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cc: C/007/0020 ✓

RECEIVED

JAN 07 2002

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

DIVISION OF  
OIL, GAS AND MINING

In re:

LODESTAR ENERGY INC., et al.,

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

**NOTICE OF FILING**  
**CORRECTED EXHIBIT L TO COMPLAINT FOR INJUNCTIVE RELIEF**

Comes Lodestar Holdings, Inc. and Lodestar Energy, Inc., by and through counsel,  
and hereby files the attached corrected Exhibit L to Complaint for Injunctive Relief, filed January  
2, 2002.

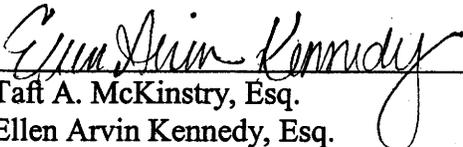
Respectfully submitted,

**SQUIRE, SANDERS & DEMPSEY, LLP**

Stephen D. Lerner, Esq.  
Gregory A. Ruehlmann  
Jeffrey A. Marks, Esq.  
Suite 3500, 312 Walnut Street  
Cincinnati, OH 45202-4036  
Telephone: 513-361-1200  
Facsimile: 513-361-1201  
Email: slerner@ssd.com  
gruehlmann@ssd.com  
jemarks@ssd.com

and

**FOWLER MEASLE & BELL, LLP**

  
Taft A. McKinstry, Esq.  
Ellen Arvin Kennedy, Esq.  
300 West Vine Street, Suite 600  
Lexington, KY 40507-1660  
Telephone: 859-252-6700  
Facsimile: 859-255-3735  
Email: tmckinstry@fmblaw.com  
eakennedy@fmblaw.com

**COUNSEL FOR PLAINTIFFS**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served upon those persons listed below by hand-delivery or U.S. Mail, postage pre-paid, as indicated, on this the 3 day of January, 2002:

Matthew B. Bunch, Esq.  
271 West Short Street, Suite 805  
P.O. Box 2086  
Lexington, Kentucky 40588-2086  
CO-COUNSEL FOR PACIFIC EMPLOYERS  
INSURANCE COMPANY AND STATE OF UTAH  
*Hand-Delivery*

John Maycock, Esq.  
ASSISTANT ATTORNEY GENERAL, STATE OF UTAH  
c/o Matthew B. Bunch, Esq.  
271 West Short Street, Suite 805  
P.O. Box 2086  
Lexington, Kentucky 40588-2086  
*Hand-Delivery*

THE STATE OF UTAH  
Mark Shurtleff  
Attorney General  
State Capitol Office  
236 State Capitol  
Salt Lake City, UT 84114-0810  
*U.S. Mail, Postage Pre-Paid*

KATHLEEN CLARKE, EXECUTIVE DIRECTOR  
State of Utah Department of Natural Resources  
Division of Oil, Gas & Mining  
Or Her Successor in Interest  
1594 West North Temple, Suite 1210  
SALT LAKE CITY, UT 84114-5801  
*U.S. Mail, Postage Pre-Paid*

LOWELL P. BRAXTON, DIVISION DIRECTOR  
State of Utah Department of Natural Resources  
Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
Salt Lake City, UT 84114-5801  
***U.S. Mail, Postage Pre-Paid***

  
**COUNSEL FOR PLAINTIFFS**

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State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
Governor

Kathleen Clarke  
Executive Director

Lowell P. Braxton  
Division Director

1594 West North Temple, Suite 1210  
PO Box 145601  
Salt Lake City, Utah 84114-5601  
801-538-5340  
801-359-3940 (Fax)  
801-538-7223 (TDD)

October 5, 2001



CERTIFIED MAIL  
7099 3400 0016 8896 0013

Dave Miller, Resident Agent  
Lodestar Energy, Inc  
H.C.35 Box 370  
Helper, Utah 84527

Re: Bond Replacement Required, Lodestar Energy, Inc., Horizon Mine, C/007/020, Outgoing File

Dear Mr. Miller:

The new surety rules are now effective and Lodestar Energy, Inc. must replace the current surety, Frontier Insurance Company, within 120 days of receipt of this letter. The new rules, R645-301-860.110, require that a surety company have a rating of A- or better or a Financial Performance Rating of 8 or better according to the A.M. Best's Key Rating Guide and be continuously listed on the Department of Treasury, Circular 570. Currently, Frontier Insurance Company is in "rehabilitation" with the New York Insurance Commission and has a Best's Rating of "E" and was dropped from the Circular 570 in June 2000.

