

HIAWATHA COAL COMPANY

**P.O. Box 1240
Huntington, UT 84528**

**(435) 687-5777
FAX (435) 687-5724**

James D. Smith
Utah Division of Oil, Gas & Mining
1954 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, UT 84114-5801

February 4, 2009

Re: **Chapter 8 Update, Included- Bond estimate and road agreement with ANR**

Dear Mr. Smith:

As you are aware, it is becoming increasingly harder to obtain Surety Bonds. This will require companies to obtain other means or post some form of cash bond. For this reason, Hiawatha Coal Company is submitting a new Bond Estimate for review included in our Chapter 8 Update. Hiawatha Coal feels we are currently over bonded in excess of \$500,000 for the Hiawatha Complex Bond.

This estimate takes into consideration the RSMeans Site indexes for costs, which previously were ignored by the Division in their estimates to insure companies were not under bonded. This thought process increases bonds for our area approximately 25% more than is required. The Divisions own Technical Directive, which was agreed on by the Coal Operators eight years ago, states that the labor costs are derived from the RSMeans. RsMeans states that these "labor costs should be adjusted accordingly" utilizing these indexes.

Also included in this submittal is a Road Agreement between Hiawatha Coal and the land owner (ANR) which effectively reduces the bond requirements. In processing the new data in the bond estimate there were other errors identified within the Divisions spreadsheet that needed addressing as well. For example, a simple volume calculation within the Demo estimates was left in cubic feet and applied to a cost which is intended for cubic yards, this increases the cost for those areas by a factor of 27.

If you have any further questions concerning this submittal, please feel free to contact me at (435) 687-5777.

Sincerely,



Cliff Baker
Environmental Coordinator

File in: C/0070011 2009 Incoming

Refer to:

Confidential

Shelf

Expandable

Date: 02/04/09 For additional information

RECEIVED
FEB 12 2009
DIV. OF OIL, GAS & MINING

APPLICATION FOR COAL PERMIT PROCESSING

Permit Change New Permit Renewal Exploration Bond Release Transfer

Permittee: HIAWATHA COAL CO.

Mine: HIAWATHA COMPLEX

Permit Number: ACT/007/011

Title: Chapter 8 Update

Description, Include reason for application and timing required to implement:

include a up to date and accurate bond estimate, include new road agreement

Instructions: If you answer yes to any of the first eight (gray) questions, this application may require Public Notice publication.

- Yes No 1. Change in the size of the Permit Area? Acres: Disturbed Area: increase decrease.
- Yes No 2. Is the application submitted as a result of a Division Order? DO#
- Yes No 3. Does the application include operations outside a previously identified Cumulative Hydrologic Impact Area?
- Yes No 4. Does the application include operations in hydrologic basins other than as currently approved?
- Yes No 5. Does the application result from cancellation, reduction or increase of insurance or reclamation bond?
- Yes No 6. Does the application require or include public notice publication?
- Yes No 7. Does the application require or include ownership, control, right-of-entry, or compliance information?
- Yes No 8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling?
- Yes No 9. Is the application submitted as a result of a Violation? NOV #
- Yes No 10. Is the application submitted as a result of other laws or regulations or policies?
Explain: _____
- Yes No 11. Does the application affect the surface landowner or change the post mining land use?
- Yes No 12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2)
- Yes No 13. Does the application require or include collection and reporting of any baseline information?
- Yes No 14. Could the application have any effect on wildlife or vegetation outside the current disturbed area?
- Yes No 15. Does the application require or include soil removal, storage or placement?
- Yes No 16. Does the application require or include vegetation monitoring, removal or revegetation activities?
- Yes No 17. Does the application require or include construction, modification, or removal of surface facilities?
- Yes No 18. Does the application require or include water monitoring, sediment or drainage control measures?
- Yes No 19. Does the application require or include certified designs, maps or calculation?
- Yes No 20. Does the application require or include subsidence control or monitoring?
- Yes No 21. Have reclamation costs for bonding been provided?
- Yes No 22. Does the application involve a perennial stream, a stream buffer zone or discharges to a stream?
- Yes No 23. Does the application affect permits issued by other agencies or permits issued to other entities?

Please attach four (4) review copies of the application. If the mine is on or adjacent to Forest Service land please submit five (5) copies, thank you. (These numbers include a copy for the Price Field Office)

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein.

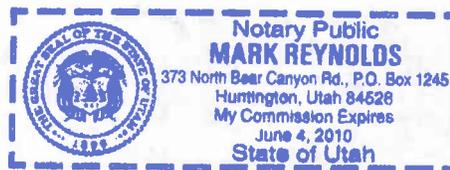
N Finley
Print Name

N Finley V.P. 2-05-09
Sign Name, Position, Date

Subscribed and sworn to before me this 5 day of February, 2009

Mark Reynolds
Notary Public

My commission Expires: 6-4, 2010
Attest: State of Utah) ss:
County of Beaver



For Office Use Only:

Assigned Tracking Number:

Received by Oil, Gas & Mining

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FEB 12 2009

DIV. OF OIL, GAS & MINING

