

OCT 28 2008

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PUBLIC SERVICE COMMISSION



COLLATERAL BOND AGREEMENT (LETTER OF CREDIT)
 PUBLIC SERVICE COMMISSION
 RECLAMATION DIVISION
 SFN 54012 (3-2004)

Permittee Leonardite Products, LLC	
Permit Number GRGR-0501	Collateral Bond Number LC-GRGR-0501-02

The above named Permittee is the holder of the Surface Coal Mining and Reclamation Operations Permit listed above and is duly authorized to do business in the State of North Dakota. Permittee, AS PRINCIPAL, is held firmly bound unto the State of North Dakota, in the sum of One hundred seventy thousand fifteen Dollars (\$ 170,015.00), lawful money of the United States of America to be paid to the State of North Dakota upon order of forfeiture by the North Dakota Public Service Commission (NDPSC), for the payment of which we hereby jointly and severally bind ourselves, our heirs, executors, administrators, successors, and assigns.

Contemporaneously with execution and delivery of this Collateral Bond, the Permittee gives the NDPSC Irrevocable Standby Letter of Credit Number 269 issued by First National Bank & Trust Co. of Williston in the amount of \$ 170,015.00, (collateral) attached as Exhibit 1.

This agreement covers any and all land affected or to be affected by surface coal mining and reclamation operations within the bond area containing 160.00 acres and as described in attached Exhibit 2 (legal description) and Exhibit 3 (map). This agreement covers all mining related disturbances since the issue date of the Permit.

To the extent that there are any Federal lands containing leased Federal coal or Federal lands that were leased and mined within the bond area, this Collateral Bond is also payable to the United States/Office of Surface Mining Reclamation and Enforcement (OSMRE). As required by the Cooperative Agreement between the State of North Dakota and the United States Department of the Interior, both NDPSC and OSMRE are co-obligees under this Collateral Bond and the NDPSC must obtain OSMRE concurrence prior to releasing any obligation under this Collateral Bond for Federal lands containing Federal coal that will be or was mined. The bond area described in Exhibits 2 and 3 contains 160.00 acres of Federal lands containing leased Federal coal that is or was leased. These Federal lands are described in attached Exhibit 4 (legal description) and Exhibit 5 (map). To the extent these Federal lands are involved, release of this Collateral Bond also is conditioned upon compliance with applicable Federal laws and regulations and the provisions of the Cooperative Agreement between the State of North Dakota and the United States Department of the Interior at 30 C.F.R. 934.30. If the Cooperative Agreement at 30 C.F.R. 934.30 is terminated, this Collateral Bond shall continue in effect and, to the extent these Federal lands are involved, the bond shall be payable to the United States.

This agreement shall remain in full force and effect until either released or forfeited under North Dakota Century Code Chapter 38-14.1 and North Dakota Administrative Code Article 69-05.2.

Permittee agrees that this obligation is non-cancellable and that the liability hereunder is for the duration of the surface coal mining and reclamation operations, and continues thereafter for a period coincident with the Permittee's responsibility for the establishment of vegetation on the affected areas pursuant to the requirements of North Dakota Century Code Chapter 38-14.1 and North Dakota Administrative Code Article 69-05.2, EXCEPT THAT the obligation may be reduced if approved by NDPSC or replaced if a substitute bond acceptable to the NDPSC has been submitted.

If Permittee complies with the terms and conditions of the permit and the provisions of North Dakota Century Code Chapter 38-14.1 and North Dakota Administrative Code Article 69-05.2, then the release of this obligation shall proceed as specified in the law and rules.

Permittee further agrees that this Collateral Bond is posted to insure the Permittee's performance upon all acres contained in the permit. Upon bond forfeiture, any bond which continues to be held by the NDPSC for the Permit may be forfeited for use by the NDPSC to complete the reclamation plan for the acres in the Permit and to cover associated administrative expenses.

Collateral Bond Number
LC-GRGR-0501-02

Permittee further agrees and understands that this Collateral Bond remains in force and effect unless reduced or replaced in accordance with North Dakota Century Code Chapter 38-14.1 and North Dakota Administrative Code Article 69-05.2.

This Collateral Bond may be executed in any number of identical counterparts, each of which, when executed and delivered by the parties hereto, shall be considered to be an original, but all of which shall collectively constitute one and the same instrument.

In witness whereof, we, the said parties, have set our hands and seals.

Effective 10/24/2008 . (Date)

PERMITTEE

Signature of President or Authorized Officer <i>Cherie Harms</i>	
Name Cherie Harms	Title President

Signature of President or Authorized Officer <i>Mary Mahar</i>	
Name Mary Mahar	Title Corporate Secretary

ACKNOWLEDGMENT OF PERMITTEE

State of North Dakota)
)SS.
County of Williams)

The foregoing instrument was acknowledged before me on this date October 24, 2008 by
Cherie Harms and Mary Mahar
of Leonardite Products, LLC, a North Dakota company
corporation, on behalf of the corporation.

