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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Price Field Office
125 South 600 West
Price, Utah 84501

3482
(UT-070)

Mr. David Miller
Lodestar Energy, Inc.
Horizon Mines
HC 35 Box 370
Helper, Utah 84526

OCT 17 2001

*Incoming
C/007/020
Fax PFO*

Dear Mr. Miller:

Our decision is to grant an exploration plan (received 05/08/01) on Federal coal lease UTU-74804 to Lodestar Energy, Inc. to access and drill up to five coal exploration holes subject to the following conditions:

- 1) The enclosed Bureau of Land Management (BLM) drilling stipulations will be followed.
- 2) A bond of \$10,000 per hole is required prior to the commencement of drilling for the total number of holes to be drilled in a given year.

If you have any questions regarding this matter, please contact Don Stephens of our staff at 435-636-3608.

Sincerely,

MARK E. BAILEY

FOR Richard L. Manus
Field Manager

Enclosure
BLM Stipulations (3 pp)

cc: UT-92313, J. Kohler, Utah State Office (w/Enclosures)
UT-92413, R. Lopez, Utah State Office (w/oEnclosures)
UT-92413, Chris Merritt, Utah State Office (w/oEnclosures)
Pamela Grubaugh-Littig (UDOGM) (w/Enclosures)
Division of Oil, Gas and Mining
1594 West North Temple Street
P. O. Box 145801
Salt Lake City, Utah 84114-5801

RECEIVED

OCT 22 2001

DIVISION OF
OIL, GAS AND MINING

ATTACHMENT 1

BLM Stipulations

1. Lodestar Energy Inc. (LEI) is responsible to see that all personnel contracted or otherwise doing work on the exploration program are aware of these approval requirements and abide by all regulations governing this program. Any changes to the approved exploration plan must receive approval from the Authorized Officer prior to implementation.

2. When artesian flows or horizons with possible development potential are encountered, the Authorized Officer shall be notified immediately so that a determination may be made concerning their development potential. When possible, water samples shall be collected by the operator for analysis by the BLM. A written report is required upon completion of exploration as noted by Stipulation 7 H.

3. The Authorized Officer representing the BLM shall be notified 24 hours prior to setting surface and/or intermediate casing and plugging of wells, so that the BLM may arrange to be present. Each string shall be cemented in the annulus to the surface. The cement slurry mixture used to plug and seal the drill holes shall be mixed in compliance with standard cement mixing tables (e.g. Haliburton). Any variance from this procedure must be approved in advance by the Authorized Officer. In addition, periodic drilling updates on the weekends will be required if the drilling is nearing the cementing phases, so that representatives of the BLM will be made aware of progress.

4. If adverse down-hole conditions prevent a completed drill hole from being properly plugged after attempting all standard industry plugging procedures, the Authorized Officer shall be contacted immediately to make a determination as to a final plugging procedures.

5. All drilling pits shall be lined to retain drilling fluids, unless sufficient evidence on site specific soil (percolation) and water quality tests are performed to determine a site specific waiver of this stipulation, as determined by the Authorized Officer.

6. The hole location is to be marked by placing an approved marker made of galvanized steel, brass, aluminum or similar noncorrosive metal in the concrete plug. Such markers are to show hole number, year drilled, lessee/licensee name, and as feasible, the section, township, and range in which the hole is located. The top of the concrete plug, if located in a cultivated field must be set below normal plow depth (10 to 12 inches). In noncultivated areas, all marker caps should not protrude above the ground level. All drill holes shall be surveyed in to assure proper location. An exact survey of each drill hole location will be submitted to the Authorized Officer.

7. Upon completion of exploration activities, two copies of each report as required by 43 CFR 3485.1, shall be submitted to the Authorized Officer. The reports, at a minimum, must contain the following:

A. Location(s) and serial number(s) of lands under Federal lease or license on which exploration was completed.

B. A description of the completed exploration operations that includes the number of holes drilled, total depth of each hole, and completion date of each hole.

C. A map showing the locations of all holes drilled, other excavations, and the coal outcrop lines, as appropriate. The scale of the map shall not be less than 1 inch equals 1 mile.

D. Analysis of coal samples and other pertinent tests obtained from exploration operations.

E. Copies of all in-hole mechanical or geophysical stratigraphic surveys or logs, such as electric logs, gamma ray-neutron logs, sonic logs, or any other logs. The records shall include a lithologic log of all strata penetrated and conditions encountered such as water, gas, or any unusual conditions.

F. Status of reclamation of the disturbed areas.

G. Any other information requested by the Authorized Officer.

H. Hydrologic reports using the attached form.

8. LEI shall have a seasonal protective closure of February 1 to July 15 in which no drilling, work over or other drilling-related operations would be permitted within the project area.

Exception: This restriction may be waived or modified under the following circumstances:
The holder arranges for a raptor survey to accomplish the following:

- 1) Determine activity status of known raptor cliff stick nests.
- 2) Survey of drainage bottoms and aspen habitats within 0.5 mile of proposed access routes and drill pads for goshawk nesting territories.

The protective restrictions may be waived or modified where no active raptor nests are found within 0.5 mile of proposed activity.

9. LEI shall have a seasonal protective closure of November 1 to July 5 in which no drilling, road building or other drilling-related operations would be permitted. This closure is to protect mule deer fawning and elk calving and elk and deer winter range.

REPORT OF WATER OBSERVED

Company: _____ Lease/License Number: _____
Address: _____ Drill Hole Number: _____
_____ Date Completed: _____
_____ Total Depth: _____

Company Contact: _____
Phone Number: _____

Drilling Contractor: _____
Address: _____

Company Contact: _____
Phone Number: _____

Location of Hole: T. ___ S., R. ___ E., Section ___: ___ 1/4 ___ 1/4 ___ 1/4
Hole Elevation: _____ Hole Diameter: _____
Drilling Method: _____
Static Water Level: _____

Aquifer No. 1
Depth Below Ground Elevation: _____ Formation: _____
Rock Type: _____ Yield(GPM): _____
Date Reported to BLM*: _____ Requirements of BLM*: _____
_____ Water Sample Provided to BLM? _____

Aquifer No. 2
Depth Below Ground Elevation: _____ Formation: _____
Rock Type: _____ Yield(GPM): _____
Date Reported to BLM*: _____ Requirements of BLM*: _____
_____ Water Sample Provided to BLM? _____

Aquifer No. 3
Depth Below Ground Elevation: _____ Formation: _____
Rock Type: _____ Yield(GPM): _____
Date Reported to BLM*: _____ Requirements of BLM*: _____
_____ Water Sample Provided to BLM? _____

-----* Refer to Stipulation Number 7