Please call me (801-538-5306) or Pamela Grubaugh-Littig (801-538-5268) if you have any questions about this.

Sincerely,

Mary Ann Wright  
Associate Director, Mining

vs  
Enclosure  
Eb Davis, Lodestar Energy, Inc.  
John Maycock  
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State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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October 5, 2001



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Dave Miller, Resident Agent  
Lodestar Energy, Inc  
H.C.35 Box 370  
Helper, Utah 84527

Re: Bond Replacement Required, Lodestar Energy, Inc., White Oak Mine, C/007/001, Outgoing File

Dear Mr. Miller:

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Sincerely,

Mary Ann Wright  
Associate Director, Mining

vs  
Enclosure  
Eb Davis, Lodestar Energy, Inc.  
John Maycock  
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Received Time Nov. 1. 1:14PM

Print Time Nov. 1. 1:16PM

Received Time Nov. 1. 1:14PM

Print Time Nov. 1. 1:16PM



**State of Utah**  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

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Lowell P. Braxton  
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801-538-5340  
801-358-3840 (Fax)  
801-538-7223 (TDD)

October 26, 2001

Dave Miller, Resident Agent  
Lodestar Energy, Inc.  
HC 35 Box 370  
Helper, Utah 84526

Re: Decision Document and Revised Permit (Whisky Creek Contour Mining), Lodestar Energy Inc., White Oak Mine, C/007/001-SR01A, Outgoing File

Dear Mr. Miller:

The Division has processed the Whisky Creek Contour Mining of Barrier Coal (fee coal) significant revision to the White Oak Mine, including all materials submitted as of this date and has determined the application to be complete and adequate for issuance of a revised permit. The Decision Document and permit are enclosed. Please note the nine special conditions in Attachment A. The conditions have different time frames with which to comply, some as short as five days. Please have both copies of the permit signed by an authorized representative and return one to the Division.

If you have any questions, please call me.

Sincerely,

A handwritten signature in black ink, appearing to read "Lowell P. Braxton".  
Lowell P. Braxton  
Director



Enclosures: Decision Document, 2 permits

**ATTACHMENT A**

As conditions of the permit, the Permittee must provide the following in accordance with:

- 1) **Water Monitoring.** R645-301-731.200. Lodestar Energy, Inc. will submit water quality data for the White Oak Complex and Loadout, in an electronic format through the Electronic Data Input web site, <http://hlmix.bl.state.ut.us/cgi-bin/appx-orm.cgi>.
- 2) **Mining Operations and Facilities.** R645-301-553. The Permittee may take more than 60 days to do rough backfilling and grading provided that no more than 306,000 LCY of spoil may be stored in the temporary spoil pile or in any pit or other location at the mine where it is not in the approximate location for final grading.  
R645-301-560. The Permittee must establish the approximate location of the upper portion of Whisky Creek during rough backfilling and grading.
- 3) **Operations Plan Hydrologic Information.** R645-301-742.310. By November 26, 2001, the Permittee will revise all Map R645-301-742-310B versions (submitted on September 10, 2001) to indicate that the correct weighted curve number for Zone 4 is 74.
- 4) **Operational Use of Explosives.** R645-301-524.330 and R645-301-524.340. A pre-blast survey of the Questar gas pipeline must be conducted by the Permittee. Copies of the pipeline survey must be provided to Questar prior to blasting to provide an opportunity for comments. Copies of pipeline survey must be provided to the Division within 10 days of completion of the survey.
- 5) **General Reclamation Requirements.** R645-301-541.400. By January 26, 2002, details of the reclamation sequence of the Belina Haul Road and the White Oak Complex coal pad and Sediment Pond 004A must be submitted to the Division
- 6) **Post Mining Land Uses.** R645-301-412. By January 26, 2002, the Permittee must remove all references to construct the 1200-foot section of road because the Oman's desire to construct it themselves or the lease agreement must be modified. Also by January 26, 2002, comments from the landowners concerning the postmining land use for Section 30 must be provided.

