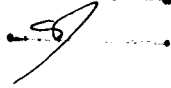


APPROVED

DATE: 10-31-08



MOTION

October 30, 2008

**Leonardite Products, LLC
Permit Transfer, Permit GRGR-0501
Approval**

Case No. RC-08-41


I move the Commission conditionally approve the transfer of Surface Coal Mining Permit No. GRGR-0501 from GeoResources, Inc. to Leonardite Products, LLC. I also move approval of the collateral bond provided by Leonardite Products, LLC that is in the form of an irrevocable letter of credit issued by the First National Bank and Trust Company of Williston and to authorize cancellation of the collateral bond previously submitted by GeoResources, Inc.

SAS & JRD

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PUBLIC SERVICE COMMISSION
Reclamation Division

Memorandum

TO: Commissioners Wefald, Cramer and Clark
Darrell Nitschke
Illona Jeffcoat-Sacco 

FROM: Stephan A. Schroeder and Jim Deutsch

DATE: October 28, 2008

SUBJECT: Transfer of Permit GRGR-0501 for the GeoResources Mine from GeoResources, Inc. to Leonardite Products, LLC, Case No. RC-08-41

On January 25, 2008, Leonardite Products, LLC submitted an application for the transfer, sale, and assignment of rights under Permit GRGR-0501 for the GeoResources Mine. The application proposes to transfer the existing permit from the current permittee, GeoResources, Inc., to Leonardite Products, LLC. Leonardite Products, LLC will be both the permittee and operator for the GeoResources Mine and will assume all the regulatory obligations previously held by GeoResources, Inc. Leonardite Products, LLC has now filed all of the required documents for the permit transfer and we respectfully recommend that it be conditionally approved.

Permit GRGR-0501 contains 160.0 acres located in Section 8, T154N, R100W, Williams County. The current permit term expires November 2, 2010. The GeoResources Mine produces approximately 10,000 tons of leonardite per year primarily for the use in oil well drilling operations. The permit area contains no facilities for the GeoResources Mine. GeoResources, Inc. owned and operated this mine east of Williston since it was initially permitted in 2005. The agreement to sell the GeoResources Mine to Leonardite Products, LLC was completed in March, 2008 by a Quit Claim Deed.

Leonardite Products, LLC is a new company that was formed to own and operate the GeoResources Mine. Leonardite Products, LLC has not previously operated a coal mine in North Dakota or in any other states.

As part of the permit transfer application, Leonardite Products, LLC was required to submit business entity and right to mine information, a certificate of liability insurance, and a replacement performance bond. A copy of Bureau of Land Management's assignment of the coal lease, Federal Coal Lease NDM 065329, from GeoResources, Inc to Leonardite Products, LLC was received on October 28th. All of this information has been received and is now in the proper format.

On October 15th, 2008 Leonardite Products, LLC submitted a collateral bond (LC-GRGR-0501-02) backed by an irrevocable letter of credit in the amount of \$170,015.00 for this permit area. The letter of credit was issued by the First National Bank and Trust Company of Williston and

we also have a letter of confirmation from the Bank of North Dakota for this letter of credit. The amount of the bond is sufficient to cover the worst-case reclamation condition in this permit area. Leonardite Products, LLC also provided evidence of adequate liability insurance. Once the permit transfer is approved and becomes effective, the collateral bond provided by GeoResources for this permit will be reduced to zero, effectively cancelling it.

Leonardite Products, LLC published notices of the transfer application in the Williston Herald for four consecutive weeks beginning May 9, 2008. We also sent notices to the appropriate agencies and landowners. No objections or requests for an informal conference were received on this application.

We recommend that a condition be attached to the permit transfer approval to require Leonardite Products, LLC to incorporate the business entity, lease document and related information into the existing permit by filing a permit revision no later than March 1, 2009.

Attached are the motion, award form, and condition for your consideration at the October 30, 2008 Commission meeting.

Attachments

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