

January 26, 2007

TO: Mary Ann Wright, Associate Director, Mining

FROM: Pamela Grubaugh-Littig, Permit Supervisor

RE: White Oak Mine and Loadout – Draft of Documents Needed for Inspection Frequency Change, White Oak Mine and White Oak Loadout, C/007/0001

The possibility of changing the inspection frequency at the White Oak Mine and White Oak Loadout has been discussed. This memo contains proposed information for each of the steps for this change. The Division needs to publish this action in the Sun Advocate once and have a 30-day comment period. If there are comments, the Division will need to address them. If not, the Division may proceed by making findings and send these findings (with the Affidavit of Publication) to OSM. The date the findings are sent to OSM is the effective date.

Background Information on the Loadstar Bankruptcy (White Oak Mine and Loadout)

The Division issued the Determination to Forfeit at the White Oak Mine on May 1, 2003. Chapter 7 was filed by Lodestar Energy, Inc. on July 15, 2003. The Division negotiated with the Bankruptcy Trustee and Frontier Insurance to stabilize this site. The amount of \$999,000 was escrowed from Frontier Insurance Company on October 3, 2003. Ledcor (the Frontier contractor) started work at the White Oak Mine on October 13, 2003. Ledcor (the contractor for Frontier) left the site for the winter on December 17, 2003. Reclamation work at the White Oak Loadout is being done by the Mark Wayment group. The bonded amount of \$4,292, 000 has been removed from the current reclamation bonding amounts.

On August 18, 2004, Lodestar trustee Bill Bishop filed the master settlement between various parties (including Renco and Wexford Capital) for reclamation in a “General Settlement Fund” outside of the Lodestar bankruptcy estate. Utah received \$1.217 million dollars as part of this Settlement Agreement.

The contract with the Frontier contractor, Ledcor, was terminated by the Division and on September 8, 2004, a withdrawal from the Escrow Fund in the total amount of \$318,128.60 was requested for transfer to the state of Utah, Division of Oil, Gas and Mining, for the sole benefit of reclamation of the Lodestar Energy, Inc.’s Whiskey Creek Mine.

VCM contractors were awarded the contract for reclamation at the Whiskey Creek Mine. Reclamation work started on October 4, 2004 and ended on November 4, 2004. Work resumed on June 13, 2005 and was completed on November 1, 2005.

Reclamation at the White Oak loadout included: reclamation of pond (002A) by the road to the site (middle pond), regrading slope by the highway, and shaping the corner of pond 003A (up canyon side – in the area where stacking was located). Reseeding on the west side of the tracks from the north end to the middle of the site and from the middle of the site and south (up canyon) will all be seeded on both sides of the railroad tracks.

Pond 001A (farthest north – down canyon) was not be reclaimed due to of ROW issues with the railroad. This reclamation work was completed on November 4, 2005.

AMR program administered the reclamation work at these sites. Weed control work was in June and July of 2006. There will be one more spraying this year and three times annually for 2007 and 2008 at the mine and loadout.

Proposed Information for Public Notice

To change the inspection frequency, this action must be published in the Sun Advocate once with a 30-day comment period.

Proposed Public Notice Information

The reclamation bond for the White Oak Mine and Loadout was forfeited on May 1, 2003 and the mine was reclaimed as of November 1, 2005 and the loadout on November 4, 2005. Since the White Oak Mine and Loadout are considered abandoned sites, the Division of Oil, Gas, and Mining proposed in lieu of the inspection frequency established in R645-400-130, that inspections be set at a frequency commensurate with the public health and safety and environmental considerations present, but in no case shall the inspection frequency be set at less than one complete inspection per calendar year. The site was last inspected on (date to be given), no threats to public safety or environment were noted.