- 7) **Hydrologic Reclamation Plan.** R645-301-731.120. By November 26, 2001, the Permittee must revise Figure SRP-2 to include: 1) the location of the highwall in the Relocated Stream Profile that will be moved further upstream, and 2) the graded spoils in the restored stream channel that will be removed from the Transition X-Section to more accurately reflect the actual design.
- 8) **Maps Plans and Cross-Sections of Reclamation.** R645-301-542.300 and R645-301-521.152. By November 26, 2001 the Permittee must provide the Division with a contour map of the reclaimed White Oak mine site at a scale of 1" = 100' that show the contours within 100 feet of the disturbed area boundaries. (Map R645-301-527 Sheet 13, White Oak Mine Site Final Reclamation Contours does not show the contour that are 100 linear feet outside the disturbed area boundaries
- 9) **Bonding.** R645-301-840.520 By November 2, 2001, the Permittee must notify the Division of the capacity of Frontier Insurance Company to provide adequate bond coverage for the White Oak Complex.

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

November 2, 2001

Ms. Pamela Grubaugh-Littig  
Utah Coal Program  
Utah Division of Oil, Gas and Mining  
1549 West North Temple, Suite 1210  
Salt Lake City, UT 84114-5801

RE: Notification of Incapacity of Surety Company

Dear Ms. Grubaugh-Littig:

Lodestar Energy, Inc. is providing this letter in compliance with Utah Regulation R645-301.840.520. It has come to our attention that the Utah Insurance Department completed proceedings for the revocation of Certificate of Authority against Frontier Insurance Company 195 Lake Louis Marie Road, Rock Hill, NY 12775 on October 24, 2001. The certified letter of the proceeding and order was mailed to Frontier Insurance Company on October 25, 2001.

The order becomes final in fifteen (15) days after the date of mailing unless a written request for a hearing is received from the Respondent. The Respondent has 30 days from the date the order becomes final to seek an agency review by filing a written petition.

An "Order of Rehabilitation" was entered by the Supreme Court of the State of New York on October 15, 2001, which includes a finding that "Frontier is insolvent". It is our understanding that Frontier would deny that any "incapacity" is created by any such insolvency.

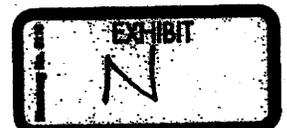
Please feel free to contact Eberley Davis - Lodestar (Lexington) at (859)255-4006 or myself at (435) 448-9454.

Sincerely,

David B. Miller  
Business Manager

Cc: Eberley Davis - Lodestar Energy (Lexington)

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State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt  
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801-538-5340  
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November 13, 2001

CERTIFIED MAIL  
7099 3400 0016 8895 9970

Dave Miller, Resident Agent  
Lodestar Energy, Inc.  
HC 35 Box 370  
Helper, Utah 84526

Re: Corrected Letter, Bond Replacement Required, Lodestar Energy, Inc., White Oak Mine Complex, C/007/001, Horizon Mine, C/007/020, Outgoing File

Dear Mr. Miller:

Lodestar Energy, Inc. must maintain surety for the Horizon Mine and White Oak Mine Complex as required by the provisions of UCA 40-8-14 and rules enacted thereunder. The Supreme Court of the State of New York declared Frontier insolvent on October 15, 2001. In accordance with Utah Regulation R645-301-840.520, Lodestar Energy, Inc., must replace the two Frontier Insurance Company bonds within 60 days of receipt of this letter, but no later than COB January 7, 2002. The White Oak Mine bond, Frontier Insurance Company Bond #143715, in the amount of \$3,832,000; and the Horizon Mine bond, Frontier Insurance Company Bond #143714, in the amount of \$342,000, require replacement.

If replacement surety is not posted within this time frame Lodestar must cease coal extraction and comply with the provisions of R645-301-541.100 through R645-301-541.400 as applicable and immediately begin to conduct reclamation operations in accordance with the reclamation plan.

If you have any questions, please call me.

