

0051

Horizon Mine

Updated February 1999

ACT/005/020 #2

**RECLAMATION AGREEMENT
(COAL)**

CONTENTS:

Reclamation Agreement

**Exhibit "A"
Surface Disturbance**

**Exhibit "B"
Bond Agreement
Surety Bond**

**Exhibit "C"
Liability Insurance**

Affidavits of Qualification

Power of Attorney

RECLAMATION AGREEMENT

Permit Number: ACT/007/020

Date Original Permit Issued: _____

Effective Date of Agreement: _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS & MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
(801) 538-5340

COAL RECLAMATION AGREEMENT

-ooOOoo-

For the purpose of this RECLAMATION AGREEMENT the terms below are defined as follows:

"PERMIT": (Mine Permit No.) ACT/007/020 (County) Carbon

"MINE": (Name of Mine) Horizon Mine

"PERMITTEE": (Company or Name) Lodestar Energy, Inc.

(Address) 333 W. Vine Str., Suite 1700, Lexington,

KY 40507

"PERMITTEE'S REGISTERED

AGENT": (Name) CT Corporation System

(Address) 50 West Broadway, 8th Floor, Salt Lake

City, UT 84101

(Phone) (801) 364-5101

"COMPANY OFFICER(S)": Michael E. Donohue, Vice President and Chief Financial Officer

"BOND TYPE": (Form of Bond) Surety

"BOND": (Bond Amount-Dollars) \$711,000

(Escalated to Year) 2001

"INSTITUTION": (Bank or Agency) [NA]

"POLICY OR ACCOUNT NUMBER": [NA]

RECLAMATION AGREEMENT

Permit Number: ACT/007/020
 Date Original Permit Issued: _____
 Effective Date of Agreement: _____

"LIABILITY INSURANCE": (Exp.) 08/31/1999
 (Insurance Company) Reliance National

"STATE": Utah Department of Natural Resources
 "DIVISION": Division of Oil, Gas & Mining
 "DIVISION DIRECTOR": Lowell Braxton

EXHIBITS:	Revising Dates
"SURFACE DISTURBANCE"	Exhibit "A" _____
"BONDING AGREEMENT"	Exhibit "B" _____
"LIABILITY INSURANCE"	Exhibit "C" _____
"POWER OF ATTORNEY"	_____

777491
 Z80179.1

RECLAMATION AGREEMENT

This RECLAMATION AGREEMENT (hereinafter referred to as Agreement) is entered into by the Permittee.

WHEREAS, on _____, 19____, the Division approved the Permit Application Package, hereinafter PAP, submitted by _____, hereinafter Permittee; and

WHEREAS, prior to issuance of a permit to conduct mining and reclamation operations on the property described in the PAP, hereinafter Property, the Permittee is obligated by Title 40-10-1, et seq., Utah Code Annotated (1953, as amended), hereinafter Act, to file with the Division a bond ensuring the performance of the reclamation obligations in the manner and by the standards set forth in the PAP, the Act, and the State of Utah Division of Oil, Gas and Mining Rules pertaining to Coal Mining and Reclamation Activities, hereinafter Rules; and

WHEREAS, the Permittee is ready and willing to file the bond in the amount and in a form acceptable to the Division and to perform all obligations imposed by the Division pursuant to applicable laws & regulations relating to the reclamation of the Property; and

WHEREAS, the Division is ready and willing to issue the permittee a mining and reclamation permit upon acceptance and approval of the bond.

NOW, THEREFORE, the Division and the Permittee agree as follows:

1. The provisions of the Act and the Rules are incorporated by reference herein and hereby made a part of this Agreement. Provisions of the Act or Rules shall supersede conflicting provisions of the Agreement.
2. The Permittee agrees to comply with all terms and provisions of the PAP, the Act, and the Rules, including the reclamation of all areas disturbed by surface coal mining and reclamation operations despite the eventuality that the cost of actual reclamation exceeds the bond amount.
3. The Permittee has provided a legal description of the property including the number of acres approved by the Division to be disturbed by surface mining and reclamation operations during the permit period. The description is attached as Exhibit A, and is incorporated by reference and shall be referred to as the Surface Disturbance.
4. The Permittee agrees to provide a bond to the Division in the form and amount acceptable to the Division ensuring the performance of the reclamation

RECLAMATION AGREEMENT

obligations in the manner and by the standard set forth in the PAP, the Act, and the Rules. Said bond is attached as Exhibit B and is incorporated by reference.

