



JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Outgoing
C0150025

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January 8, 2009

Mr. Bill Adams
Lyndon Properties Insurance Co.
Cumberland Surety, Inc.
367 West Short Street
Lexington, Kentucky 40507

Mr. Lon A. Jenkins
Counsel for Cumberland Surety, Inc.
Jones Waldo, Holbrook & McDonough
170 South Main Street, #1500
Salt Lake City, Utah 84101

Subject: Surety Bond for C.W. Mining, d/b/a Co-op Mining Company, \$1,825,000.00 Bear Canyon Mine, Surety No. L06-01-C-015-025

Dear Sirs:

The Utah Division of Oil Gas and Mining is the holder of the above surety for reclamation of the Bear Canyon Mine. Hiawatha Mining has applied to have the permit transferred to it as part of the sale by C.W. Mining of its assets to Hiawatha. All of the necessary information required for the transfer has been provided except for the requirement to provide an appropriate performance bond. It now appears that Hiawatha may not be able to provide a bond and that DOGM will require that all mining cease. In that event, we are advised that the mine will close and likely will not reopen. We take such an event as a serious possibility, and must advise you that if the mine permanently closes and in light of the bankruptcy of C.W. Mining, DOGM would ultimately look to Cumberland Surety and Lyndon Properties to complete all reclamation or to forfeit to the Division the bond amount of \$1,825,000.00.

The alternative of maintaining an operating mine includes the advantage to Cumberland of avoiding these possible costs of reclamation. Another advantage of avoiding shutting the mine is the potential value that may accrue to the bankruptcy trustee if the transfer is successfully challenged. Hiawatha desires to remain in operation until after a decision on the transfer is made. Accordingly, it is desirable for the trustee, Hiawatha and Cumberland to reach an agreement for interim bonding.



Page 2
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In order for you and the other parties to reach such an agreement, DOGM is willing to extend additional time to reach such an agreement before proceeding with issuance of a cessation order. If an agreement is not made and a surety is not otherwise provided, the mine will be ordered to cease all operations. If mining does not resume, DOGM will look to the bankruptcy estate and principally to you as surety to complete the reclamation or make payment of the full amount of the bond.

You are hereby advised that a full Cessation Order for all mining at the Bear Canyon Mine will be issued to Hiawatha on the morning of January 26, 2009 unless an adequate interim surety or a full replacement surety is in place and the transfer approved prior to that date.

Sincerely,



John R. Baza
Director

JRB/sqs

cc: Kenneth A. Rushton, Chapter 7 Trustee,
Michael N. Zundell, Attorney for Chapter 7 Trustee
Chris Jones, Attorney for Chapter 7 Trustee
Peter Guyon, Attorney for Hiawatha Mining/C. W. Mining
Russell S. Walker, Attorney for C.W. Mining
F. Mark Hansen, Attorney for Standard Industries

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From: Suzanne Steab
To: caj@princeyeates.com; lajenkins@joneswaldo.com; mnz@princeyeates.com; ...
CC: Dana Dean; Daron Haddock; John Baza; Steve Alder
Date: 1/8/2009 4:01 PM
Subject: Surety Bond
Attachments: 20090108155653.pdf

Letter Mailed 1/8/09. Surety Bond for C.W. Mining

From: Steve Alder
To: Suzanne Steab
CC: Dana Dean
Date: 1/8/2009 11:20 AM
Subject: letter

in the letter please add as addressee

Lon A. Jenkins,
Counsel for Cumberland
Jones Waldo, Holbrook & McDonough
170 South Main Street, #1500
Salt Lake City, Utah 84101

also email a copy to him at lajenkins@joneswaldo.com

other addresses are

Peter Guyon
✓ Attorney for Hiawatha
10 Exchange Place #614
Salt Lake City, UT 84111

Russel S. Walker
✓ Attorney for C. W. Mining
265 East 100 South #300
Salt Lake City, UT 84111

email to him at rwalker@wklawpc.com

✓ F. Mark Hansen
Attorney for Standard industries
431 North 1300 West
Salt Lake City, UT 84116

And for the trustee the addresses are

✓ Kenneth A. Rushton,
Chapter 7 trustee
99 West Main Street, #202
Lehi, UT 84043

✓ Michael N. Zundel
✓ Chris Jones
Prince, Yeates & Geldzahler
175 East 400 South #900
Salt Lake City, UT 84111

emails mnz@princeyeates.com
caj@princeyeates.com (<mailto:caj@princeyeates.com>)

The trustee is