0047

HIDDEN SPLENDOR RESOURCES INC.
American Plaza II
57 West 200 South, Suite 400
Salt Lake City, Utah 84101
(801) 521-3292
(801) 521-3301 (Fax)

October 19, 2004

Lowell P. Braxton, Director
State of Utah
Department of National Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801

RECEIVED
NOV 17 2004
DIV. OF OIL, GAS & MINING
C/007/0020

Re: In Re Hidden Splendor Resources, Inc., Horizon Mine
Cause No. C/007/020 Informal Conference

Dear Mr. Braxton:

Attached you will find the Summary of Hidden Splendor Resources, Inc.'s Response to Objection of Steve and Pete Stamatakis for your use at the hearing scheduled in this matter for November 19, 2004.

Please feel free to contact me if you have any comments or directions in this regard.

Sincerely,

Alexander H. Walker III
Vice President

AHWIII:rr

BEFORE THE DIVISION OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH

IN THE MATTER OF HIDDEN SPLENDOR RESOURCES, INC., HORIZON MINE, C/007/0020, CARBON COUNTY, UTAH	)	**SUMMARY OF HIDDEN SPLENDOR RESOURCES, INC.'S RESPONSE TO OBJECTION OF STEVE AND PETE STAMATAKIS**
	)	CAUSE NO. C/007/020

With regard to the objections filed by Pete and Steve Stamatakis (the "Stamatakises") in this matter, Hidden Splendor Resources, Inc. ("Hidden Splendor") offers the following information for consideration by the Division of Oil, Gas and Mining, Department of Natural Resources, Inc. (the "Division") in connection with the informal hearing scheduled for November 19, 2004.

I. AN INFORMAL HEARING IS NOT WARRANTED UNDER THE DIVISION'S RULES.

R645-300-123 of the Utah Administrative Code details the procedure for requesting and convening an informal conference regarding comments and objections to a permit application. In pertinent part, the rule states:

> 123.100. Any person having an interest which is or may be adversely affected by the decision on the application ... may request in writing that the Division hold an informal conference on the application for the permit .... The request will:
>
> 123.110. Briefly summarize the issues to be raised by the requestor at the conference;
>
> 123.120. State whether the requestor desires to have the conference conducted in the locality of the proposed coal mining and reclamation operation; and,

> 123.130. Be filed with the Division no later than 30 days after the last publication of the newspaper advertisement required under R645.300.121. (Emphasis added.)

The date of Hidden Splendor's last publication of the newspaper advertisement required under R645.300.121 was August 17, 2004.[1] The Stamatakises request for hearing was filed with the Division on September 20, 2004, more than 30 days after the date of the last publication.[2]

An informal hearing is not required because the Stamatakises have not complied the Rule as their request for hearing is late. The Division is not required under these circumstances to hold an informal hearing. An informal hearing only is appropriate to the extent that the Division has the discretion to waive compliance with its rules.

To the extent compliance is discretionary, Hidden Splendor nonetheless objects to any consideration of some of the issues outlined in the Stamatakis September 20, 2004 request for hearing. That request for hearing outlines issues not contained in the objection letters filed by Pete and Steve Stamatakis on August 20, 2004 and August 23, 2004.[3] Indeed, only one of the six items detailed in the September 20 letter, the request that landowners accompany mine personnel during water monitoring, matches the objections contained in the August objection letters. Allowing a late request for a hearing is one thing, but it simply is unfair to allow the Stamatakises to make additional objections, or modify their previous objections, in that request after the expiration of the objection period. The additional objections listed in the September 20, 2004 letter clearly are untimely and should not considered at the informal hearing.

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[1] *See* Exhibit "A" attached hereto.

[2] *See* the Division's "Received" stamp on the Stamatakises's letter, a copy of which is attached hereto as Exhibit "B."

[3] For ease of reference, copies of those letter are attached hereto as Exhibits "C" and "D."

Without notice of exactly which issues will be addressed at the informal hearing, the following summary tracks the correspondence submitted by Pete and Steve Stamatakis and is offered only to the extent the Division wishes to consider the objections outlined in those correspondence.

II. RESPONSE TO THE STAMATAKIS AUGUST 20, 2004 FILED LETTER.

Both Pete and Steve Stamatakis signed a letter detailing objections which was filed with Division on August 20, 2004. That letter raised six points:

1. Water Monitoring.

The August 20 letter states the water monitoring has not been done "since Horizon left." To the extent that the Stamatakises are claiming that Hidden Splendor has done no water monitoring since it took control of the Horizon Mine, their claim is false. As the Division's staff can confirm, Hidden Splendor has completed all required water monitoring and has submitted reports of all such monitoring.

2. Notice to Stamatakises of Water Monitoring.

The August 20 letter also states that the Stamatakises have not been given notice of Hidden Splendor's water monitoring "as agreed." Of course, this objection tacitly admits that water monitoring has taken place and that the first objection is without a factual basis. The Stamatakises cannot claim that water monitoring has not taken place, on one hand, and then complain that they have not been given notice of the water monitoring which has taken place, on the other.

Hidden Splendor also notes that there is no agreement between Hidden Splendor and the Stamatakises regarding notice of water monitoring. The Stamatakises likely are relying on an agreement they had with Lodestar Energy, Inc., the former operator of the Horizon Mine. It is possible that that agreement required notice before water monitor on Stamatakis property took place.

Of course, Hidden Splendor is not a party to that contract and it terms are not binding on Hidden Splendor.

