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State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Executive Director

Division of Oil, Gas and Mining

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Outgoing

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December 15, 2008

Elliot Finley, Resident Agent
Hiawatha Coal Company
P.O. Box 1240
Huntington, Utah 84528

Subject: Completion of Midterm Permit Review, Task ID #3036, Hiawatha Coal Company, Bear Canyon Mine, C/015/0025, Outgoing File

Dear Mr. Finley:

In a letter dated February 29, 2008, the Division informed you that we were initiating the midterm review of the Bear Canyon Mine permit. The Division has completed the Midterm Review.

Two potential deficiencies that were noted during the review process have been resolved. The Division informed you on July 21, 2008 of bonding deficiencies under Item 4 of the Midterm Review. Subsequently, based on discussions with your staff and information in the MRP, the Division reviewed the reclamation cost estimate and determined that the current bond is adequate.

- 1. An AVS check to ensure that Ownership and Control information is current and correct and that all outstanding fines are paid.***

C.W. Mining is doing business as (DBA) Co-Op Mining Company. Ownership and Control are discussed in Section R645-301-112 of the MRP. This information was current as of November 3, 2005. The Division checked OSM's AVS on June 23, 2008. There were no violations retrieved by the system. (The permit is currently being transferred from C. W. Mining to Hiawatha Coal Company, but that transfer is not yet complete; for the purpose of this midterm



review, C. W. Mining was considered to be the Permittee. Although no deficiencies in Ownership and Control have been identified for C. W. Mining Company in this midterm review, there may be Ownership and Control deficiencies discovered during the review of the permit transfer.)

- 2. A review of the plan to ensure that the requirements of all permit conditions, division orders, notice of violation abatement plans, and permittee initiated plan changes are appropriately incorporated into the plan document.***

A review of the plan indicated that the requirements of all permit conditions, division orders, notice of violation abatement plans, and permittee initiated plan changes have been appropriately incorporated into the plan document.

- 3. A review of the applicable portions of the permit to ensure that the plan contains commitments for application of the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area. The MRP contains commitments for application of BTCA to prevent additional contributions of suspended solids to stream flows outside of the permit area.***

Sedimentation ponds and ASCAs are shown on Plates 7-1A through 7-1G. ASCAs are described in Appendix 7-K. Sizing calculation for sedimentation Ponds A, B, C, and D are in Appendix 7-F; cross sections are on Plates 7-2, 7-3, 7-6 and 7-11, respectively.

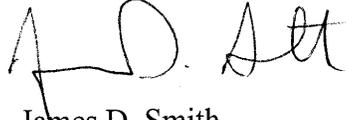
- 4. A review of the bond to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate year dollars.***

The Division reviewed the reclamation cost estimate. In a Technical Memo by Wayne Western dated June 30, 2008, the Division indicated that additional bond was needed; however, after discussions with the Permittee and based on the information in the MRP, the Division determined that the amount of bond needed by the Division to ensure that reclamation can be accomplished in the event of bond forfeiture is \$1,823,000 in 2013 dollars. The current bond is for \$1,825,000. Therefore, the amount of the current bond is adequate; however, the Permittee must assure that the bond is transferred, or an equivalent bond obtained, when the permit is transferred to Hiawatha Coal Company.

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Deficiencies that had been identified by the Division have been addressed, and the Division is hereby completing the Midterm Review. If you have any questions regarding the Midterm Review process please call me at (801) 538-5262 or Joe Helfrich at (801) 528-5290.

Sincerely,

A handwritten signature in black ink, appearing to read "J.D. Smith". The signature is written in a cursive style with a large initial "J" and "S".

James D. Smith
Permit Supervisor

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Enclosure

cc: Richard Holbrook, OSM
Jeff McKenzie, BLM
Henry Maddux, USFWS
Pam Brown, USFS
Marc Stilson, Water Rights
Dave Ariotti, DEQ
Eric Larson, DWR
Price Field Office

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