5. The Permittee agrees to maintain in full force and effect the public liability insurance policy submitted as part of the permit application. The Division shall be listed as an additional insured on said policy.
6. In the event that the Surface Disturbance is increased through expansion of the coal mining and reclamation operations or decreased through partial reclamation, the Division shall adjust the bond as appropriate.
7. The Permittee does hereby agree to indemnify and hold harmless the State of Utah and the Division from any claim, demand, liability, cost, charge, or suit initiated by a third party as a result of the Permittee or Permittee's agent or employees failure to abide by the terms and conditions of the approved PAP and this Agreement.
8. The terms and conditions of this Agreement are non-cancelable until such time as the Permittee has satisfactorily, as determined by the Division, reclaimed the Surface Disturbance in accordance with the approved PAP, the Act, and the Rules. Notwithstanding the above, the Division may direct, or the Permittee may request and the Division may approve, a written modification to this Agreement.
9. The Permittee may, at any time, submit a request to the Division to substitute the bonding method. The Division may approve the substitution if the bond meets the requirement of the Act and the Rules, but no bond shall be released until the Division has approved and accepted the replacement bond.
10. Any revision in the Surface Disturbance, the bond amount, the bond type, the liability insurance amount coverage, and/or the liability insurance company, or other revisions affecting the terms and conditions of this Agreement shall be submitted on the form entitled Stipulation to Revise Reclamation Agreement and shall be attached hereto as Exhibit D (other exhibits as appropriate.)
11. This agreement shall be governed and constructed in accordance with the laws of the State of Utah. The Permittee shall be liable for all reasonable costs incurred by the Division to enforce this agreement.
12. Any breach of the provisions of this Agreement, the Act, the Rules, or the PAP may, at the discretion of the Division, result in enforcement actions by the Division which include but are not limited to, an order to cease coal mining and

RECLAMATION AGREEMENT

reclamation operations, revocation of the Permittee's permit to conduct coal mining and reclamation operations and forfeiture of the bond.

- 13. In the event of forfeiture, the Permittee agrees to be liable for additional costs in excess of the bond amount which may be incurred by the Division in order to comply with the PAP, the Act, and the Rules. Any excess monies resulting from the forfeiture of the bond amount upon compliance with this contract shall be refunded as directed by the permittee or, if a dispute arises, as directed by a court of competent jurisdiction by interpleading the funds subject to the dispute.
- 14. Each signatory below represents the he/she is authorized to execute this Agreement on behalf of the named party. Proof of such authorization is provided on a form acceptable to the Division and is attached hereto.

SO AGREED this _____ day of _____, 19__

STATE OF UTAH:

Lowell F. Braxton, Director
Division of Oil, Gas & Mining

PERMITTEE:

LODESTAR ENERGY, INC.

Michael E. Donohue, Vice President and
Chief Financial Officer

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 of a company, such Power of Attorney must be filed with this Agreement. If the Principal is a corporation, the Agreement shall be executed by it's duly authorized officer.

RECLAMATION AGREEMENT

EXHIBIT "A"

PERMIT AREA

LEGAL DESCRIPTION

RECLAMATION AGREEMENT

Exhibit "A" - PERMIT AREA

Permit Number: ACT/007/020

Effective Date: July 9, 1999

PERMIT AREA

LEGAL DESCRIPTION

In accordance with the RECLAMATION AGREEMENT, the PERMITTEE intends to conduct coal mining and reclamation activities on or within the PERMIT AREA as described hereunder. (The bonded area equals the permit area.)

Total acres of PERMIT AREA: 317.5

Legal Description of PERMIT AREA:

Township 13 South Range 8 East SLM, Utah

Section 8: SE1/4 SW1/4, SW1/4 NW1/4 SW1/4 SE1/4,
W1/2 SW1/4 SW1/4 SE1/4,

Section 17: NW1/4 NE1/4, S1/2 NW1/4, N1/2 NW1/4 SW1/4, NE1/4
SW1/4, NW1/4 SE1/4, N1/2 SE1/4 SW1/4,
N1/2 SW1/4 SE1/4, W1/2 W1/2 SW1/4 NE1/4

This is the PERMIT AREA that is covered by the reclamation surety provided in Exhibit "B".

IN WITNESS WHEREOF the SURETY has hereunto set it's signature this

9th day of July, 19 99.

Frontier Insurance Company

SURETY

By: Dawn L. Morgan

Title: Dawn L. Morgan, Attorney-in-Fact

RECLAMATION AGREEMENT

EXHIBIT "B"

SURETY BOND

(NON-FEDERAL COAL)

RECLAMATION AGREEMENT

EXHIBIT "B"

SURETY BOND

(NON-FEDERAL COAL)