Sincerely,

Mary Ann Wright  
Associate Director, Mining

vs  
cc: Price Field Office  
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copy the notes  
to LRS  
cc - Steve Alder  
MA Wright  
file

EASTERN DISTRICT OF KENTUCKY  
FILED

NOV 18 2002

AT LEXINGTON  
JERRY D. TRUITT, CLERK  
U.S. BANKRUPTCY COURT

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

IN RE	:	Chapter 11 Proceeding
	:	
LODESTAR ENERGY, INC.	:	Case Nos. 01-50969 and 01-50972
LODESTAR HOLDINGS, INC.,	:	
	:	Jointly Administered under
Debtors.	:	Case No. 01-50969
	:	
	:	Judge Joseph M. Scott, Jr.
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LODESTAR ENERGY, INC., ET AL.	:	Adv. Proceeding No. 02-5001
	:	
PLAINTIFFS	:	
	:	
vs.	:	
	:	
THE STATE OF UTAH, ET AL.	:	
	:	
DEFENDANTS.	:	

INCOMING  
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cc: 00070020

**SECOND AMENDED AGREED ORDER**

The Court having entered on February 25, 2002 its Agreed Order in the above-captioned chapter 11 cases (docket no. 1019) and adversary proceeding (docket no. 37) ("Original Order"), as amended by the Amended Agreed Order entered on October 23, 2002 (chapter 11 docket no. 1511 and adversary proceeding docket no. 45) ("First Amended Agreed Order"); and it appearing to the Court that the Debtors, its representatives, agents and attorneys (hereinafter referred to as the "Debtors") and the Defendants desire to enter a second amendment to the Original Order; and the Court finding that such amendment is in the best interest of the Debtors,

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NOV 25 2002  
DIVISION OF  
OIL, GAS AND MINING

their estates, and their creditors, and that good and sufficient cause exists for entry of this Second Amended Agreed Order, it is hereby AGREED and ORDERED as follows:

1. Paragraphs 28 and 30 of the Original Order are hereby amended so that the terms "Debtor Plan Funding Notice Deadline" and "Debtor Plan Deadline" shall mean December 13, 2002.

2. Except as modified by this Second Amended Agreed Order, the Original Order shall remain in full force and effect in accordance with its terms.

3. The First Amended Agreed Order is superceded by this Second Amended Agreed Order only as specifically set forth herein.

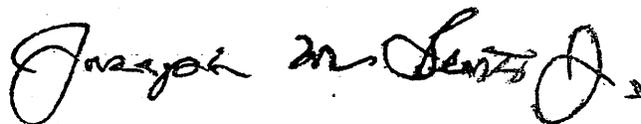
4. The Debtors shall not be permitted to seek, and are specifically prohibited from filing or seeking, from this Court or any other court in equity or in law, even if current circumstances which justify the entry of this Second Amended Agreed Order change in the future, the entry of any order further extending the Debtor Plan Deadline or any other deadline described in the Original Order as amended or the entry of any order determining any claim, cause of action or declaratory relief that has already been resolved in the Original Order, including, without limitation, by motion or other pleading filed in this adversary proceeding or in the Debtors' chapter 11 cases generally, without the prior written consent of the State of Utah. It is the intent of the parties hereto that if the Debtors file any such pleading, motion or other papers without the prior written consent of the State of Utah, then such filing shall be void ab initio, shall be stricken by the clerk of the court, and shall automatically entitle the State of Utah to the right to take any and all "Enforcement Action" as defined in the Original Order without any further court order. The Debtors shall be liable, jointly and severally, for and shall

reimburse all of Defendants' attorneys' fees, costs and expenses for the defense of any such motion, pleading or other papers which have been filed in any court without the prior written consent of the State of Utah. Nothing contained herein shall prevent the Debtors from seeking such an extension with the prior written consent of the State of Utah. The Debtors shall not assign, transfer, authorize, request or urge any other party, including, without limitation, any creditor of the Debtors or the Official Committee for the Unsecured Creditors, to seek the entry of any order further extending any deadline in the Original Order or this Second Amended Agreed Order without the prior written consent of the State of Utah.

5. If this Court refuses or fails to enter this Second Amended Agreed Order, the parties hereto shall not be bound by the terms and conditions contained herein, and the State of Utah would thereafter automatically be entitled to "Enforcement Action."

