

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF KENTUCKY  
THE HONORABLE JUDGE JOSEPH M. SCOTT, JR.

100 E. Vine St, 2<sup>nd</sup> Floor, Lex.

Hearing (document)

IN RE:  
Lodestar Energy, Inc.  
Lodestar Holdings, Inc.

CASE NO.: 01-50969 and 01-50972

Jointly Administered

ADV. NUMBER: 02-5001

U.S. BANKRUPTCY JUDGES MINUTES OF HEARING

DATE: 01/31/02

TIME: 9:00

APPEARANCES:

- 01/02/02 MOTION by Plaintiffs for temporary restraining order and/or preliminary injunction [#3] (Order Tendered)
- 01/02/02 Plaintiffs' MEMORANDUM OF LAW in support of motion for temporary restraining order and/or preliminary injunction [#5]
- 01/22/02 Defendants' MEMORANDUM OF LAW in opposition to Plaintiffs' motion for temporary restraining order and/or preliminary injunction [#14]
- 01/23/01 AFFIDAVIT of Lowell P. Braxton in support of Defendants' memorandum of law in opposition to Plaintiffs' motion for temporary restraining order and/or preliminary injunction [#17]
- 01/23/02 AFFIDAVIT of David B. Miller in support of Plaintiffs' motion for temporary restraining order and/or preliminary injunction [#19]

- 01/23/02 AFFIDAVIT of Troy L. Francisco in support of Plaintiffs' motion for temporary restraining order and/or preliminary injunction [#20]
- 01/22/02 Plaintiffs' DISCLOSURE OF EXHIBITS pursuant to agreed amended order scheduling hearing & re: presentation of evidence by affidavit [#15]
- 01/22/02 Defendants' EXHIBITS pursuant to order scheduling hearing & re: presentation of evidence by affidavit [#16]
- 01/24/02 OBJECTION by Defendants to Plaintiffs' Exhibit J attached to its disclosure of exhibits pursuant to order scheduling hearing & re: presentation of evidence by affidavit [#24]
- 01/25/02 Plaintiffs' NOTICE OF OBJECTION to Defendants' proposed exhibits [#25]
- 01/25/02 Plaintiffs' OBJECTIONS to the testimony of Lowell P. Braxton [#26]
- 01/29/02 Defendants' PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW [#30]

SEE ALSO:

- 01/02/02 COMPLAINT for injunctive relief [#1]
- 01/03/02 Corrected Exhibit L to complaint for injunctive relief [#6]
- 01/28/02 Joint stipulations of fact [#29]

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- 01/02/02 MOTION by Plaintiffs for reduction of notice period of hearing on their emergency motion for temporary restraining order and/or preliminary injunction [#4] (Order Tendered)

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- 01/03/02 MOTION by Defendant The State of Utah to dismiss adversary for failure to join indispensable parties and for insufficiency of service of process; to dismiss for improper venue; or, in the alternative, for stay pending mandatory withdrawal of reference of jurisdiction [#7]
- 01/28/02 OBJECTION by Plaintiffs to Defendants' motion to dismiss adversary for failure to join indispensable parties and for insufficiency of service of process; to dismiss for improper venue; or, in the alternative, for stay pending mandatory withdrawal of reference of jurisdiction [#28] (Order NOT Tendered)

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- 01/24/02 EMERGENCY MOTION by Plaintiffs for protective order for Plaintiffs' confidential commercial information relating to Exhibit 'F' of Plaintiffs' disclosure of exhibits [#22] (Order Tendered)

SEE ALSO:

- 01/22/02 Plaintiffs' disclosure of exhibits pursuant to agreed amended order scheduling hearing & re: presentation of evidence by affidavit [#15]

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COURT REPORTER: Patty Tipton's Court Reporting

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U.S. Bankruptcy Judge



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

June 22, 2000

Ms. Pamela Grubaugh-Littig  
State Of Utah  
Dept. of Natural Resources  
Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
Box 14501  
Salt Lake City, Utah 84114-5801

Dear Ms. Grubaugh-Littig:

This letter is in response to your letter of June 5, 2000 concerning the replacement of sureties we currently have for the White Oak and Horizon Mines by July 15, 2000.

