



Public Service Commission

State of North Dakota

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September 1, 2010

Mr. Jeff Frohlich
Manager, Engineering & Environment
Dakota Westmoreland Corporation
Beulah Mine
P.O. Box 39
Beulah, ND 58523-0039

Dear Mr. Frohlich:

The Reclamation Division is currently conducting a technical review of the applications for Revision 26 and Renewal 4 for Surface Coal Mining Permit KRSB-8802. At the time of permit renewal, the Commission must ensure the amount of the performance bond is adequate. The minimum bond amount for Permit KRSB-8802 was recalculated as part of Revision 25; however, it appears the renewal of the permit will occur prior to the approval of Revision 25. Therefore, before Revision 26 and Renewal 4 can be approved, the bond amount for Permit KRSB-8802 must be increased from \$9,028,304.67 to at least **\$10,382,986**.

When the minimum bond amount was determined as part of our July 6, 2010, technical deficiency letter on Revision 25, the 2010 variable costs were not available. However, the 2010 variable costs have increased hourly equipment rates that average more than 5% and this triggers the recalculation of minimum bond amounts for all large mines. If you choose, the worst-case reclamation cost estimate can be updated with the 2010 variable costs and added to the application for Revision 26. Our calculations show that the bond amount will have to be increased to at least **\$11,169,440**. If you choose not to update the cost estimate with Revision 26, a separate revision will need to be submitted by December 1, 2010, to update the worst-case reclamation cost estimate using the 2010 variable costs.

If you have any questions, please contact this office.

Sincerely,

James R. Deutsch
Director
Reclamation Division