Hidden Splendor conducts its water monitoring pursuant to the general principle of Utah law which states that "Ownership of mineral rights in land is dominant over the rights of the owner of the [surface estate] to the extent reasonably necessary to extract minerals." Del Rio Drilling Programs v. United States, 35 Fed.Cl. 186, 194 (1996); see also Flying Diamond Corporation v. Rust, 551 P.2d 509 (1976). This principle was addressed in a memorandum dated June 21, 2001, from the Utah Attorney General's office to the Division, and has been followed by the Division. In fact, in this case, the Division's staff has informed the Stamatakises that "mineral rights are dominant over surface rights under Utah law."[4]

Applying that principle to this matter, in short, under Utah law Hidden Splendor can take reasonable, necessary action to extract coal in the permit area under the Stamatakises's land. Since Hidden Splendor is required to engage in water monitoring, its water monitoring activities on the land above the mine is necessary. All Hidden Splendor does in this regard is enter onto the property in question to take water samples for the required analysis. In this regard, one person drives up an established dirt road near the sampling site, walks to the sampling site, takes the sample, walks back to his vehicle and drives back down the same established dirt road. Hidden Splendor's actions are the minimum required of Hidden Splendor to conduct its required water monitoring and therefore are completely reasonable. No notice of water monitoring is required.

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[4]*See* the Staff's August 31, 2004 letter to Steve and Pete Stamatakis, a copy of which is attached hereto as Exhibit "E."

Nonetheless, since August of 2004, Hidden Splendor has made it a practice to give the Stamatakises notice of water monitoring activities prior to such activities as a courtesy.

3. Loss of Water.

The August 20 letter states that Stamatakises "feel that [they] are going to lose a substantial amount of water." The issue of water use at the Horizon mine is the topic of lengthy discussion in Hidden Splendor's application. Chapter 7 of the application, entitled "Hydrology," details the extensive water studies done in connection with this topic. As the introduction to Chapter 7 states:

> The purpose of this chapter is to present a review of hydrologic information relevant to the Horizon No. 1 Mine. A plan of action is presented to ensure that underground coal mining operations are in compliance with Office of Surface Mining (OSM) and UDOGM hydrology regulations. (Emphasis added).

The remainder of the extensive chapter on this subject goes into minute detail of both the hydrology studies done in and around the permit area and Hidden Splendor's plan of action for compliance with hydrology regulations. The objections filed by the Stamatakises do not state how Hidden Splendor's plan of action fails to comply with all applicable hydrology regulations. The fact that Hidden Splendor's plan of action in this regard complies with all applicable requirements is un-controverted. All that remains is the Stamatakis bare assertion that they will lose water.

At this point it is unknown if the Stamatakises even possess water rights in the area, though Hidden Splendor concedes that they may. Nonetheless, they do not identify the water right in question nor offer evidence of the source of that water right or evidence that coal mining operations in the expanded boundary will adversely affect any such water right or its source.

Hidden Splendor's detailed analysis in application, on the other hand, does address the issue. Section 7.1.4 of the permit application describes the water rights within the permit and surrounding areas and states:

> [W]ater rights have been filed on a limited number of springs in the permit and adjacent areas. Legal rates of usage of spring water are all less than 0.25 cfs.
>
> No water rights exist within the permit and adjacent areas for water wells. However, rights exist for the use of water from several springs in the permit and adjacent areas. Typically, these rights are for the use of less than 5 gallons per minute of water from springs issuing from the Blackhawk Formation. As noted above, <u>this formation is not considered to be an extensive aquifer within the permit and adjacent areas.</u> Water in this formation issues from perched aquifers of limited areal extent. This accounts for the low flow and usage rates of the springs. (Emphasis added)

And while the Stamatakises may claim that subsidence from mining activities will impact on their water rights, the studies done in connection with the permit application indicate that a loss of water from subsidence is unlikely:

> According to Gentry and Abel (1978), topographic lows (*e.g.*, stream channels) tend to be protected by upwarping of adjacent slopes during subsidence. Therefore, mining-induced surface fracturing should be very limited (or nonexistent) within the Beaver Creek stream channel area. With an overburden of approximately 1,000 feet and a coal thickness of 7.5 feet there is little potential for subsidence cracks to propagate to the surface. Any fracturing that does occur in the stream channel is likely to fill rapidly as a result of sedimentation.
>
> * * *
>
> It is also not anticipated that subsidence will significantly affect springs within the permit and adjacent areas. Von Schonfeldt et al. (1980) found that uniform subsidence "rarely causes problems to renewable resources such as aquifers, streams, and ranch lands." Since second mining will occur uniformly across the permit area, the

> resulting subsidence should also be uniform, minimizing the potential impacts to overlying springs.
>
> As noted in the Cumulative Hydrologic Impact Assessment, mining in the area adjacent to the proposed Horizon permit area has not resulted in hydrologic impacts due to subsidence. Given the lack of extensive aquifer systems in lithologic units that overlie the coal within the permit and adjacent areas, it is not anticipated that groundwater will be significantly affected by subsidence. Thus, subsidence caused as a result of mining by Horizon Coal Corporation should not cause significant surface or groundwater impacts within the permit or adjacent areas.[5]

Hidden Splendor maintains that operations in the expanded permit area will not have a significant impact on any water rights the Stamatakises may have.

But even if Stamatakis's have water rights which may be impacted by operations at the Horizon Mine, Hidden Splendor's permit application details groundwater and surface water monitoring plans tailored to identify any impact on such rights.[6] In addition, any requirement for water replacement only is appropriate after a actual loss of water due to the mining operations in question is demonstrated. CastleValley Special Services District vs. Utah Board of Oil, Gas and Mining in the underlying, 938 P.2d. 248 (Utah 1996). That is, until the Stamatakises can prove that operations of the Horizon Mine have caused a decrease in the water subject to a water right they own, any requirement for water placement is inappropriate.[7]

4. Joint Decisions By Mine Owners and Property Owners.

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[5]Permit Application, Chapter 7, page 7-76.

