



Public Service Commission

State of North Dakota

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June 9, 2008

Mr. Rodney P. Smith
Leonardite Products, LLC
1415 W Dakota Pkwy, Ste 3-B
P O Box 548
Williston, ND 58802-0548

Dear Mr. Smith:

The Reclamation Division has reviewed the additional materials that were received April 22, 2008, from Leonardite Products, LLC for the application to obtain Surface Mining Permit No. GRGR-0501 from GeoResources, Inc. Some of the information must be updated or corrected before we can recommend Commission approval of the transfer application. Please address the following:

1. In accordance with the requirements of NDAC 69-05.2-06-01-(1)(d)(2) and (d)(3), please supply the name of the resident agent for Leonardite Products, LLC. (SAS)
2. Please provide certified copies of the appropriate documents that demonstrate that Leonardite Products, LLC has both the right-of-entry and right to mine as required by NDCC 38-14.1-14(1)(k) and NDAC 69-05.2-06-03. The coal is owned by the Federal government and is currently leased by GeoResources. Please provide documents showing that the GeoResources lease with the BLM has been assigned or otherwise transferred to Leonardite Products, LLC. The terms of the BLM lease (dated December 1, 1964) currently in Permit GRGR-0501 state that application must be made to BLM within 90 days from the date of execution of any assignment or transfer of the lease [see Sec. 2(i) of the lease]. Please indicate if such an application has been submitted to BLM and provide documentation indicating Leonardite Products, LLC has the right to mine. (DKM)
3. Please provide a map showing the surface and subsurface owners of record for the permit area and areas within one-fourth mile of the permit area. A listing of names and addresses of all surface and subsurface owners was provided with your latest submittal; however, some of the names have changed from what is currently in the permit. Therefore, please provide an updated map depicting the surface and mineral ownership to accompany the listing of surface and mineral ownerships and addresses for each. (DKM)

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Technical Deficiency Letter sent to Leonardite Products

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4. The minimum performance bond amount is currently \$192,262 based on the worst-case reclamation costs estimate that was provided in the original permit. These costs have not been updated since permit approval. Following the recent midterm review of Permit GRGR-0501, GeoResources was instructed to update the reclamation cost estimate using the current variable costs that are listed in Policy Memo 16 to Mine Operators. A review of the existing worst-case reclamation cost estimate with the current variable costs indicates that the bond amount should be increased to approximately \$282,000 based on the current mining and reclamation plans in the permit. However, the current bond amount of \$200,000 appears sufficient to cover the disturbances that have occurred since the permit has been issued. If mine plans have changed (it appears that they have as mining has progressed at a significantly slower rate than was originally projected in the permit), then a revised worst-case reclamation cost estimate may be submitted as a revision to the permit (presumably with the midterm response to Permit GRGR-0501) along with the related changes to the mining and reclamation plans and schedules. Please indicate how Leonardite Products plans to address this matter. (SAS & DKM)

Also, fully executed bond documents, the letter of credit with the Bank's most recent balance sheet and collateral bond agreement for a letter of credit and attachments, will have to be provided before the Commission can approve the permit transfer.

If you have any questions, please contact our office.

Sincerely,



James R. Deutsch
Director
Reclamation Division

cc: Jeff Jennings, GeoResources, Inc.