wright
Associate Director, Mining

vs

Enclosures: Pictures on site September 2005

cc John Austin
Henry Austin
Steve Alder
Bill Bishop
Maureen Carmen
Jim Kohler

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