[6]*See* Permit Application, Chapter 7, section 7.1.5. and 7.2.2.3

[7] Id. As the Utah Supreme Court stated in the CastleValley case, "in short, there must be a showing that a water supply has been affected by underground coal mining operations for the statute to impose a requirement of replacement." CastleValley Special Service District v Utah Board of Oil, Gas and Mining, 938 P.2d. at 252.

The August 20 letter appears to state that land owners and mine owners should be required to make "joint decisions." Hidden Splendor is unclear as to what "decisions" are the subject of this objection. If the objection means the Stamatakises should be allowed to make decisions in the day-to-day operations of the Horizon mine, then the objection is frivolous and should be summarily dismissed. Hidden Splendor knows of no mining operation which is required to include adjoining landowners in operational decisions. Indeed, allowing adjoining landowners to participate in operational decisions when they are unaware of, and from a regulatory standpoint unaccountable for, mining safety requirements would endanger the lives of mine personnel. It also would impose liability on such landowners who in all likelihood are uninsured for such exposure.

Also, it is unclear what this objection has to do with the impact on the Stamatakises if the Hidden Splendor application is approved. Hidden Splendor already has a permit to operate under the Stamatakis's property. The current application only expands the boundary of that permit.

5. Presence of Landowners During Water Monitoring.

The August 20 letter requests that Hidden Splendor be required to have the Stamatakises present during water monitoring. The objection does not indicate what negative impact will occur if the Stamatakises are not present during monitoring and does not indicate how that impact will be eliminated by imposing such a requirement. Accordingly, there is no need for the requirement. In addition, the Division's staff has indicated that "the Division has no control over who is present when sampling takes place."[8]

And as stated above, Hidden Splendor has made it a practice to give the Stamatakises notice of water monitoring activities prior to such activities as a courtesy.

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[8] *See* Exhibit "E."

6. Subsidence.

Each of the Stamatakis objection letters complain of either past or potential future subsidence on their property as a result of mining operations.

a. Subsidence is unlikely.

Section 3.4.8.4 of Hidden Splendor's permit application addresses the issue of potential subsidence in connection with the property on the surface of the proposed permit area. As studies undertaken in connection with the preparation of the application indicate, subsidence in the extended permit area is unlikely due to the depth of the mine.

As the application points out, subsidence can normally be expected to occur over areas where second mining (pillaring - removal of greater than 50% of the coal) has taken place.[9] However, the application details observations and conclusions regarding subsidence which have been made from past mining activities in the vicinity of the proposed expanded permit area which indicate that subsidence is unlikely. These observations and conclusions note that:

(1) Pillaring in the upper (Castlegate "A") seam has previously occurred beneath Beaver Creek. Specifically, the northernmost west panel was pillared beneath Beaver Creek by Swisher Coal Company in January 1978 in an areas where the overburden thickness was about 650 feet. In addition, in September 1981, Beaver Creek Coal Company pillared the "A" Panel area beneath Beaver Creek in an area with an overburden thickness of approximately 425 feet. Neither of these areas show any measurable effect on Beaver Creek.

(2) The Gordon Creek No. 2 Mine overlies areas pillared up to 40 years ago in the lower seam (Sweet's Mine) with no noticeable subsidence effects. The Consumers No. 3 Mine also pillared areas in the permit area which show no noticeable subsidence effects.

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[9] *See* Permit Application, Chapter 3, page 3-27.

(3) The overburden in the permit area above the Castlegate "A" seam (with a thickness of 600 to 800 feet) contains massive sandstone units which are unlikely to allow caving effects to reach the surface. In addition, the seams are separated by over 150 feet of similar interburden with no noticeable effects from past pillaring.

(4) Subsidence, should it occur, is not likely to affect the Beaver Creek flow due to the numerous beds of swelling shales within the overburden and interburden. Fractures within these sedimentary deposits have a strong tendency to heal due to the swelling of the shales and sandy shales contained therein.[10]

The mining activities in the proposed expanded permit area under the Stamatakis's property will be a depth of at least 800 feet and more often than not will be at depths of over 1,000 feet. The available evidence suggests that subsidence from mining at these depths is unlikely.

b. Hidden Splendor's proposed mining plan adequately deals with any potential subsidence.

Even if subsidence were to occur, Hidden Splendor's current mining plan, and its proposed plan under its current application, provide for remediation of any potential subsidence. In this regard, section 3.4.8.5 of the application captioned "Subsidence Control and Monitoring Plan" details Hidden Splendor's plan to monitor any potential subsidence, and section 3.5 details its reclamation plans.

And as the Division is aware, Hidden Splendor is subject to bonding requirements which assure compliance with the reclamation plan. In this regard, Hidden Splendor notes that the Division's staff has described Hidden Splendor's subsidence contingency plans and compliance with bonding requirements in its August 31, 2004 letter to the Stamatakises.[11]

III. RESPONSE TO THE STAMATAKIS AUGUST 23, 2004 FILED LETTER.

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[10] Id., at 3-28.

[11] *See* Exhibit "E."

A letter detailing Pete Stamatakis's objections was filed with Division on August 23, 2004. That letter also raised six points. His first point deals with the claims of loss of water already addressed above. His second, fourth and fifth points deal with the claim of subsidence, also addressed above. His remaining points deal with the potential for fire in coals mines in general and the "ruination of all the surrounding property by coal mines."