BY: *Yvonne Gibbins*
NOTARY PUBLIC
MY COMMISSION EXPIRES: 8-21-09

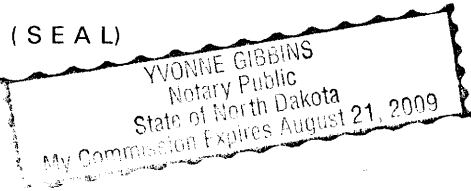


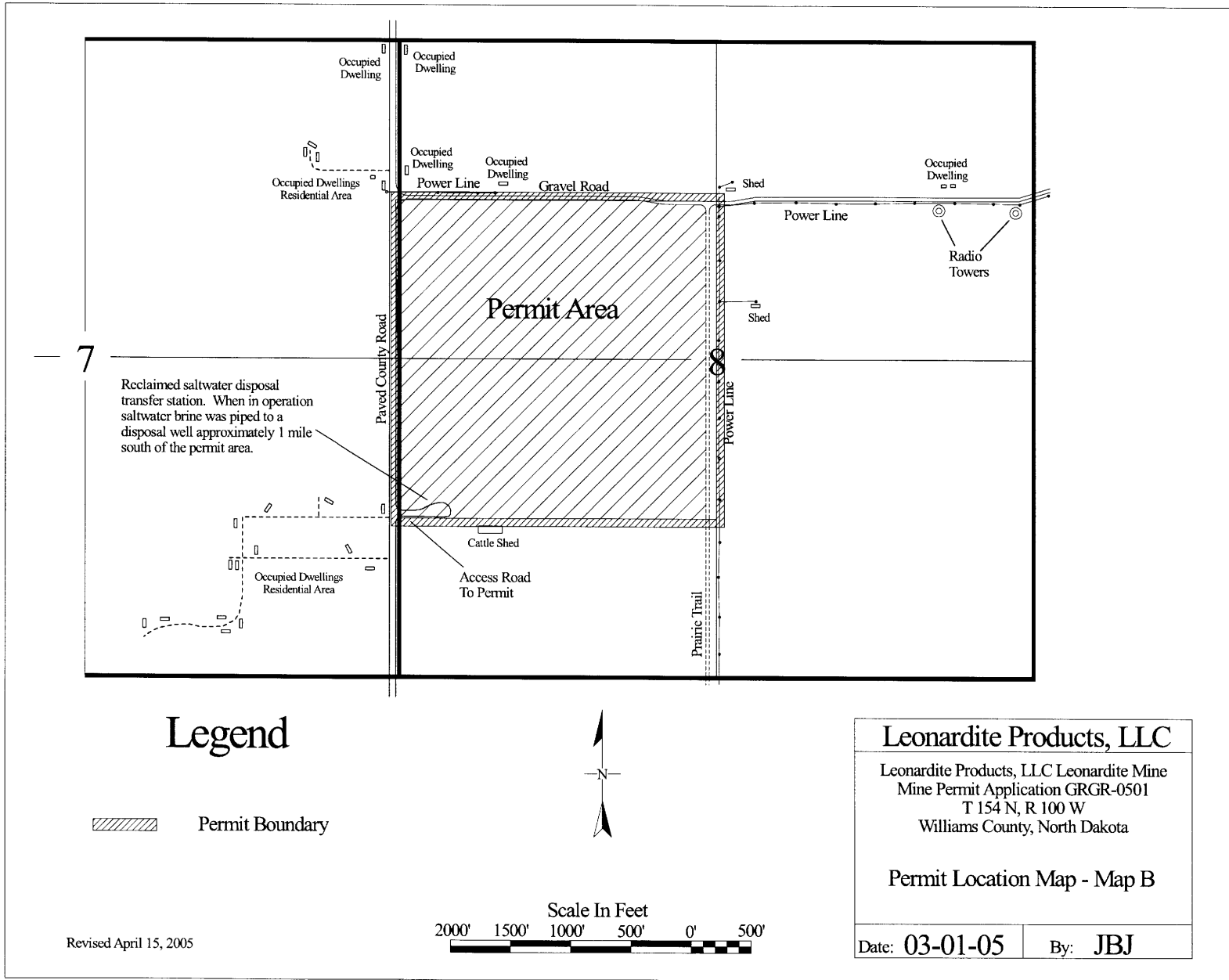
Exhibit 2 and Exhibit 4 to Collateral Bond Agreement (Letter of Credit)

Legal Description of Permit Area

Leonardite Products, LLC Leonardite Mine

Permit Number: GRGR-0401

Permit Area: S/2NW/4, N/2SW/4, Section 8, Township 154 North, Range 100 West
Williams County, North Dakota, containing 160 acres.



Legend

 Permit Boundary

Revised April 15, 2005



Leonardite Products, LLC

Leonardite Products, LLC Leonardite Mine
 Mine Permit Application GRGR-0501
 T 154 N, R 100 W
 Williams County, North Dakota

Permit Location Map - Map B

Date: 03-01-05

By: JBJ