

DKM



Public Service Commission

State of North Dakota

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INSPECTION REPORT

DATE OF INSPECTION: September 2, 2010

TYPE OF INSPECTION: Complete

PERMITTEE - MINE: Coteau Properties Company - Freedom Mine

PERMITS INSPECTED: NACT-8102, NACT-8203, NACT-8401, NACT-8503, NACT-8601, NACT-9001, NACT-9101, NACT-9501, NACT-0201, NACT-0401

PERSONS ACCOMPANYING INSPECTORS: Terence Schmidt and Jessica Unruh

INSPECTION CONDITIONS: The inspection was conducted between 9:30 a.m. and 4:30 p.m., CDT. Skies were cloudy but cleared quickly. The temperature reached the high 60's° F. Access was somewhat restricted due to 0.19 inches of rain in the morning.

OFFICE RECORDS

Mining permits, permit revisions and other relevant mining permit records were on file and available for review. The following records were briefly reviewed:

Records/Reports/Licenses	Comment(s)
Certificate of Liability Insurance	On file, expires February 1, 2011
Surface Water Monitoring Report	2 nd Quarter 2010 report on file
Ground Water Monitoring Report	2 nd Quarter 2010 report on file
Annual Ground Water Quality Report	2009 report on file
NDPDES Permit No. ND-0025038	Expires December 31, 2011
NDPDES Discharge Monitoring Report	1 st Half 2010 report on file
Storm Water Discharge Permit	NDR32-0000 expires June 30, 2014
Annual NDPDES Storm Water Discharge Rpt.	2009 report on file
Quarterly Pond Inspection Reports	2 nd Quarter 2010 reports on file; only routine maintenance items noted such as Ponds P-H23-01 and P-H34-05 may require clean out prior to spring runoff.

Records/Reports/Licenses	Comment(s)
Monthly MSHA Pond Inspections	August 2010 reports on file
Pond Certifications	Pond P-W02-02 was certified on July 14, 2010.
Haul Road Certifications	2009 Annual Certification Map on file; last haul road certified was on September 16, 2009, in Sections 8, 17, 18, 19, and 24, Permits NACT-8102, NACT-8203, and NACT-8401, also known as the Conveyor Haul Road.
County Conditional Use Permits	On file - most recent issued May 7, 2008
Solid Waste Disposal Permit	Permit #0343, expires June 16, 2019
Air Pollution Control Permit	Expires November 15, 2011
Blasting Notice Affidavit of Publication	Published July 20, 2010, expires July 20, 2011
Blasting Records	On file and briefly reviewed. The last monitored blast was on August 10, 2010, at the Hilmer Hafner residence. The blast was located approximately 2,025 feet from the residence in Section 20, T146N, R87W. Seismograph records indicated a peak sound of 122.6 db and PPV of 0.07in/sec, both of which are below regulatory limits.
Blasting Certifications	Certificates were on file
Federal Coal Exploration License	Expired October 16, 2002
State Coal Exploration Permit	Expires August 6, 2011
Biennial Wildlife Report	2008/2009 report is on file, the 2008/2009 report was incorporated into Revision 15 to Permit NACT-0401 currently under review.
Road Closures and Setbacks	On file; most recent closure May 7, 2008
BATF Manufacturer of High Explosives	Expires July 1, 2012
Water Use Permits	Temporary (expires September 30, 2010) conditional and perfected SWC Water Use Permits are on file.
State Wetland Drainage and Army Corps of Engineers 404 Permits	Correspondence and permits are on file. Nationwide permits expire March 18, 2012, and March 13, 2010. A letter of authorization is on file at the mine stating the Section 404 permit for the 360-acre addition to Permit NACT-0401 is valid until reclamation is complete. Coteau was required to have construction activities completed by March 13, 2010.

SIGNS & MARKERS

Permit boundary signs and markers were noted at various locations during the inspection. The permit boundary signs contained the information required by NDAC 69-05.2-13-04. All observed SPGM stockpiles were identified with markers.

OVERBURDEN/COAL REMOVAL

The 214 loader and 936 truck/shovel fleets were removing overburden in the SE¼ of Section 34, Permit NACT-9501, and backfilling the sump reclamation area in the S½ of Section 2, Permit NACT-9001.

The 931 truck/shovel fleet was removing overburden in the SE¼ of Section 36 and backfilling the pit in the SW¼ of Section 31. The 902 dragline was removing overburden in the NE¼ of Section 36. Both operations were occurring in Permit NACT-0201. The 901 dragline was operating in the W½ of Section 34, Permit NACT-0401. The 935 truck/shovel fleet was uncovering coal near the section line common to Sections 3 and 34, Permits NACT-9101 and NACT-0401, respectively. This material was being hauled to the NE¼ of Section 3.

Coal was being loaded in the SW¼ of Section 31, Permit NACT-0201, and in the NE¼ of Section 28, Permit NACT-0401.