1. Fire in the Mine.

Mr. Stamatakis objects to the extended permit application because of "fire in mines." The objection does not detail how the risk of fire will be any greater if the permit boundary is extended and does not state how any increased risk of fire will impact on his property. In truth, there is no increased risk or impact.

Nonetheless, Hidden Splendor, like all coal mining companies, takes the potential for fire in its mine extremely seriously. Indeed, the Division's hearing officer likely can take judicial notice of the fact that one of the main goals of compliance with federal mining safety regulations is the prevention of fire in or around a coal mine. Hidden Splendor's fire safety measures are tailored to meet such requirements and are detailed in its application at section 3.3.5.

2. Historical Ruination of Property by Coal Mines.

Mr. Stamatakis's objection in this regard does not detail the ruination to which he refers. Hidden Splendor can only respond by pointing out that strict reclamation requirements already imposed by the State of Utah address this concern.

IV. RESPONSE TO THE STAMATAKIS SEPTEMBER 20, 2004 FILED LETTER.

Hidden Splendor again notes that all but one of the six issues identified in the Stamatakis September 20, 2004 request for hearing constitute untimely objections and should not be considered.

Nonetheless, Hidden Splendor briefly responds to the issues identified in the September 20, 2004 letter as follows:

1. Lodestar Contract

The Stamatakises request that the Division enforce the terms of a contract with the Stamatakises similar to a contract the Stamatakises had with the prior operator of the Horizon Mine, Lodestar Energy, against Hidden Splendor. As the Division may know, Lodestar Energy filed for protection under the bankruptcy laws. In March of 2003, Hidden Splendor purchased the operations of the Horizon mine from the Lodestar bankruptcy trustee. The bankruptcy court signed an order transferring the Horizon Mine assets to Hidden Splendor "free and clear" of any obligations or encumbrances.[12] Accordingly, Hidden Splendor took over the operations at the Horizon Mine free of any obligation Lodestar may have had under the terms of the agreement between Lodestar and the Stamatakises. Coupled with the fact that Hidden Splendor never was a party to that agreement, the bankruptcy court order makes it clear that Hidden Splendor has no obligation to the Stamatakises under the terms of their agreement with Lodestar. Hidden Splendor respectively contends that the Division has no authority to enforce the terms of the Lodestar contract.

2. Reclamation of wells.

The Stamatakis's September 20, 2004 letter states that Hidden Splendor should be required to perform reclamation on the water wells. Of course, such reclamation already is part of Hidden Splendor's reclamation plan as outlined in section 3.4.5.3 of Hidden Splendor's application. Hidden

[12] *See* Exhibit "F" attached hereto

Splendor's reclamation plan already calls for grading and re-vegetation of monitoring well areas. Accordingly, the Stamatakises concern is addressed by Hidden Splendor's reclamation plan.

3. Subsidence monitoring

The same is true of the Stamatakises request for subsidence monitoring. Hidden Splendor's application details its plan for subsidence control and monitoring. Appropriate measures are outlined in section 3.4.8 captioned "Subsidence Control and Monitoring Plan."

4. Loss of Mountain Top Water

The Stamatakises request information regarding how water will be replaced on the mountain top. Again, it is clear under Utah law that any requirement for water replacement only is appropriate once a loss of water has been demonstrated. As discussed in detail above, the Stamatakises have not demonstrated any loss of any water rights they possess. And the data collected in connection with the hydrology studies cited in the permit application indicate that a loss of water from the operation of the Horizon Mine on the Stamatakis's property is unlikely.

5. Water Monitoring

The issue of the Stamatakises accompanying representatives of Hidden Splendor in connection with any water monitoring has been addressed in detail above. In short, the Stamatakises have not demonstrated any negative impact from their non-presence at water monitoring and any requirement that they be present simply is unnecessary.

6. Required Bond

The September 20, 2004 letter indicates that all the Stamatakises concerns should be "covered by a bond." Of course, as the Division's staff has pointed out to the Stamatakises, Hidden Splendor is required to maintain, and in fact does maintain, appropriate bonds. There is no claim

on the part of the Stamatakises that the bonds in place are inadequate. Hidden Splendor maintains that it has complied with all bonding requirements and that all bonds are sufficient to cover the planned reclamation.

V. CONCLUSION

For the reasons outlined above, Hidden Splendor respectively requests that the Division deny the Stamatakis's objections and proceed with its consideration of Hidden Splendor's extended permit application.

Dated 16th day of November, 2004.

HIDDEN SPLENDOR RESOURCES, INC.

By: Alexander H. Walker III
Its: Vice President

Exhibit A

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Ken Larson, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutives issues, and the the first publication was on the 27th of July, 2004, and that the last publication of such notice was in the issue of such newspaper dated the 17th day of August, 2004.

Ken G. Larson

Ken G Larson - Publisher

Subscribed and sworn to before me this 17th day of August, 2004.

