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Permit Binder OK

FEDERAL **PERMIT** **October 11, 2001**
C/007/020

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple
Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

This permit, C/007/020, is issued for the State of Utah by the Utah Division of Oil, Gas and Mining (Division) to:

Lodestar Energy, Inc.
333 West Vine Street, Suite 1700
Lexington, Kentucky 40507-1628
(606) 255-4006

for the Horizon No. 1 Mine. A Performance Bond is filed with the Division in the amount of $711,000.00, payable to the State of Utah, Division of Oil, Gas and Mining and the Office of Surface Mining Reclamation and Enforcement (OSMRE). The Division must receive a copy of this permit signed and dated by the permittee.

Sec. 1 **STATUTES AND REGULATIONS** - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 **PERMIT AREA** - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Horizon Mine situated in the State of Utah, Carbon County, as shown on Plate 1-1 (Permit Boundary Map) in the approved Horizon Mine mining and reclamation plan and located in:

Township 13 South, Range 8 East, SLM

Section 8: W1/2SE1/4, SE1/4SW1/4, S1/2SW1/4NE1/4, S1/2NE1/4SW1/4, NE1/4NE1/4SW1/4NE1/4, S1/2SW1/4SW1/4, NE1/4SW1/4SW1/4, S1/2NW1/4SW1/4SW1/4, S1/2NE1/4SW1/4NE1/4, NE1/4NE1/4SW1/4, SE1/4NW1/4NE1/4SW1/4, SE1/4SE1/4SE1/4NW1/4, SE1/4SE1/4NW1/4SW1/4, Portion NW1/4NE1/4SW1/4NE1/4, Portion NE1/4NW1/4SW1/4NE1/4, Portion SE1/4NW1/4SW1/4NE1/4, Portion SW1/4NW1/4SW1/4NE1/4,

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Portion SE1/4NE1/4NW1/4SW1/4,
Portion NE1/4SE1/4NW1/4SW1/4,
Portion NW1/4SE1/4NW1/4SW1/4,
Portion SW1/4SE1/4NW1/4SW1/4,
Portion SE1/4SW1/4NW1/4SW1/4,
Portion NE1/4NW1/4SW1/4SW1/4,
Portion NW1/4NW1/4SW1/4SW1/4,

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

Section 18: NE1/4NE1/4

Section 7: SE1/4SE1/4SE1/4, S1/2SW1/4SE1/4SE1/4, NE1/4SW1/4SE1/4SE1/4, S1/2SE1/4SW1/4SE1/4, Portion NE1/4NE1/4SE1/4SE1/4,
Portion SE1/4NE1/4SE1/4SE1/4,
Portion SW1/4NE1/4SE1/4SE1/4,
Portion SE1/4NW1/4SE1/4SE1/4,
Portion NW1/4SW1/4SE1/4SE1/4,
Portion NE1/4SE1/4SW1/4SE1/4,
Portion NW1/4SE1/4SW1/4SE1/4,
Portion SW1/4NW1/4SE1/4SE1/4

The permit area of the Horizon Mine contains 711 acres, more or less, consisting of 305 acres, more or less of Fee coal and 406 acres, more or less of Federal leased coal. The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to the conditions of all applicable conditions, laws and regulations.

Sec. 3 **COMPLIANCE** - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.

Sec. 4 **PERMIT TERM** - This permit becomes effective on October 11, 2001 and expires on October 11, 2006.

Sec. 5 **ASSIGNMENT OF PERMIT RIGHTS** - The permit rights may not be transferred, assigned or sold without the prior written approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13{e} and R645-303-300.

Sec. 6 **RIGHT OF ENTRY** - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials and without delay to:

(a) Have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;

(b) Be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200 when the inspection is in response to an alleged violation reported to the Division by a private person.

Sec. 7 **SCOPE OF OPERATIONS** - The permittee shall conduct underground coal mining activities only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.

Sec. 8 **ENVIRONMENTAL IMPACTS** - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:

(a) Any accelerated or additional monitoring necessary to determine the nature of noncompliance and the results of the noncompliance;

(b) Immediate implementation of measures necessary to comply; and

(c) Warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS -The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

(a) In accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and

(b) Utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

Sec. 12 RECLAMATION FEE PAYMENTS - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.

Sec. 13 AUTHORIZED AGENT - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.

Sec. 14 COMPLIANCE WITH OTHER LAWS - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.), and the Clean Air Act (42 USC 7401 et seq.), UCA 26-11-1 et seq., and UCA 26-13-1 et seq.

Sec. 15 PERMIT RENEWAL - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit area in accordance with the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 16 CULTURAL RESOURCES - If, during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division. The Division, after

coordination with OSM, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by Division within the time frame specified by Division.

Sec. 17 APPEALS - The permittee shall have the right to appeal as provided for under R645-300-200.

Sec. 18 SPECIAL CONDITIONS - The permittee shall comply with the special conditions in Attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them. These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations.

THE STATE OF UTAH

By Lowell P Braxton

Date: 10/12/01

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

PERMITTEE (Authorized Representative)

By: [illegible] - Business Mgr.

Date: 10/19/01

Attachment A

Conditions

Condition #1	Lodestar Energy, Inc. must comply with all of the requirements of the midterm review as currently specified and in accordance with their respective timeframes.
Condition #2	Lodestar Energy, Inc. will submit water quality data for the Horizon Mine in an electronic format through the Electronic Data Input web site, http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi.
Condition #3	Lodestar Energy, Inc. must replace the surety, Frontier Insurance Company, by February 9, 2002 with a form of surety that meets the requirements of R645-301-800.

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