SURFACE WATER MANAGEMENT

Several ponds were viewed during the inspection for water elevations. The following are a list of those ponds and their elevations relative to the permanent pool elevation (PPE).

Pond	Water Level	Comments
P-I02-02	Nearly dry	Scheduled for removal fall of 2010
P-I03-01	Nearly dry	Scheduled for removal fall of 2010
P-H34-01	6 feet below PPE	
P-H34-04	6 inches below PPE	
P-H22-01	At PPE	
P-W25-02	3 feet below PPE	
P-J30-02R	6 inches below PPE	
P-D17-02	Below PPE	3-4 feet of water recently discharged from pond
P-D12-01	A few inches above PPE	

BLASTING

A coal blast was being loaded in the SW¼ of Section 25 in Permit NACT-0201.

SUITABLE PLANT GROWTH MATERIAL REMOVAL/RESPREAD

The 933 truck/shovel fleet was removing subsoil from Stockpile SS-56 and respreading the material in the SE¼ of Section 2, Sump S-I02-01 area, Permit NACT-9001. The 937 truck/shovel fleet was removing subsoil from Stockpile SS-72 in Permit NACT-8601 and respreading the material in the same area.

The 934 truck/shovel fleet was respreading subsoil from Stockpile SS-302 in the E½ of Section 22 in Permit NACT-9501.

Scrapers were removing topsoil from the Section 34 haul road corridor in the SE¼ of Section 26, Permit NACT-0201. The topsoil was being placed on Stockpile TS-631, a water management berm surrounding the recently approved SPGM stockpile area in Section 34. BMP's were being placed as needed along the corridor.

A subsoil removal area in the N½ of Section 3 and the SW¼SW¼ of Section 31, Permit NACT-0201, was reviewed. It appeared all available SPGM had been removed from this area. Mr. Schmidt stated he would email the required information for approval.

BACKFILLING AND GRADING

Proposed grade approval package 30-606-00239 located in Sections 3 and 34, Permits NACT-9001 and NACT-9501 respectively, was viewed during the inspection. The contours appeared to match the submitted materials. Written approval of the area will follow shortly.

Grade approval request package 30-627-00073 located in the W½ of Section 3, Permit NACT-9101 was inspected. The area has been shaped as shown on the topography map submitted with the request. Additional soil may be needed on the east side near topsoil Stockpile TS-671 to appropriately blend the area with the adjacent land. Poly pipe is currently being stored on the south end of this grade approval package.

A future grade approval package located in the S½ of Section 22, Permit NACT-9501, was also preliminarily reviewed. The topographical map of the area was not available so the area will have to be inspected again prior to approval. Several rutted areas, a rock pile and scoria stockpile need to be addressed prior to final inspection of the area.

ROADS

An area of concern was noted along the conveyor haul road in the SE¼ of Section 18, Permits NACT-8102 and NACT-8201. It appears additional BMP's are needed in or along the drainageway which flows under the road. Vegetated overburden as well as the subsoil respread edge, acting as a sump, was collecting sediment prior to the water flowing down a reclaimed drainageway. However, with sediment build-up, the vegetation no longer effectively filters the sediment in the runoff. It was suggested that silt fences and/or an excavated sump be installed.

REVEGETATION

Reclaimed native grasslands located in Sections 3, 12 and 21, Permit NACT-9101, and the N½ of Section 6, Permit NACT-9001, were inspected. The tract in Section 3 was seeded in 2008 and it is very well established with the seeded species. Very few weeds are present in this seeding and it was hayed this year. An area located north of this seeding was planted this summer and seedlings are establishing in this planting. A thin stand of oats is serving as a nurse crop and helping protect the site from erosion.

Two older seedings were inspected in Section 12 of Permit NACT-9101. The area seeded in 2000 was hayed this year. All of the seeded species are present on this seeding, including little bluestem, but the grass stand is very thin and there is an abundance of annual weeds on this tract which is very

unusual for a stand that is 10-years old. Also, it is unusual that invasive species, such as smooth brome grass and Kentucky bluegrass, are not prevalent on this tract. This area has been reportedly periodically hayed in the past. The cropland that was planted with native warm season grasses adjacent this seeding is well established with sideoats grama. Native perennial species ground cover is certainly higher on this cropland seeded with a few native warm season species than the adjacent 2000 native grass seeding. The 2000 native grass seeding will need to be monitored to ensure successful establishment.

Smooth brome grass and Kentucky bluegrass are abundant on the area seeded in 1999 in Section 12, but native species particularly western wheatgrass and sideoats grama, are the dominant species present in some portions of the seeding. This seeding was not hayed or grazed this year. Other species, such as sweet clover, wormwood and Canada thistle are also present in this seeding. Portions of Section 12 are still being used to support an active mining operation which obviously is limiting management alternatives on the seeded native grassland in this section.

