

cc: Daron
Dave D.
Pam

Lodestar Energy, Inc.
Mountain Operations
 White Oak Mines, Horizon Mine and Grand Valley Mines
 HC 35 Box 370
 Helper, Utah 84526

September 7, 2000

Ms. Pamela Grubaugh-Littig
 Utah Coal Program
 Utah Division of Oil, Gas and Mining
 1594 West North Temple, Suite 1210
 Salt Lake City, Utah 84114-5801

*Incoming
ACT/007/020*

Dear Ms. Grubaugh-Littig:

This letter is to update you on our situation with the Stamatakis' at our Horizon Mine. We have been in negotiations with them since September of 1999 about access to their surface to monitor surface and groundwater locations. We have not been able to get them to come to the table on why they will not sign any of the numerous agreements. Attached is a copy of the last draft they have had since February of 2000.

Our Horizon Mine Permit No. ACT/007/020 currently requires quarterly monitoring of ground water at HZ-95-1, HZ-95-1S, HZ-95-2, HZ-95-3, SP-1, SP-2, SP-4, SP-9, GV-70, and 2-6-W along with surface water locations SS-3, SS-5, SS-7, SS-8, SS-10, SS-11, and SS-12. All the locations underlined are either on Stamatakis surface or access to the site is controlled by Stamatakis. Our permit also includes subsidence monitoring which will require access for the installation of points along Beaver Creek.

We were allowed to obtain the second quarter water samples this year. However, when we called for permission to take the third quarter samples, we were denied access. Steve Stamatakis said that he wants to complete our agreement first. I told him that we would like that also, yet they have not responded since that time.

I would like to request the Division to review the current situation and possibly relocate or eliminate those monitoring locations that fall on Stamatakis property. I realize that it will be a difficult task since his property is in the heart of the area that we have the coal rights and the Stamatakis' control the most readily available access to the surface overlaying the mining boundary. However, they have not provided access when required or have denied our obtaining information, such as the acreage that has been timbered for our permit submittal.

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DIVISION OF
OIL, GAS AND MINING

Any assistance in this matter would be greatly appreciated.

If you have any questions concerning this issue, feel free to contact me at (435)637-9200.

Sincerely,

A handwritten signature in black ink that reads "David B. Miller". The signature is written in a cursive style with a horizontal line underneath.

David B. Miller
Business Manager

Attachment

File: \Mydocuments\DOGM000907.doc

2.4.75 4-5/02

RIGHT OF ENTRY

This document is verification that on the _____ day of _____, _____ an agreement by and between Steve Stamatakis and Pete Stamatakis, whose addresses are 2672 West Gordon Creek Road, Price, Utah 84501 and 1111 South 450 West, Price, Utah 84501 (hereinafter referred to as "Grantor") and LODESTAR ENERGY, INC., a Delaware corporation, with address of HC35 Box 370, Helper, Utah 82526 (hereinafter referred to as "Grantee") was reached where in summary the:

1. Grantor hereby grants the right of ingress and egress on the premises shown in Exhibit A, for conducting studies, surveys, and evaluations, necessary for maintaining a mining permit, along with locating, drilling, installing, maintaining, studying, and monitoring all water monitoring wells and locations for the express purpose of completing water monitoring and studies as required pursuant to Lodestar's permit or permits with the Utah Department of Oil, Gas, and Mining. Access to the premises shall be coordinated through the Grantor or Grantor's representative so as to accomplish the goal in a safe and non-disruptive manner considering the livestock, or other activities that are ongoing on the premises.
2. The installation of two (2) water monitoring holes that will be through the mineable coal seam located on the premises.
3. Any damage to the Grantor's property shall be repaired by the Grantee and the premises shall be restored as near as possible to its original condition.

IN TESTIMONY WHEREOF, witness the signatures of the parties hereto on this day herein above written.

GRANTOR

Steve Stamatakis

Pete Stamatakis

GRANTEE LODESTAR ENERGY, INC.

David B. Miller
Business Manager