

0002

TRANSACTION REPORT

APR-17-2003 THU 08:06 AM

FOR: OIL, GAS & MINING

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DATE START	RECEIVER	TX TIME	PAGES	TYPE	NOTE	M#	DP
APR-17 08:05 AM	14356135828	58"	3	SEND	OK	745	

TOTAL : 58S PAGES: 3

Fax to PFD

OUTGOING
C/007/020

EVENT VIOLATION INSPECTOR'S STATEMENT

Company/Mine: Lodestar Energy, Inc/Horizon Mine
Permit #: C/007/020

CO # 03-51-2-1
Violation # 1 of 1

A. SERIOUSNESS

1. What type of event is applicable to the regulation cited? Refer to the DOGM reference list of event below and remember that **the event is NOT the same as the violation.** Mark and explain each event.

- a. Activity outside the approved permit area.
- b. Injury to the public (public safety):
- c. Damage to property.
- d. Conducting activities without appropriate approvals.
- e. Environmental harm.
- f. Water pollution.
- g. Loss of reclamation/revegetation potential.
- h. Reduced establishment, diverse and effective vegetative cover.
- i. No event occurred as a result of the violation.
- j. Other.

Explanation: The Permittee is conducting Coal Mining and Reclamation Operations without an adequate bond. This practice is a violation of a condition upon which the permit is issued (R645-301-812.700) and constitutes a condition which can reasonably be expected to cause significant, imminent environmental harm or imminent danger to the health and safety of the

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- | | | |
|-------------------------------------|----|--|
| <input type="checkbox"/> | a. | Activity outside the approved permit area. |
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2. Has the event occurred? Yes

If yes, describe it. If no, what would cause it to occur and what is the probability of the event(s) occurring? (None, Unlikely, Likely).

Explanation: The bonding company, Frontier Insurance Company, has been determined to be insolvent. The Permittee's Frontier bond no longer meets the requirements of the Utah Coal Regulatory Program. This condition results in the Permittee being without adequate bond.

3. Did any damage occur as a result of the violation? No

If yes, describe the duration and extent of the damage or impact. How much damage may have occurred if the violation had not been discovered by a DOGM inspector? Describe this potential damage and whether or not it would extend off the disturbed and/or permit area.

Explanation: Being without adequate bond is a condition which can reasonably be expected to cause significant, imminent environmental harm to land, air or water resources and could create an imminent danger to the health and safety of the public.

B. DEGREE OF FAULT (Check the statements which apply to the violation and discuss).

- Was the violation not the fault of the operator (due to vandalism or an act of God), explain. Remember that the permittee is considered responsible for the actions of all persons working on the mine site.

Explanation: _____

- Was the violation the result of not knowing about DOGM regulations, indifference to DOGM regulations or the result of lack of reasonable care.

Explanation: _____

- If the actual or potential environmental harm or harm to the public should have been evident to a careful operator, describe the situation and what, if anything, the operator did to correct it prior to being cited.

Explanation: The Operator should be aware that not having adequate bond constitutes a potential environmental harm situation. The mine continued to operate under the protection of a Kentucky Bankruptcy court order, but when this protection was no longer in effect (End of February 2003) the Permittee had not secured a replacement bond. It is incumbent upon the Permittee to know the status of the surety bond.

- Was the operator in violation of a specific permit condition?

Explanation: Having adequate bond is a requirement of every permit. The fact that the Surety Company became insolvent was not the fault of the Permittee, however, failure to secure another bond in a timely manner became a failure on the part of the Permittee.

- Has DOGM or OSM cited the violation in the past? If so, give the dates and the type of warning or enforcement action taken.

Explanation: _____

C. GOOD FAITH

1. In order to receive good faith for compliance with an NOV or CO, the violation must have been abated before the abatement deadline. If you think this applies, describe how rapid compliance was achieved (give date) and describe the measures the operator took to comply as rapidly as possible.

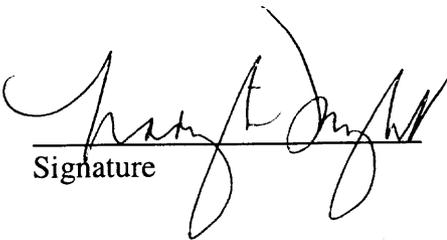
Explanation: Has not been abated to date.

2. Explain whether or not the operator had the necessary resources on site to achieve compliance.

Explanation: _____

3. Was the submission of plans prior to physical activity required by this NOV / CO? No If yes, explain.

Explanation: _____

Mary Ann Wright  4/8/03
Authorized Representative Signature Date