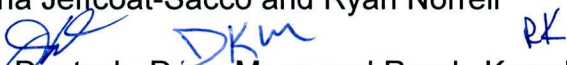


PUBLIC SERVICE COMMISSION
Reclamation Division

Memorandum

TO: Commissioners Kalk, Christmann and Fedorchak
Darrell Nitschke, Executive Secretary
Illona Jeffcoat-Sacco and Ryan Norrell

FROM:  Jim Deutsch, Dean Moos and Randy Kowalski

DATE: March 6, 2014

SUBJECT: Application for Permit No. NACC-1301, Coyote Creek Mining Company,
Case No. RC-13-268

On May 31, 2013, Coyote Creek Mining Company, L.L.C. filed the application for Surface Coal Mining Permit NACC-1301 to permit 84.24 acres for the proposed Coyote Creek Mine. The permit area is approximately 10 miles southwest of Beulah, North Dakota (or about 8 miles south and 2 miles east of Zap) as shown on the attached map. The permit is for the mine shop/office, dragline erection site and related support activities for the new coal mine that is scheduled to begin delivering coal to the Coyote Station in May 2016. A separate permit application for the actual mining areas has been filed and is currently under review by the Reclamation Division. The Reclamation Division has completed its review of Permit Application NACC-1301 and respectfully recommends that it be conditionally approved.

The permit area is located in the E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 30, T143N, R88W and a portion of the NE $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 31, T143N, R88W. No coal removal will occur within this permit area. Actual mining activity will occur on lands west of this permit area on much of the 8,091 acres included in Permit Application NACC-1302. Eventually the 84-acre permit will be incorporated into the larger permit that will contain the actual coal mining areas. The mine support facilities constructed in Permit NACC-1301 are planned to be used for the life of the coal mining operation. The extended mine plan shows that mining is expected to continue until 2040.

Construction of the mine facilities are expected to start early this spring when weather and field conditions allow work to begin. The initial work will be to prepare the site and build a construction pad for erecting a dragline. Initial work will include soil removal from the dragline erection site, the shop/office site, and water management areas. A sedimentation pond will be constructed to control runoff from the mine facilities. The building and dragline erection sites will then be leveled for the construction activities.

The premining land uses of the land to be disturbed are primarily native grassland (62.4%) and cropland (35%), mostly prime farmland. No change in land uses are

proposed in the reclamation plan and the pre-mine prime farmland must be returned to cropland after mining as required by NDAC 69-05.2-26-05 and 69-05.5-10-03(6)(c)(1).

Coyote Creek Mining Company will be seeking approval from Mercer County to close the section line right-of-way between Sections 30 and 31. An existing county road enters the site from the east and then turns to the southwest at the northeast corner of Section 31 to provide access to a nearby occupied farmstead. This farmstead is outside of the permit area. The mining related activities that will occur in Permit NACC-1301 do not affect this access road. However, a special condition will be attached to the permit requiring Coyote Creek Mining Co. to submit copies of the road authority's approval documents before any mining activities occur within one hundred feet of the section line road right-of-ways.

Notice of permit application was published in the Hazen Star, Beulah Beacon and The Bismarck Tribune newspapers by Coyote Creek in July and August of 2013. The last publication date was August 8, 2013. We notified the appropriate agencies, affected landowners, and advisory committee members of the revision application. No objections or requests for informal conference were received on the application.

A surety bond has been submitted for Permit Application NACC-1301. About 33 acres will be disturbed in the permit by construction of the shop/office, dragline erection site, sedimentation pond, diversions and stockpiles. The Reclamation Division has determined that a bond in the amount of \$666,171 is sufficient at this time to cover the required reclamation, restoration, and abatement work for these disturbances. The surety bond filed by Coyote Creek Mining Company is in the amount of \$800,000.

Also attached for your consideration at the March 12, 2014, Commission meeting are the proposed motion, permit approval form that includes the required findings, permit conditions, and the newspaper notice that we must publish.

Attachments