The reclaimed native grassland in Section 21, Permit NACT-9101, was idle this year. The seeded native species are generally well established throughout, plant vigor is high and the established vegetation is providing excellent ground cover. The species composition of the portion of this tract located in the SE $\frac{1}{4}$ is very good while smooth brome grass appears to be especially abundant on portions of the tract located in the N $\frac{1}{2}$ of this section. This tract of reclaimed native grassland is adjacent to orphan spoil, some of which has been re-affected and reclaimed. The reclaimed orphan spoil is generally well established with perennial vegetation, principally, intermediate and western wheatgrass, fescue, sideoats grama, switchgrass and alfalfa. Cottonwood trees have established on low areas where water has periodically ponded within the reclaimed orphan spoil. The reclaimed native grassland and orphan spoil is reportedly going to be managed with grazing yet this year.

The reclaimed native grassland located in the NE $\frac{1}{4}$ of Section 6, Permit NACT-9001, that was seeded in 2002 and 1998 was inspected. This reclaimed tract is about 6 acres in size and is located in a corner of a tract of undisturbed native grassland that does not have a permanent source of water for livestock. This tract was left idle this year, but reportedly is leased for haying. Smooth brome grass, Kentucky bluegrass and alfalfa appear to be the principal species established on this tract and only traces of native species, primarily sideoats grama and little bluestem, were identified on this tract. This tract needs management to benefit the seeded species.

The reclaimed tree planting located in the southwest corner of the SE $\frac{1}{4}$ of Section 8 in Permit NACT-9101 was briefly inspected. The herbicide application to control weed competition has been very effective. The trees and shrubs appear healthy and are establishing very well in this planting. A few inches of wood chips have been spread on a portion of the planting.

A livestock tank has been installed in the native grassland east of the above mentioned tree planting. The source of water for the tank is the spring that has been developed to the north.

The reclaimed cropland located along the north end of the NE $\frac{1}{4}$ of Section 6, Permit NACT-9001, was planted to wheat this year but it is very weedy. Apparently the weed control herbicide application was not effective. All of the rest of the reclaimed cropland that was observed growing crops during the inspection looked as if they will yield very well this year. A couple of very small areas in the NW $\frac{1}{4}$ of Section 9 and NE $\frac{1}{4}$ of Section 8, Permit NACT-9101, where water had ponded

on the reclaimed cropland were noted. These areas were reclaimed in 2006 and 2007. The reclaimed wetland located in the NW¼ of Section 6 is holding water and is supporting cattails, bulrush, smartweed, reed canarygrass and other hydrophytic vegetation. The reclaimed cropland in the S½ of the SE¼ of Section 21 is being managed as hayland. This area is supporting a very nice stand of alfalfa, some of which has been harvested for a second cutting. The reclaimed hayland located near the center of Section 21 was also viewed from a distance. This area was hayed this year. It appeared there may be a low area on this tract where water might pond.

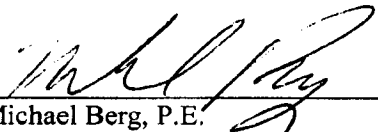
The native grassland overflow range site was briefly inspected. This site is located in the SE¼ of Section 4, Permit NACT-0401. The CVSS incorrectly identifies the whole Belfield soil mapping unit as the reference area but the overflow site is actually restricted to the surface water run-on areas located in and adjacent the drainageways. Kentucky bluegrass is prevalent on this site and there is some smooth brome grass present. Western wheatgrass, green needlegrass and big bluestem are the principal native grass species present. Forbs are abundant on the site. Plant vigor is high and the site appears to have yielded well this year. There are enclosures on this site for vegetation sampling but the site has not been grazed for a few years. Production samples were noted as having been taken from areas outside of the enclosures. A haul road was constructed through this tract of native grassland a few years ago and a fence has not yet been built to facilitate grazing management.

WILDLIFE

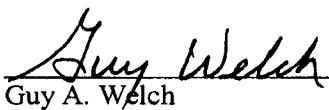
Four antelope were observed in the SW¼ of Section 6, Permit NACT-9001, and a coyote was seen in Section 1 of Permit NACT-9001. A bull moose has reportedly been observed near the reclaimed wetland in the S½ of above mentioned Section 6.

MISCELLANEOUS

A track log of the inspection is attached. Photographs taken are on file with the Reclamation Division.



Michael Berg, P.E.
Environmental Engineer



Guy A. Welch
Environmental Scientist

cc: Joe Friedlander
OSM Casper Field Office
Mercer County Auditor

6	5	4	3	2	1	6	5	4	3	2	1	6	5	4	3	2
7	8	9	10	11	12	7	8	9	10	11	12	7	8	9	10	11
18	17	16	15	14	13	Coteau Properties Company September 2, 2010					13	18	17	16	15	14
19	20	21	22	23	24	18	17	16	15	14	19	20	21	22	23	
30	29	28	27	26	25	30	29	28	27	26	25	30	29	28	27	26
31	32	33	34	35	36	31	32	33	34	35	36	31	32	33	34	35
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3	2	1	6	5	4	3	2	1	6	5	4	3	2	1	6	5
11	12	7	8	9	10	11	12	7	8	9	10	11	12	7	8	9