Linda Kaye

Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, $465.92

NOTICE OF COMPLETE APPLICATION EXPANSION OF PERMIT BOUNDARY HIDDEN SPLENDOR RESOURCES, INC. HORIZON MINE C/007/020

Hidden Splendor Resources, Inc. (HSR), a Nevada Corporation, has submitted to the Utah Division of Oil, Gas and Mining, a complete application for adding the remaining Federal Coal Lease, U74804, (approximately 866 acres), to the existing mining and reclamation permitted area. The address of the applicant is: Hidden Splendor Resources, Inc., 57 West 200 South, Suite 400, Salt Lake City, Utah 84101

Hidden Splendor Resources, Inc., operates the Horizon Mine located approximately nine (9) miles west of U.S. Highway 6, on the Consumers Road within the south half of Section 17, Township 13 South, Range 8 East, SLBM. The currently approved Horizon Mine mining permit number is C/007/020. The permit area is located on the Standardville and Jump Creek, USGS 7.5 minute quadrangle maps. The description of the permit area is as follows:

Township 13 South, Range 8 East, SLBM

Section 6:	NW1/4SE1/4, SE1/4SW1/4, SW1/4SE1/4, SE1/4SE1/4.
Section 7:	NW1/4, NE1/4, SE1/4, E1/2SW1/4, NW1/4SW1/4.
Section 8:	S1/2NW1/4, NW1/4NW1/4, SW1/4NE1/4, SW1/4, W1/2SE1/4
Section 17:	NW1/4, W1/2NE1/4, NE1/4SW1/4, N1/2SE1/4SW1/4, N1/2NW1/4SW1/4, NW1/4SE1/4, N1/2SW1/4SE1/4,
Section 18:	NE1/4NE1/4.

Containing 1,577 acres more less consisting of 305 acres more or less of Fee coal (Hidden Splender Resources, Inc.) and 1,272 acres more or less of Federal leased coal.

A copy of the permit will be available for inspection at the Utah Division of Oil, Gas and Mining, 1594 West North Temple, Suite 1210, Salt Lake City, Utah and the Carbon County Courthouse, 120 East Main Street, Price, Utah. Written comments or request for an informal conference regarding this application must be submitted within 30 days of the last publication date of this notice, to the Utah Division of Oil, Gas and Mining, Attention Coal Regulatory Program, 1594 West North Temple, Suite 1210, Salt Lake City, Utah, 84114-5801.

Published in the Sun Advocate July 27, August 3, 10 and 17, 2004.

Exhibit B

please copy to operator
Hidden Splendor

Vickie - pls set up conf
w/ LPB, TX,
MJ
9/22

September 16, 2004

State of Utah - Dept of Natural Resources
ATTN: Mary Ann Wright
1594 W. North Temple, Suite 1210
PO Box 145801
Salt Lake City, UT 84114-5801

Mary Ann Wright,

I am writing to request a conference regarding all of our objections.

- Hidden Splendor should have the same contract as Horizon does. I have enclosed a copy of the contract.
- Hidden Splendor needs to do the reclamation on the water wells.
- We need more subsidence monitoring over the panels on the creek.
- We need to know how they plan to mitigate or replace the water on top of the mountain because there is not bond for it.
- We need to accompany the mine on the water monitoring.
- All of the above should be covered by a bond.

Sincerely, Steve Stamatakis

Steve Stamatakis
Pete Stamatakis

RECEIVED
SEP 20 2004 MJW 9/22
DIV. OF OIL, GAS & MINING

Exhibit C

August 18, 2004

State of Utah - Dept of Natural Resources
ATTN: Mary Ann Wright
1594 W. North Temple, Suite 1210
PO Box 145801
Salt Lake City, UT 84114-5801

RECEIVED
AUG 20 2004
DIV. OF OIL, GAS & MINING

Incoming
C/007/0020
Copy Jim, Joe, Wayne
Mary Ann, Pete

Mary Ann Wright,

I object to the Hidden Splendor project for the following reasons:

- Water Monitoring has not been done since Horizon left
- We have not been contacted when they monitor the water as agreed
- We feel that we are going to lose a substantial amount of water
- The mining company and land owners need to make joint decisions and so far that has not been done.

I am requesting that the records of all water monitoring that has been done be sent to the land owners. We also request that the land owners be present when the water monitoring is done in the future.

I believe that subsidence will ruin my property. A bond needs to be put on the property for 50 years because subsidence will not show up until later years. The bond needs to be 5 million in order to protect my children in the future.

I would also like to inform you that the letter sent on July 26, 2004 was incorrectly sent to Nick Stamatakis at his home address. This needs to be corrected as Nick is not the land owner. Please send all correspondence to Steve Stamatakis at 2676 W. Gordon Creek Rd. Price, UT 84501. And also to Pete Stamatakis at 1111 S. 450 W. Price, UT 84501.

Sincerely, Steve Stamatakis

Steve Stamatakis
Pete Stamatakis

Exhibit D

8/07/2004

Dear Mary Ann Wright

I did not recieve the letter of intent of boundary expansion for Hidden Splendor Resources Inc. Horizon Mine. This was sent to my son who doesn't own any property in this area.

I am opposed to this Expansion because

1. Loss of water Streams and Springs
2. Numerous surface cracks, holes, and Subsidance!
3. Fire in mines!
4. 1 horse died and numerous Sheep, horses and employees injured in holes cracks and surface damage!
5. Loss of a road with surface disturbance
6. I have Lived here for 57 years and have seen the ruination of all the surrounding property by Coal mines Old! and New

Sincerly

Cita Stewart

RECEIVED
AUG 23 2004
DIV. OF OIL, GAS & MINING

Exhibit E

State of Utah

Department of
Natural Resources

Division of
Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

August 31, 2004

Steve Stamatakis
2676 West Gordon Creek Road
Price, Utah 84501

Pete Stamatakis
1111 South 450 West
Price, Utah 84501

Re: Response to Comments on Horizon Federal Lease, Horizon Mine, C/007/0020, Outgoing File

Dear Messers Stamatakis:

This is in response to your letter of August 18, 2004. The Division of Oil Gas and Mining received this and two other letters from you concerning this proposed addition to the mine permit at Horizon Mine. Thank you for your comments and we do intend to have the addresses corrected, we appreciate that information.

