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RECEIVED

DEC 16 2010

PUBLIC SERVICE COMMISSION

December 13, 2010

Mr. Darrell Nitschke
Executive Secretary
North Dakota Public Service Commission
600 East Boulevard, 12th Floor
Bismarck, ND 58505-0480

Re: Letter of Intent – South Heart Hydrogen Energy Project

Dear Mr. Nitschke:

South Heart Energy Development, LLC (SHED) is pleased to notify the North Dakota Public Service Commission (PSC) of its intent to construct and operate a 175 MW-net integrated gasification combined cycle (IGCC) electric power generating facility (facility) in southwest North Dakota near the community of South Heart in Stark County. The facility will, via gasification, convert lignite from an adjacent mine into hydrogen, which will fuel a combustion turbine in facility's power block to generate electric power.

That planned facility is a component of the South Heart Project (SHP), which will also include an adjacent surface lignite mine and related linear facilities. A permit application for the adjacent mine was filed with the PSC on March 29, 2010 and is currently undergoing review by PSC staff.

SHED is a subsidiary of Great Northern Project Development L.P. (GNPD) and Allied Syngas Corporation (ASC). GNPD is a privately held natural resource development company affiliated with Great Northern Properties – the nation's largest private coal reserve holder. GNPD, headquartered in Houston, TX, maintains offices in Bismarck, ND, in Townsend, MT and in Miles City, MT. ASC is a privately held company that owns and operates discrete projects utilizing the British Gas Lurgi (BGL) gasification technology, a technology owned by an ASC subsidiary.

In a previous letter to you dated January 23, 2008, GNPD on behalf of South Heart Coal LLC (SHC) notified the PSC that it intended to construct and operate a coal-to-synthetic natural gas production facility on the same site. This letter updates and revises that January 23, 2008 notification to reflect changes to the facility design and its products.

This letter and its attachments are intended to fulfill SHED's obligations under Chapter 69-06-03 of Title 69 of the North Dakota Administrative Code to file a Letter of Intent at least one year prior to filing an application for a certificate of site compatibility.

Size and Type of Facility

The planned facility would be a nominal 175 MW-net IGCC facility. The facility will use three BGL gasifiers and associated downstream process units to convert lignite from the adjacent mine into hydrogen. That hydrogen will be used to fuel a combustion turbine (CT) that will drive a generator to produce electricity. The heat energy contained in the turbine exhaust will be recovered in a heat recovery

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steam generator (HRSG) that will produce steam used to drive a steam turbine. That steam turbine will drive a second generator. This configuration is commonly referred to as IGCC.

As currently designed, the process will capture just over 90% of the carbon originally contained in the coal. That carbon, in the form of CO₂, will be transported via pipeline to oil fields in the Williston Basin for use for enhanced oil recovery (EOR).

The facility is intended to serve the electric power needs of North Dakota, North Dakota industries, and the people and industries of the Upper Midwest.

Map of Project Area

The enclosed Figure 1 is a map showing the planned SHP location in North Dakota (inset), the planned site for the SHED production facility and the location of the adjacent SHC lignite mine.

Anticipated Construction and Operation Schedule

SHED does not have a definitive project development schedule at this writing. However, SHED does not anticipate commencement of construction before July 2013. Were construction to begin in July 2013, SHED projects operation to begin approximately 4 years later in July 2017.

Estimated Cost of Construction

The current estimated cost for the construction of the facility is \$2.2 billion.

SHED looks forward to working with the PSC and its staff to obtain all required approvals for the SHP production facility, its linear facilities and those for the associated lignite mine. Please do not hesitate to contact Rich Voss, V.P. Project Development at 701-223-8783 (rvoss@gnplp.com) or me at 406-266-4360 (rsouthwick@gnplp.com) with any questions.

