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**HIAWATHA COAL COMPANY
P.O. BOX 1240
HUNTINGTON, UTAH 84528**

January 6, 2009

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple Suite 1210
P O Box 145801
Salt Lake City UT 84114-5801

Re: This letter responds to your letter dated December 24, 2008

Dear Mr. Baza

1. As you are aware Hiawatha Coal Company purchased the coal mining assets of C.W. Mining Company on June 24, 2008. On that day Charles Reynolds, President of C.W. Mining Company ("CW") and I Elliot Finley President of Hiawatha Coal Company ("Hiawatha") came to your offices and completed the application for a permit transfer from CW to Hiawatha. Hiawatha has for more than a decade been the operator of the coal mining permit for coal reserves adjacent to those operated under CW's coal mining permit.
2. The terms of the asset purchase require CW to keep their bond in place until such time as the permit is transferred to Hiawatha. At all times before and after the sale of assets to Hiawatha, the CW bond has been in place. The CW bond remains in full force and effect as of the date of this letter. Therefore at no time has any event occurred that could cause "significant imminent environmental harm to land air or water".
3. Hiawatha believes that Utah code section 40-10-9(2) and Department of Oil, Gas and Mining (DOG M) regulations allow a successor in interest such as Hiawatha to continue its operations pending the acquisition of the new permit.
4. As you are also aware Hiawatha applied for a bond release of \$1,220,000 for reclamation work that has already been completed. This application was filed more than one year ago. Hiawatha believes this is an excessive amount of time to process this request.
5. As you are also aware application for reduction of the CW bond by \$578,000 has also been made.

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DIV. OF OIL, GAS & MINING

6. After the \$578,000 reduction the required bond for CW is \$1,153,000.

In summary, if we add the amounts:

\$ 578,000	reduction in CW bond
<u>\$ 1,220,000</u>	Hiawatha bond
\$ 1,798,000	

As you can see DOGM is currently holding excess security in the form of bonds far in excess of the amount that would be required to bond the reclamation of the CW permit.

I would like to propose the following:

1. DOGM send a letter to Cumberland explaining that because of CW's current financial situation CW appears to be unable to perform the reclamation. Therefore if the bond is not replaced DOGM intends to call the bond. This would encourage Cumberland to respond to Hiawatha's request to transfer the bond.
2. DOGM complete Hiawatha's request for bond reduction of the \$1,220,000.
3. DOGM complete Hiawatha's request for bond reduction of \$578,000.
4. Hiawatha posts a bond for \$1,153,000 to cover reclamation costs under the Bear Canyon permit.

I request that DOGM extend the January 8, 2009 date to allow DOGM time to complete the processing of Hiawatha's bond reduction request.

If you have any questions, please call me at (801)687-5777.

Sincerely,



Elliot Finley
President, Hiawatha Coal Company