In regard to your request on water records, our hydrologist assigned to this mine will work with you to access the water monitoring records directly from our website at our Price Field Office. In regard to water monitoring, the Division has no control over who is present when sampling takes place. Mineral rights are dominant over surface rights under Utah law; and mineral operators are also required by state and federal laws to comply with environmental monitoring in order to extract the mineral.

Each coal operator holds liability insurance, which covers subsidence damage as needed. The operator is required to repair damage as it occurs, or to bond for it. The state of Utah will hold a bond for reclamation for 10 years after establishment of vegetative cover on the disturbed area. The Division will also require bonding for subsidence hazards, if and as needed and once it appears on the surface, if it is not immediately taken care of by the operator.

1594 West North Temple, Suite 1210, PO Box 145801, Salt Lake City, UT 84114-5801
telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7223 • www.ogm.utah.gov

Utah!
Where ideas connect

If you are desirous of an informal conference, please request one in writing and we will schedule it. Thank you for your comments on the Horizon federal lease.

Sincerely

Mary Ann Wright
Associate Director, Mining

vs
cc: Hidden Splendor Mine
P:\GROUPS\COAL\WP\007020.HZN\FINAL\Stamatakis~1.DOC

Exhibit F

EASTERN DISTRICT OF KENTUCKY
FILED
MAR 18 2003
AT LEXINGTON
JERRY D. TRUITT, CLERK
U.S. BANKRUPTCY COURT

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

IN RE: **LODESTAR ENERGY, INC.** **LODESTAR HOLDINGS, INC.** **INDUSTRIAL FUELS MINERALS CO.** **DEBTORS.**	**CHAPTER 11 PROCEEDING** **CASE NOS. 01-50969, 01-50972 and 03-70015** **Jointly Administered Under Case No. 01-50969** **Judge Joseph M. Scott, Jr.**

ORDER PURSUANT TO §§ 105(A), 363, 365, 503 AND 507 OF THE BANKRUPTCY CODE AUTHORIZING (A) SALE TO HIDDEN SPLENDOR RESOURCES, LTD. OF CERTAIN OF DEBTORS' PROPERTY FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES AND (B) ASSUMPTION AND ASSIGNMENT OF CERTAIN UNEXPIRED REAL ESTATE LEASES AND EXECUTORY CONTRACTS

This matter came before this Court at a hearing (the "Sale Hearing") on January 31, 2003, to consider approval of the sale of a portion of Lodestar Energy, Inc.'s, and Lodestar Holdings, Inc.'s (collectively the "Debtors") property at auction (the "Auction") held on January 30, 2003, to Hidden Splendor Resources, Ltd. ("Hidden Splendor") in accordance with the procedures set forth in the (a) ORDER PURSUANT TO SECTIONS 105(A), 363, 365, 503 AND 507 OF THE BANKRUPTCY CODE (I) AUTHORIZING AND SCHEDULING A PUBLIC AUCTION AND SALE OF SUBSTANTIALLY ALL OF THE DEBTORS' PROPERTY FREE AND CLEAR OF ALL LIENS, CLAIMS AND ENCUMBRANCES; (II) APPROVING PROCEDURES FOR THE SUBMISSION OF BIDS; (III)

APPROVING CURE AMOUNT PROCEDURES FOR ASSUMED AND ASSIGNED UNEXPIRED LEASES AND EXECUTORY CONTRACTS; (IV) SCHEDULING A HEARING TO CONSIDER APPROVAL OF THE ASSET SALE; AND (V) APPROVING THE FORM AND MANNER OF NOTICE OF THE AUCTION AND SALE PROCEDURES PURSUANT TO RULE 2002 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (doc. no. 1678), dated December 24, 2002 (the "Sale Order") and (b) AMENDED NOTICE OF AUCTION, BIDDING PROCEDURES, ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS, UNEXPIRED LEASES, LICENSES AND PERMITS, AND HEARING FOR AN ORDER AUTHORIZING THE SALE OF THE DEBTORS' ASSETS (doc. no. 1756) ("Notice of Bidding Procedure"). The Court, being fully advised of the relevant facts and having heard the arguments of counsel at the Sale Hearing, and after due deliberation and sufficient cause appearing therefor:

THIS COURT HEREBY FINDS THAT:

A. The Court has jurisdiction over the matter pursuant to 28 U.S.C. §§ 157 and 1334.

B. Notice of the Sale Hearing was adequate and sufficient under the circumstances and complied in all respects with the applicable provisions of the Sale Order, the Notice of Bidding Procedures, the Bankruptcy Code, the Bankruptcy Rules and the Local Bankruptcy Rules.

C. On January 23, 2003, Hidden Splendor submitted a good faith, bona fide offer (the "Hidden Splendor Offer") to purchase the property identified in numbered paragraph 1 below (the "Horizon Mine Property"). The Hidden Splendor Offer, as modified by Hidden Splendor's stipulation to the Debtor's counsel dated January 29, 2003, was deemed by the Debtors to qualify as an Initial Accepted Offer (as defined in the Notice of Bidding Procedures).