6. If any of Debtors' bankruptcy cases are converted to another chapter under Title 11 of the United States Code, either voluntarily or involuntarily, or is dismissed or if another entity such as a trustee or other liquidator is appointed involuntarily or if the Debtors no longer continue as Debtors-in-Possession in any of the Debtors' cases, then the State of Utah shall automatically be entitled to "Enforcement Action."

7. This Second Amended Agreed Order shall not be construed in any way as to allow any party in interest the right to appeal from, or to re-open the appeal time of, the Original Order or the First Amended Agreed Order. Since there is no just cause for delay in the entry of this Second Amended Agreed Order, this Second Amended Agreed Order shall be and same hereby is a final and appealable order as to the terms contained herein.



NOV 18 2002

AGREED TO AND TO BE ENTERED:

  
\_\_\_\_\_  
Troy L. Francisco  
Chief Executive Officer  
Lodestar Energy, Inc.  
333 West Vine Street, Suite 1700  
Lexington, Kentucky 40507

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

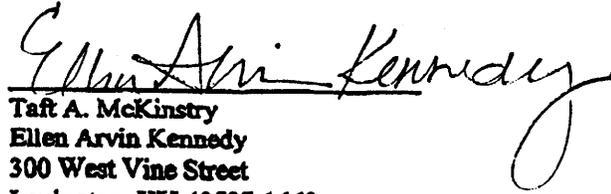
By: \_\_\_\_\_  
Stephen D. Lerner  
Gregory A. Buchmann  
Jeffrey A. Marks  
312 Walnut Street, Suite 3500  
Cincinnati, Ohio 45202  
Telephone: 513.361.1200  
Facsimile: 513.361.1201  
Email: [slerner@ssd.com](mailto:slerner@ssd.com)  
[gruehlmann@ssd.com](mailto:gruehlmann@ssd.com)  
[jemarks@ssd.com](mailto:jemarks@ssd.com)

**COUNSEL FOR DEBTORS AND  
DEBTORS-IN-POSSESSION**

-and-

**FOWLER, MEASLE & BELL, LLP**

By:

  
Taft A. McKinstry  
Ellen Arvin Kennedy  
300 West Vine Street  
Lexington, KY 40507-1660  
Telephone: 859.252.6700  
Facsimile: 859.255.3735  
E-mail: [tmckinstry@fmbllaw.com](mailto:tmckinstry@fmbllaw.com)  
[ekennedy@fmbllaw.com](mailto:ekennedy@fmbllaw.com)

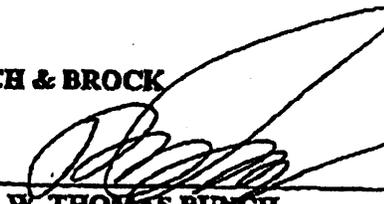
**CO-COUNSEL FOR DEBTORS AND  
DEBTORS-IN-POSSESSION**

**STEVEN ALDER, ESQ.**  
Assistant Attorney General, State of Utah  
State Capitol Office  
236 State Capitol  
Salt Lake City, UT 84114-0810

and

**BUNCH & BROCK**

BY:

 11/12/02  
W. THOMAS BUNCH  
MATTHEW B. BUNCH ✓  
805 Security Trust Building  
271 West Short Street  
P.O. Box 2086  
Lexington, Kentucky 40588-2086  
(859) 254-5522  
E-mail: [WTB@BunchLaw.com](mailto:WTB@BunchLaw.com)  
[Matt@BunchLaw.com](mailto:Matt@BunchLaw.com)

**ATTORNEYS FOR THE DEFENDANTS**

Pursuant to Local Rule 9022-1(c), Taft A. McKinstry or Ellen Arvin Kennedy shall cause a copy of this Second Amended Agreed Order to be served on each of the parties designated to receive this Second Amended Agreed Order pursuant to Local Rule 9022-1(a), and shall file with the Court a certificate of service of the Second Amended Agreed Order upon such parties within ten (10) days hereof.

T T T T



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF OIL, GAS AND MINING

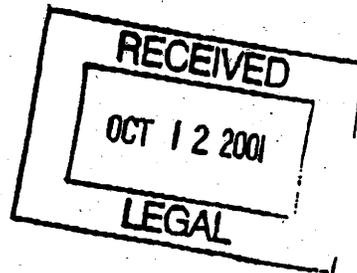
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Associate Director, Mining

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John Maycock  
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