The White Oak Mine and Loadout are located in Carbon County, Utah:

Township 13 South, Range 6 East, SLBM

Section 24: SE 1/4, and portions of S 2 NE 1/4, NW 1/4 NE 1/4,
and E 2 SW 1/4

Section 25: E 2, portion of W 2
Section 35: Portions of E 2 E 2, and SW 1/4 SE 1/4
Section 36: All

Township 13 South, Range 7 East, SLBM

Section 8: 2 SE 1/4, portion of SW 1/4 SE 1/4
Section 9: 2SW 1/4

Township 13 South, Range 7 East, SLBM

Section 16: W 2 W 2, NE 1/4 NW 1/4, NW 1/4 NE 1/4
Section 17: NE 1/4 excluding parts of SW 1/4 NE 1/4 and
NE 1/4 NE 1/4, N 2SE1/4
Section 19: S 2 SW 1/4, NE 1/4 SW 1/4, and portions of
W 2 E 2 , E 2 NW 1/4
Section 20: Portions of NE 1/4 NE 1/4
Section 21: Portions of NW 1/4 NW 1/4
Section 30: W 2 W 2, SE 1/4 SW 1/4, NE 1/4 NW 1/4
Section 31: W 2 NW 1/4, SW 1/4

Township 14 South, Range 6 East, SLBM

Section 1: E 2 NE 1/4, NE 1/4 SE 1/4, N1/2 SE1/4 NW1/4,
N1/2 SW1/4 NW1/4, Lots 2, 3 and 4

Township 14 South, Range 7 East, SLBM

Section 6: W 2, W 2 E 2
Section 7: NW 1/4, NW 1/4 NE 1/4

If you have any comments about the proposed reduction in frequency of inspection at this mine and loadout, please send written comments within 30 days to:

Mary Ann Wright, Associate Director, Mining
Division of Oil, Gas, and Mining
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114

Proposed Language for Findings for Inspection Frequency Change

The White Oak Mine and Loadout are considered abandoned sites because they meet the criteria of the definition of an abandoned site, “(a) All coal mining and reclamation operations at the site have ceased” and (d)(ii) “The Division forfeited the performance bond and reclaimed the site.” The Division of Oil, Gas and Mining

proposes that inspections be set at a frequency commensurate with the public health and safety and environmental considerations present, but in no case shall the inspection frequency be set at less than one complete inspection per calendar year as required by R645-301-100. This frequency is in lieu of the inspection frequency of four times per year established in R645-400-130.

There are no impoundments, earthen structures, or other conditions that pose, or may reasonably be expected to change into, imminent dangers to the health or safety of the public or significant environmental harms to lands, air or water resources. Vegetation establishment is preventing erosion and the drainages have been re-established and are functioning. This site is located near the small town of Scofield, in Carbon, County, Utah,.

The reclamation bond for this mine was forfeited on May 1, 2003 and the mine was reclaimed as of November 1, 2005 and the loadout on November 4, 2005. The public notice was published on (date to be given) in the Sun Advocate and no comments were received (or note if comments were received and how resolved).

The site is stable. Vegetation is being reestablished on the areas disturbed and reclaimed to an aesthetic and natural condition. The site was inspected on (date of last inspection). There are no outstanding environmental, public health or safety conditions that are present.

Therefore, the inspection frequency will change, effective (date of findings document to OSM).

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and E 2 SW 1/4

Section 25: E 2, portion of W 2

Section 35: Portions of E 2 E 2, and SW 1/4 SE 1/4

Section 36: All

Township 13 South, Range 7 East, SLBM

Section 8: E 2 SE 1/4, portion of SW 1/4 SE 1/4

Section 9: W 2SW 1/4

Township 13 South, Range 7 East, SLBM

Section 16: W 2 W 2, NE 1/4 NW 1/4, NW 1/4 NE 1/4

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Section 17: NE 1/4 excluding parts of SW 1/4 NE 1/4 and
NE 1/4 NE 1/4, N 2SE1/4

Section 19: S 2 SW 1/4, NE 1/4 SW 1/4, and portions of
W 2 E 2, E 2 NW 1/4

Section 20: Portions of NE 1/4 NE 1/4

Section 21: Portions of NW 1/4 NW 1/4

Section 30: W 2 W 2, SE 1/4 SW 1/4, NE 1/4 NW 1/4

Section 31: W 2 NW 1/4, SW 1/4

Township 14 South, Range 6 East, SLBM

Section 1: E 2 NE 1/4, NE 1/4 SE 1/4, N1/2 SE1/4 NW1/4,
N1/2 SW1/4 NW1/4, Lots 2, 3 and 4

Township 14 South, Range 7 East, SLBM

Section 6: W 2, W 2 E 2

Section 7: NW 1/4, NW 1/4 NE 1/4

cc: Wayne Hedberg
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