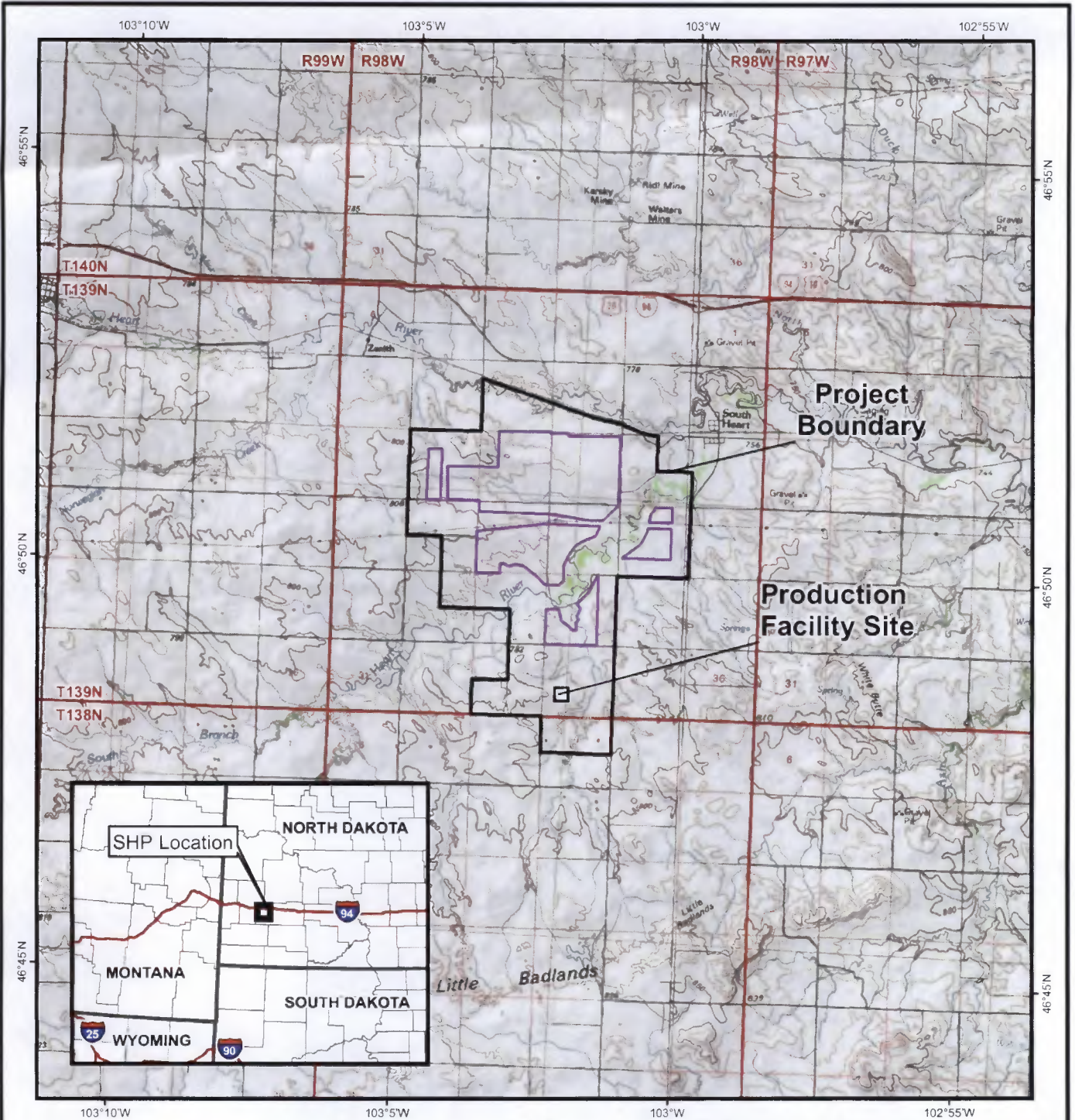
Sincerely,



Richard A. Southwick
V.P. - Environmental

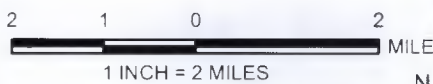
Enclosure

cc: Chuck Kerr, GNPD
Todd Joyner, SHED
Rich Voss, SHED



LEGEND

- Production Facility Site
- Project Boundary
- Mine Pit



REFERENCE

PLSS: ND HUB
 USGS Topo Quad: 2009 National Geographic Society, i-cubed.
 Coordinate System: NAD 1927 StatePlane North Dakota South FIPS 3302.

PROJECT SOUTH HEART ENERGY DEVELOPMENT SOUTH HEART PROJECT SOUTH HEART, ND																					
TITLE SOUTH HEART PROJECT LOCATION MAP																					
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>PROJECT No.</td> <td>063-2174E</td> <td>FILE No.</td> <td>SH_Facility_Public.mxd</td> </tr> <tr> <td>DESIGN</td> <td>AJR 12/10/2010</td> <td>SCALE</td> <td>AS SHOWN</td> </tr> <tr> <td>G/S</td> <td>AJR 12/10/2010</td> <td>REV</td> <td>0</td> </tr> <tr> <td>CHECK</td> <td>AM 12/10/2010</td> <td colspan="2" rowspan="2" style="text-align: center; vertical-align: middle;"> FIGURE 1 </td> </tr> <tr> <td>REVIEW</td> <td>RLK 12/10/2010</td> </tr> </table>		PROJECT No.	063-2174E	FILE No.	SH_Facility_Public.mxd	DESIGN	AJR 12/10/2010	SCALE	AS SHOWN	G/S	AJR 12/10/2010	REV	0	CHECK	AM 12/10/2010	FIGURE 1		REVIEW	RLK 12/10/2010
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