

LEONARDITE PRODUCTS-LLC

RECEIVED

SEP 16 2008
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PUBLIC SERVICE COMMISSION

FROM DIRECTOR - RECLAMATION DIV.

Date: _____

Action: _____

Info. Only: _____

Info & File: _____

September 12, 2008

James Deutsch, Director
Reclamation Division
Public Service Commission
Dept 408, 600 East Boulevard Ave.
Bismarck, ND 58505-0480

Dear Director Deutsch,

This letter is in response to your letter dated June 9 regarding the transfer of the Surface mining permit form GeoResources to Leonardite Products.

We will update the information you requested below:

1. The resident agent for Leonardite Products, LLC is Mary Mahar.
2. Included in this mailing is a copy of a Quit Claim Deed signed by Cathy Kruse, Corporate Secretary of GeoResources, and Mary Mahar of Leonardite Products dated March 31, 2008.

Leonardite Products began the application process with BLM in January 2008. Attached is the most recent document from the BLM indicating our application is before the Department of Justice for approval. We believe the BLM will proceed with approval of the transfer in Mid-October. The bond from the BLM requested in that letter has been complete, signed and sent to them.

3. Enclosed in this mailing is an updated map listing the names of the surface owners within the areas they own? The sheet attached to that map lists the owners and their addresses. (This information is also included in the report Jeff Jennings submitted August 28, 2008 with the mid-term report.)
4. According to a letter dated, August 28, 2008 from the PSC addressed to Jeff Jennings of GeoResources, the reclamation bond for Permit GRGR-0501 has been reduced to \$170,015. First National Bank, The ND Development Fund and the Bank of North Dakota have agreed to fund a letter of credit to cover the required reclamation bond on behalf of Leonardite Products, LLC. First National Bank of Williston has been given the PSC requirements for that bond. We expect the documents will arrive in your office within the next two weeks.

Thank you for your assistance with the procedures for transferring this permit. Please let me know if you'd like further information.

Sincerely,



Cherie Harms
President

701-471-2704

cherie@leonarditeproducts.com

7 RC-08-41 Filed 09/16/2008 Pages: 6
Response to June 9 Deficiency Letter Filed
Leonardite Products LLC
Cherie Harms

QUIT CLAIM DEED

THIS INDENTURE is made this 31st day of March, 2008, between GeoResources, Inc, whose post office address is P.O. Box 1505, Williston, North Dakota, grantor, to Leonardite Products, LLC, whose address is P.O. Box 548 ✓ Williston North Dakota, grantee.

For and in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the grantor does hereby quit claim to the grantees all of his right, title and interest in the following real property in Williams County, North Dakota, and described as follows, to wit: Township 154 North, Range 100 West

Surface Use Agreement, effective date June 1, 2005 between grantor GeoResources, Inc. and Lance Olson and Jennifer Olson, relating to:

SE/4NW/4 Section 8,

and recorded as document **625903** in the office of the Williams County Recorder, and

Surface Use Agreement, effective date June 1, 2005 between grantor GeoResources, Inc. and Gordon Ellis Residuary Trust, relating to:

N/2SW/4 Section 8,

and recorded as document **625904** in the office of the Williams County Recorder, and

Surface Use Agreement effective date June 1, 2005 between grantor GeoResources, Inc and Lorin L. Olson and Luciele M. Olson relating to:

SW/4NW/4 Section 8,

and recorded as document **625905** in the office of the Williams County Recorder

Dated this 31st day of March, 2008



WILLIAMS COUNTY, ND

QCD 13.00

653760

Page: 1 of 2

04/09/2008 01:50P

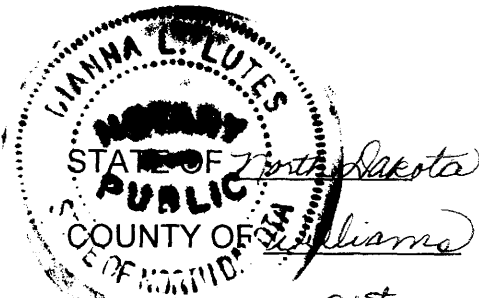
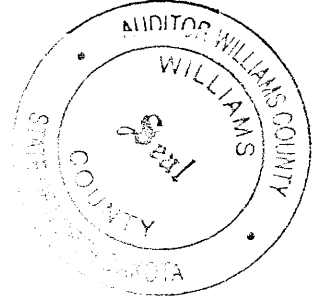
Taxes and Special Assessments paid and TRANSFER ACCEPTED
this 9th day of April, 2008.

[Signature] Williams County Auditor
By Janelle Johnson, Deputy

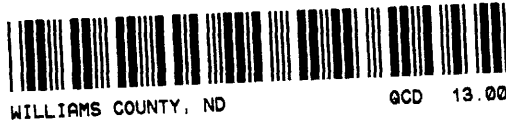
GeoResources, Inc.