This letter is to assure you that we are currently pursuing the replacement of these bonds. However, we will not be able to replace these bonds by the deadline date set in your letter.

The issue with Frontier Insurance Company has put us in a bind corporate-wide since they not only provide our reclamation bonding in several states but also our worker's compensation bonding. Their down grading has come at the time when we are restructuring our corporate debt. The replacement of our bonding program with Frontier will be completed in conjunction with the restructuring.

Our corporate office has assured me that this process should be completed by the end of August this year. I am requesting an extension of 45 days from your deadline date of July 15, 2000 to have bonds #143718 for \$4,292,000 and #125427 for \$711,000 replaced with surety bonds from an approved company.

Sincerely,

David B. Miller  
Business Manager

Cc: R. Eberley Davis - Corporate Counsel  
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EXHIBIT

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

September 6, 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

Dear Ms. Grubaugh-Littig:

This letter is an update on the replacement of sureties for the White Oak Mines Permit No. ACT/007/001 and the Horizon Mine Permit No. ACT/007/020 by September 15, 2000.

We requested the original extension based on our assertion that Lodestar is in the midst of a financial restructuring, and the replacement of the Frontier Insurance Company bonding program would be part of that restructuring. Unfortunately, the reorganization of Lodestar's finances has not proceeded as quickly as we had hoped and expected. However, the restructuring is proceeding and due to deadlines associated with certain of Lodestar's financial commitments, the restructuring must be completed before the end of the year. We are requesting a further extension until December 31, 2000.

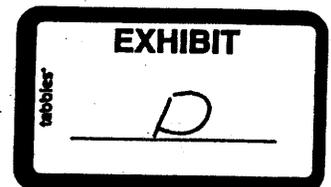
We would appreciate your consideration in allowing us until December 31<sup>st</sup> to replace these sureties.

If you have any questions concerning this issue, feel free to contact myself at (435)637-9200 or Eberley Davis - Lodestar General Counsel at (606)255-4006.

Sincerely,

David B. Miller  
Business Manager

Cc: R. Eberley Davis - General Counsel  
File: \\mydocuments\DOGM000906.doc





**Lodestar Energy, Inc.**  
**Mountain Operations**  
**White Oak, Horizon, and Grand Valley Mines**  
**HC35 Box 370**  
**Helper, Utah 84526**

January 16, 2001

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

Dear Ms. Grubaugh-Littig:

This letter is an update on the replacement of the sureties for the White Oak Mines Permit No. C/007/001 and the Horizon Mine Permit No. C/007/020 by December 31, 2000.

We are requesting to extend the date to have the replacement bonds in place. It is difficult to give the exact date that the current financial situation at Lodestar will be rectified. Lodestar is negotiating the restructuring of our Senior Notes, as well as investigating investments from strategic investors. However, the Securities and Exchange Commission rules prohibit us from disclosing any more detail about the efforts to restructure the debt, at this time. As soon as we have more information that we can share, we will provide that to you.

To date, none of our lenders have taken any action to restrict Lodestar from operating in the normal course of business.

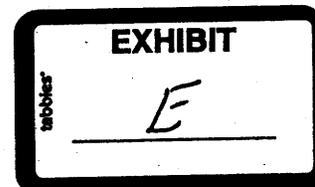
However, due to Lodestar's current financial situation, it does not have access to surety markets to satisfy its bonding requirements in the normal course of business, and therefore is required to meet its bonding requirements with cash. Current cash availability is not great enough to replace the Utah bonds with cash or Letters of Credit.

If you know of any alternatives that the State is willing to discuss during this period of waiting, please feel free to contact Eberley Davis - Lodestar (Lexington) (859)255-4006 or myself at (435)448-9454.