D. On January 23, 2003, Hidden Splendor filed an objection (doc. no. 1788) (the "Hidden Splendor Objection") in the form of a letter to the Court, to the cure amount listed in

Exhibit A to the Debtors' NOTICE OF CURE CLAIMS PROCEDURE AND AMOUNT OF CURE CLAIMS FOR ASSUMPTION AND ASSIGNMENT OF EXECUTORY CONTRACTS, UNEXPIRED LEASES, LICENSES AND PERMITS IN CONJUNCTION WITH SALE OF DEBTORS' ASSETS for that certain Mining Lease (the "Mining Lease"), dated February 1, 1995, by and between Hidden Splendor, Owner, and Horizon Coal Corporation, Lessee, as amended by Amendment dated June 30, 1997 and Second Amendment dated November 1, 1998, which Mining Lease was subsequently assigned in 1999 to Lodestar Energy, Inc.

E. Hidden Splendor has made its own independent inspection of the Horizon Mine Property, any liabilities of the Debtors that will be assumed by Hidden Splendor in connection with its purchase thereof and all such other matters relating to or affecting the Horizon Mine Property as Hidden Splendor has deemed necessary and appropriate. Hidden Splendor has acknowledged that in proceeding with its purchase of the Horizon Mine Property and the assumption of all of the Debtors' rights, duties and obligations relating thereto, it has done so solely upon its independent inspection and investigation of the Horizon Mine Property.

F. In accordance with the sale procedures set forth in the Notice of Bidding Procedures (the "Sale Procedures"), Hidden Splendor has provided the Debtors with an Initial Deposit (as defined in the Notice of Bidding Procedures), equal to $10,000.00, corresponding to ten percent (10%) of its Initial Accepted Offer.

G. The Debtors determined at the Auction, which was conducted in accordance with the Sale Procedures, that the Hidden Splendor Offer was the highest and best offer and the Final Accepted Offer (as defined in the Notice of Bidding Procedures) for the Horizon Mine Property.

H. On January 31, 2003, the United States Trustee filed his Notice of Appointment of Chapter 11 Trustee, whereby Mr. William Bishop was appointed as the Chapter 11 Trustee (the "Trustee") in the Cases under section 1104 of the Bankruptcy Code.

I. Thereafter, an objection was made by Blue Ridge Services, LLC ("Blue Ridge") to the sale of certain equipment to Hidden Splendor. The matter was settled by the parties, with the settlement terms incorporated in that certain Order Approving Stipulation and Authorizing Sale to Blue Ridge of Certain of Debtors' Utah Properties ("Blue Ridge Order"), and also incorporated herein as set forth below. The Blue Ridge Objection was withdrawn. No other objections were made to the sale of the Horizon Mine Property to Hidden Splendor.

NOW, THEREFORE, IT IS ORDERED THAT:

1. The sale of the Horizon Mine Property (the "Sale"), at the Purchase Price (as defined in the Notice of Bidding Procedures) of $100,000.00, free and clear of all liens, claims and encumbrances (collectively, the "Liens"), pursuant to sections 365(f) and (m) of title 11 of the United States Code is hereby approved, contingent upon the closing of such sale (the "Closing") no later than 11 days after the date of the entry of this Order. The Closing may occur after 11 days after the entry of this Order upon the mutual consent of Hidden Splendor and the Trustee. For purposes of this Order, the Horizon Mine Property shall consist of:

A. The Mining Lease, which includes all right, title and interest of Hidden Splendor in the following described lands situated in Carbon County, State of Utah:

<u>Township 13 South, Range 8 East, SLM</u>

Section 8:	SE¼SW¼
Section 16:	W½SE¼
Section 17:	NW¼NE¼, W½SE¼, SE¼SE¼, S½NW¼, N½SW¼, SE¼SW¼, excluding a 66 foot right-of-

way within the E½SW¼ referred to as the "Realigned Parcel" and more particularly described in Exhibit A to Attachment I of the Lease

Section 20: NE¼NW¼, NW¼NE¼, SE¼NE¼

Section 21: NW¼NE¼

Including a 66 foot wide roadway containing approximately 1.31 acres referred to as the "Vacated Parcel" and more particularly described in Exhibit B to Attachment I of the Lease

(containing in total 640.00 acres, more or less)

together with all dumps, plants, fixtures, improvements, rights and privileges, in anywise belonging.

B. United States Department of the Interior Bureau of Land Management Coal Lease UTU-74804 (the "BLM Lease"), issued to Horizon Mining, LLC under date of September 1, 1998, pertaining to the following described lands:

Township 13 South, Range 8 East, SLM

Section 6:	SE¼SW¼, S½SE¼, NW¼SE¼
Section 7:	Lots 1-3, E½, E½W½
Section 8:	SW¼NE¼, NW¼NW¼, S½NW¼, N½SW¼, SW¼SW¼, W½SE¼
Section 17:	N½NW¼, SW¼NE¼
Section 18:	NE¼NE¼

C. Water Lease Agreement (the "Water Lease") between Florence A. Sweet and Horizon Coal Corporation, dated May 1, 1993, pertaining to certain described water rights.

D. Water Right Lease and Sale Agreement (the "Water Right Lease") between Mountain Coal Company and E. E. Peirce, dated April 7, 1993, assigned to Horizon Coal Corporation under date of June 12, 1996, pertaining to certain described water rights.

E. Grant of Easement (the "Easement") dated January 3, 2001, by Steve Stamatakis and Pete Stamatakis to Lodestar Energy, Inc., covering certain described lands.