By Cathy Kruse

Its Corporate Secretary

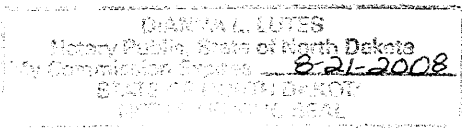


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) SS.
)



653760
Page: 2 of 2
04/09/2008 01:50P

On this 3rd day of March, 2008, before me, personally appeared Cathy Kruse, Corporate Secretary, known to me to be the person who is described in, and who executed the within and foregoing instrument, and severally acknowledged that they executed the same.



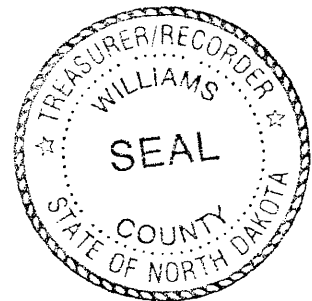
Lianna L. Lutes
Notary Public
My Commission Expires: 8-21-2008

Statement of consideration is not required pursuant to NDCC § 11-18-02.2(6) (select appropriate subpart)

I certify that the requirements for a report or statement of full consideration paid does not apply because this deed is for one of the transactions exempted by subdivision I NDCC 11-18-02.2-6.

Mary B. Mahan
Grantee's Agent

Signed: Mary B. Mahan Date: 4-9-08
Grantee or Agent



COUNTY RECORDER, WILLIAMS COUNTY, ND 04/09/2008 01:50PM
I certify that this instrument was filed and recorded
Kari Evenson, County Recorder
by Tracey Bernhardt Deputy 653760



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Montana State Office
5001 Southgate Drive
Billings, Montana 59101-4669
<http://www.mt.blm.gov/>

In Reply To:

NDM 065329
3453 (921.8)

September 2, 2008

Leonardite Products LLC
Attention: Cherie Harms
P. O. Box 548
Williston, North Dakota 58802-0548

Dear Cherie:


On August 26, 2008, you submitted the Quit Claim Deed whereby GeoResources, Inc. conveyed their interest in Federal Coal Lease NDM 065329 to Leonardite Products LLC together with all supporting documentation including the disclosure statement for the Department of Justice required under 43 CFR 3422.3-4.

We have forwarded the documents to the Department of Justice for their review. It will take approximately 30 days for their review. If we do not receive notification from the Department of Justice within 45 days, we will proceed with approval of the transfer.

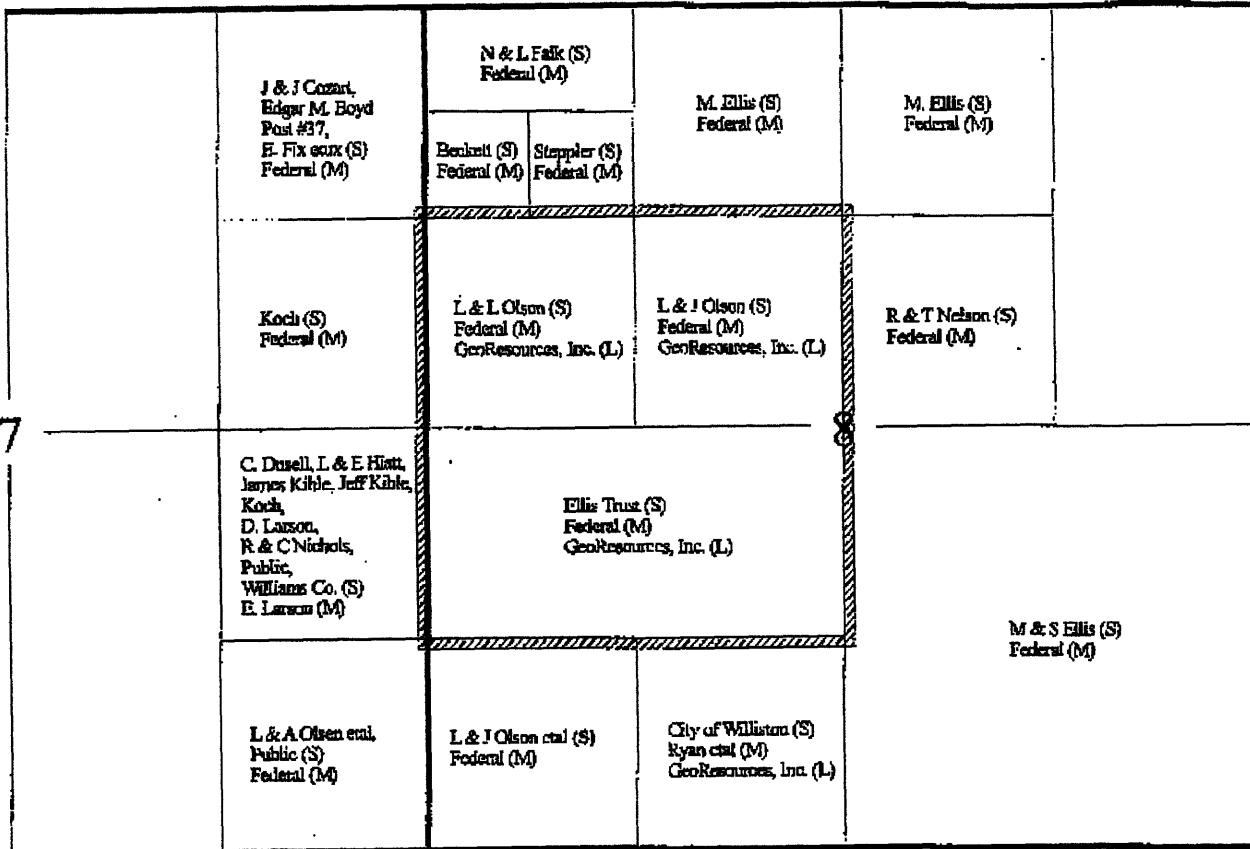
If additional information is required, the Department of Justice will notify you as well as this office. The 30-day period shall stop on the date of such notification and will resume when they receive the additional information.