Sincerely,

David B. Miller  
 Business Manager

Cc: Eberley Davis - Lodestar (Lexington)



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INCOMING 00070001

FEB 1 1 2002

EASTERN DISTRICT OF KENTUCKY

*cc M Wright*  
*000700020*

DIVISION OF  
OIL, GAS AND MINING

FEB 05 2002

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF KENTUCKY  
(LEXINGTON DIVISION)**

AT LEXINGTON  
JAMES W. HARRIS, CLERK  
U.S. BANKRUPTCY COURT

**In re:**

**LODESTAR ENERGY INC.  
LODESTAR HOLDINGS, INC.**

**Debtors.**

**LODESTAR ENERGY INC. AND  
LODESTAR HOLDINGS, INC.,**

**Plaintiffs,**

**v.**

**THE STATE OF UTAH, et al.,**

**Defendants.**

) **Case Nos. 01-50969 and 01-50972**

) **Chapter 11**

) **Jointly Administered under**  
) **Case No. 01-50969**

) **Judge Joseph M. Scott, Jr.**

) **Adv. Pro. No. 02-5001**

**ORDER EXTENDING STANDSTILL PERIOD**

This matter came before the Court on January 31, 2002 for hearing (the "Hearing") on the "Motion for Temporary Restraining Order and/or Preliminary Injunction" filed by Lodestar Energy, Inc. and Lodestar Holdings, Inc. (the "Plaintiffs/Debtors") (which was heard jointly with the Plaintiffs/Debtors' "Motion for an Order Determining that: (A) Certain Proposed Actions by the State of Utah Would Violate the Automatic Stay; and (B) The State of Utah Has Willfully

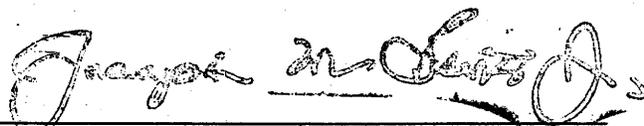
Violated the Automatic Stay" [the "Stay Motion"] filed in the Chapter 11 cases proper); and, prior to the conclusion of the Hearing, the parties having advised the Court that they have entered into a settlement of the issues and controversies between them in this adversary proceeding and as raised by the Stay Motion, the general terms of which settlement were stated on the record at the Hearing and the complete terms of which shall be set forth in a proposed order (the "Settlement Order") to be tendered as directed below; now, therefore, it is hereby ORDERED as follows:

1. The terms of the Modified Order of Continuance entered in this adversary proceeding on January 17, 2002 are hereby extended through the date of entry of the Settlement Order.

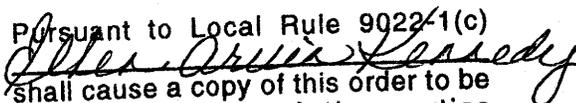
2. The Settlement Order shall be tendered no later than February 20, 2002.

The parties to the Settlement Order shall be the Plaintiffs/Debtors, the State of Utah and the other Defendants, and Wexford Capital, LLC.

Dated: February 5, 2002.



HON. JOSEPH M. SCOTT, JR., JUDGE  
UNITED STATES BANKRUPTCY COURT

Pursuant to Local Rule 9022-1(c)  
  
shall cause a copy of this order to be served on each of the parties designated to receive this order pursuant to Local Rule 9022-1(a) and shall file with the court a certificate of service of the order upon such parties within ten (10) days hereof.

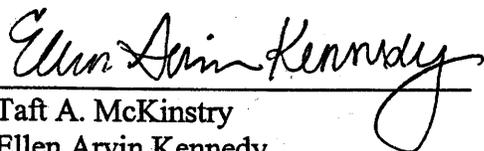
**SQUIRE, SANDERS & DEMPSEY L.L.P.**

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**COUNSEL FOR PLAINTIFFS/DEBTORS**

-and-

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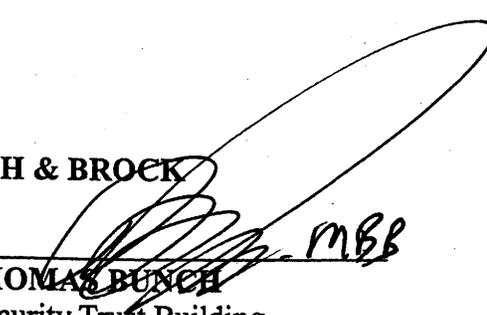
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and

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**ATTORNEYS FOR THE DEFENDANTS**

**COPIES TO:**

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