F. All of the Debtors' interest in any and all cash bonds, accounts receivable, inventory, machinery and equipment, general intangibles, contracts and leases, furniture, fixtures and real property, permits, easements and any and all other property located on the Horizon Mine premises as of the date of this Order, and specifically including those items identified as owned or leased by Lodestar Energy, Inc. on the November 2002 Daley-Hodkin Appraisal Corporation Horizon Mine Asset List ("List"), including the following items that are not presently located on the Horizon Mine premises but are hereby deemed Horizon Mine Property and expressly subject to this Order:

(a) Located at Oak Leaf Trucking in Loma, Colorado:

1	Underground Roof Bolter Dual Mast, Electric w/ accessories	Ingersoll/Rand	TD2-43-5-AE
1	Forklift Truck with accessories	Caterpillar	
1	1991 Feeder Breaker		

(b) Located at D&D Equipment & Supply in Helper, Utah:

1	1977 Wheel Loader w/ attachments	Caterpillar	980B

(c) Loaned to Genwall Resources Inc. in Huntington, Utah:

1	Hydraulic Core Drill w/ Hydraulic Power Pack.	Hagby	ONRAM 100

Specifically excluded from this sale and Order are the following equipment on the List:

(a) the uninstalled belt conveyer which was located at Mountain States (including belting and rollers);

(b) 3 Ford pickup trucks.

2. Specifically excluded from the Horizon Mine Property and the Additional Utah Properties under the Blue Ridge Order are the following six pieces of equipment (the "Disputed Assets"), which Disputed Assets shall remain the property of the Debtors and the Debtors' estates to be dealt with as follows:

One (1) Allis-Chalmers vibrator
One (1) Jeffrey crusher
Fletcher roof support cores, serial numbers 92900, 92901, 92902 and 92903

A. Consistent with the terms of the Blue Ridge Order, entered concurrently herewith and relative to the Disputed Assets, Blue Ridge, as agent for the Trustee, and without fee or commission other than the distribution provided below, shall sell the Disputed Assets, *provided, however*, no such sales shall occur until after the Court has entered the Blue Ridge Order and the Trustee has executed and delivered to Blue Ridge the Bill of Sale and Quit Claim Deed (both defined in the Blue Ridge Order) as required by paragraph 10 of the Blue Ridge Order, and that the Trustee shall review and approve all such sale(s) and execute the necessary documents to complete such sale(s).

B. All proceeds of all sales of the Disputed Assets shall be remitted to and made payable to the Trustee. All sales of the Disputed Assets shall be pursuant to arms length, good faith negotiations, and all sales shall be to parties that are not affiliated with the Trustee, the Debtors, Hidden Splendor or Blue Ridge.

C. All proceeds received by the Trustee from the sales of Disputed Assets shall be remitted by the Trustee, as follows: 50% to Blue Ridge and 50% to Hidden Splendor; *provided,*

however, that if the sale to Hidden Splendor pursuant to the Hidden Splendor Offer at the January 30, 2003, auction does not close by April 30, 2003, then all Proceeds shall be remitted to Blue Ridge and *further provided, however,* that the Proceeds from the sales of the Disputed Assets and the transfer of such Proceeds to Blue Ridge and Hidden Splendor, as provided above, shall not be subject to any prior liens, claims or encumbrances.

3. Contingent upon the Closing of the Sale of the Horizon Mine Property to Hidden Splendor and the application of the Cure Amount (as defined below) to the Purchase Price, the Hidden Splendor Objection is hereby withdrawn in its entirety.

4. To effectuate the sale to Hidden Splendor, the Trustee is hereby authorized, pursuant to section 365(b) of the Bankruptcy Code, to assume all leases and other executory contracts pertaining to the Horizon Mine Property and to assign them to Hidden Splendor.

5. Any and all Liens shall attach to the net proceeds received by the Trustee from the sale of the Horizon Mine Property with the same force and effect they now have, subject to further order of the Court, and any parties in interest holding any such liens are hereby directed to execute appropriate documentation releasing and terminating the same and to deliver such documentation to Hidden Splendor or its counsel.

6. The Trustee is hereby authorized and ordered to execute documents conveying the Horizon Mine Property to Hidden Splendor on the Closing date by Bill of Sale pursuant to the terms of the Sale Procedures, the Notice of Bidding Procedures and the Sale Order and to execute any and all other documents that may be required to complete transfer of the Horizon Mine Property, as described herein, to Hidden Splendor, including those documents necessary to satisfy approval requirements of regulatory agencies, without further order of this court.

7. The amount necessary to cure all defaults under the Mining Lease (the "Cure Amount") is $11,368.31, which amount shall be credited at Closing toward the Purchase Price, as described in paragraph 8, below.

8. The Initial Deposit for the Horizon Mine Property shall also constitute the Final Deposit (as defined in the Notice of Bidding Procedures), which Final Deposit has been paid timely by Hidden Splendor, in accordance with the Sale Procedures.

9. At the Closing, Hidden Splendor shall deliver to the Trustee an amount of immediately available funds equal to the Purchase Price less the Cure Amount and Final Deposit.

10. The sale of the Horizon Mine Property to Hidden Splendor is AS IS, WHERE IS and WITH ALL FAULTS, and without any representations or warranties whatsoever of the Debtors, the Trustee, their agents or representatives, express or implied, of any kind, nature or description, including, without limitation, any warranty of merchantability or fitness for a particular purpose or any express or implied warranty as to the nature, quality, value or condition of any portion of the Horizon Mine Property.

DATED: MAR 18 2003.

BY THE COURT:

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

TENDERED BY:

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Pursuant to Local Rule 9022-1(c), Sam P. Burchett 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.

APPROVED AS TO FORM:

GREENBAUM, DOLL & MCDONALD

By

Bruce E. Cryder
Gregory R. Schaaf
Counsel to the Trustee

L. Edwin Paulson,
Local Counsel for Blue Ridge Services, LLC

(aw)1671/07/plead/sale order