I have reviewed the Letter of Credit that was submitted by the First National Bank & Trust Co. of Williston and this document is acceptable. Enclosed is a BLM bond form that must be completed and returned to this office before we can approve the transfer to Leonardite Products, LLC.


Should you have any questions, please feel free to contact me at (406) 896-5060.


Connie R. Schaff
Land Law Examiner

1 Enclosure
1-BLM Bond Form



Legend

-  Permit Boundary
- (S) Surface Owner
- (M) Mineral Owner
- (L) Lease



Scale In Feet
 2000' 1500' 1000' 500' 0' 500'

GeoResources, Inc.

GeoResources, Inc. Leonardite Mine
 Mine Permit Application GRGR-0501
 T 154 N, R 100 W
 Williams County, North Dakota

Property Map - Map C

Revised June 1, 2008

Date: 03-01-05

By: JBJ

Mine Permit GRGR-0501

Surface Owners

| | | | | | |
|---------------------------------|---------------------------------|-----------------------------|------------|----|------------|
| Roger Ryan | | 3865 43rd Ave NE | Seattle | WA | 98105 |
| Susan Ryan | | 4121 Cabrillo Way | Sacramento | CA | 95820-3227 |
| Constance Ryan | % Roger Ryan | 3865 43rd Ave NE | Seattle | WA | 98105 |
| Charotte Friis | | 1806 101st Place NE Unit H3 | Bellevue | WA | 98004 |
| Joseph Ryan | | 2451 Perkins Lane West | Seattle | WA | 98199 |
| BLM | | | Dickinson | ND | 58601 |
| City of Williston | | Box 1306 | Williston | ND | 58802 |
| Lorin L. and Luciele M. Olson | | 40 Golden Pan Lane | Billings | MT | 59105 |
| Lance and Jennifer Olson | | 5166 134th Ave. NW | Williston | ND | 58801 |
| Gordon Ellis Residuary Trust | % First National Bank and Trust | PO Box 1827 | Williston | ND | 58802 |
| Jean Ellis remaindermen, | | 1128 7th Ave East | Williston | ND | 58801 |
| James E and Joanne E. Cozart | | 13419 53rd St. NW | Williston | ND | 58801 |
| Edgar M. Boyd Post #37 | attn: Robert L. Evans | 425 7th Ave West | Williston | ND | 58801 |
| Ernest M. Fix, etux | | PO Box 765 | Underwood | ND | 58576 |
| Wilbert & Irene Koch | | 14060 West Front Street | Williston | ND | 58801 |
| Charles A. Dusell | | PO Box 877 | Williston | ND | 58802 |
| Lonny D. & Elaine J. Hiatt | | 5237D, 134th Ave. NW | Williston | ND | 58801 |
| James A and Teri L. Kihle | | 5225A 134th Ave NW | Williston | ND | 58801 |
| Jeff L. Kihle | | 5225A 124th Ave NW | Williston | ND | 58801 |
| Dennis N. Larson | | 807 W Broadway | Williston | ND | 58801 |
| Richard J. & Cynthia J. Nichols | | 5225C 134th Ave. NW | Williston | ND | 58801 |
| Williams County | | 5237 124th Ave NW | Williston | ND | 58801 |
| Leon B. & Audrey Olson etal, | % First National Bank & Trust | PO Box 1827 | Williston | ND | 58802 |
| Neal & Louise Falk | | PO Box 1527 | Williston | ND | 58802 |
| Ida Beckett | | 5284 134th Ave. NW | Williston | ND | 58801 |
| David and Kristal Stepler | | 13381 53rd Lane. NW | Williston | ND | 58801 |
| Rodney and Teri Nelson | | 4905 44th St. | Almont | ND | 58520 |
| Mark and Shelley A. Ellis | | 5658 133rd Ave. NW | Williston | ND | 58801 |