

DKM



Public Service Commission State of North Dakota

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INSPECTION REPORT

DATE OF INSPECTION: August 18, 2011

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: Jessica Unruh - Morning
Terence Schmidt - Afternoon

INSPECTION CONDITIONS: The inspection was conducted between 9:45 a.m. and 5:00 p.m. CDT. Skies were clear. The temperature was near 80° F. Access was unrestricted.

OFFICE RECORDS

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

Records/Reports/Licenses	Comment(s)
Certificate of Liability Insurance	On file, expires February 1, 2012
Surface Water Monitoring Report	2 nd Quarter 2011 report on file
Ground Water Monitoring Report	2 nd Quarter 2011 report on file
Annual Ground Water Monitoring Report	2010 report on file
NDPDES Permit No. ND-0025038	Expires December 31, 2011
NDPDES Discharge Monitoring Report	1 st Half 2011 report on file
Storm Water Discharge Permit	NDR32-0000 expires June 30, 2014
Annual NDPDES Storm Water Discharge Rpt.	2010 report on file

Records/Reports/Licenses	Comment(s)
Quarterly Pond Inspection Reports	2 nd Quarter 2011 reports are on file; routine maintenance items were noted such as removal of small trees and possible sediment removal.
Monthly MSHA Pond Inspections	The August 1, 2011 pond inspection reports for all ponds were on file. Ponds P-H25-01, P-D12-01, P-D18-01, and P-D15-03 were re-inspected on August 16, 2011 due to a rainfall event. All ponds were reported as being below permanent pool elevation except for Pond P-D12-01 which was reported as being above PPE. No major issues were noted.
Pond Certifications	The last pond certified was Pond P-W26-04 on August 10, 2011. Stockpond SP-I02-01 was certified on November 22, 2010.
Haul Road Certifications	2010 Annual Certification Map is on file. The last road certified was on September 23, 2010, in Sections 26, 34, and 35, Permit NACT-0201, also known as the Section 34 SPGM 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, 2011, expires July 20, 2012
Blasting Records	On file and briefly reviewed. The last blast record indicated a coal shot was detonated in Section 21 on August 17, 2011, approximately 1,500 feet east of the Amanda Myers residence.
Blasting Certifications	Certificates were on file
Federal Coal Exploration License	Expired October 16, 2002
State Coal Exploration Permit	Expired August 6, 2011
Biennial Wildlife Report	2008/2009 report is on file, the report was incorporated into permit NACT-0401 with Revision 15.
Road Closures and Setbacks	On file, most recent closure dated February 16, 2011
BATF Manufacturer of High Explosives	Expires July 1, 2012
Water Use Permits	Temporary (expires September 30, 2011), 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 observed mine entrance signs contained the information required by NDAC 69-05.2-13-04. All observed stockpiles and sediment ponds were marked with legible signs.

OVERBURDEN/COAL REMOVAL

The 901 dragline was removing overburden in the NE ¼ of Section 3 in Permit NACT-9101. The 933 and 937 truck/shovel fleet were removing overburden from the basin of Pond P-N21-04 in the NE ¼ of Section 21, Permit NACT-0401, and placing it on a pile adjacent to the pond. The 935 truck/shovel fleet was removing overburden over coal in the SW ¼ of Section 27 and placing the fill in the NE ¼ of Section 33 in Permit NACT-0401. The 931 truck/shovel fleet was prebenching overburden in the NW ¼ of Section 36 and placing the fill in the NE ¼ of Section 36 in Permit NACT-0201. The 902 dragline was removing overburden in the N ½ of Section 36 in Permit NACT-0201.

Coal loading was occurring in the NW ¼ of Section 36 in Permit NACT-0201.

SURFACE WATER MANAGEMENT

The following ponds were viewed during the inspection and their relative water elevations were noted.

Pond	Elevation	Comments
P-H30-01	1 foot below PPE	
P-W25-02	1 foot below PPE	
P-N21-04	NA	Pond is under construction. Embankment has been constructed and overburden was being removed from the pool area of the pond.

A scraper and a compactor were constructing a water load facility in the NW ¼ of Section 30 in Permit NACT-8503. A portion of topsoil pile TS-77 had to be moved in order to construct the load out feature which is located directly north of Pond P-J30-02R.

The sumps at the Section 34 stockpile complex were also viewed during the inspection. Sumps 34 C and 34 D were constructed this spring and appeared to be in good condition at the time of the inspection. Sump 34 A was nearly full and noted as requiring pumping.

A gully was noticed outside of the permit area in the northeast corner of the NW ¼ of Section 34 near Permit NACT-9501. There is an old diversion above the cropland located on this tract that is suppose to transport runoff westward to the section line road ditch between Sections 27 and 34. However, runoff appears to be passing over the diversion and onto the cropland where the gully has formed. The gully is 1 to 2 feet deep, 6-8 feet wide and is about 200 feet in length. Sediment pond P-H34-05 is located in a drainage way about ¼ mile above this diversion. At this point, it is



uncertain if the gully is related to discharges from the upstream ponds. This will require additional review and a possible follow-up inspection.

SUITABLE PLANT GROWTH MATERIAL REMOVAL/RESPREAD

The 936 truck/shovel fleet was removing subsoil in the N ½ of Section 26 in Permit NACT-0201 and stockpiling the material in the Section 34 stockpile complex.

A subsoil lift approval area in the E ½ of Section 26 was also viewed during the inspection. It appeared all available SPGM including deep lift had been removed and stockpiled. The soil monuments indicated the amount of material actually removed from this area.

ROADS

Two segments of reclaimed prairie/section line trail between Sections 2 and 3 and Sections 2 and 35, Permits NACT-9001 and NACT-9501, were reviewed. Coteau had previously requested and received approval to remove these short segments, 500 feet maximum, of reclaimed road because the landowner has requested that they be removed. Work has been completed on the two segments and the area blends into the surrounding topography.

REVEGETATION

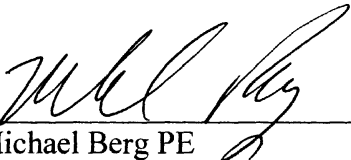
The silty native grassland reference area located in the S ½ of the NE ¼ of Section 9, T145N, R88W of Permit NACT-0201 was inspected. This silty reference area is being used to demonstrate revegetation success in pending final bond release No. 4 to Permit NACT-9101. There are four 8' by 8' enclosures on this reference area site to protect from livestock grazing. There was evidence of clipping in one of the four enclosures. The two enclosures located on the upper reaches of a side slope are in better ecological condition than the two located closer to the bottom drainageway. The dominant vegetation on this site is western wheatgrass, green needlegrass, needle and threadgrass, upland sedges, blue grama and prairie junegrass. Kentucky bluegrass is much more prevalent on the two enclosures located on the lower reaches of the slopes where it appears to be the dominant species. The site is being grazed this year and utilization levels are light. Green and fringed sagewort and western yarrow appeared to be the dominant forbs present on this site. Plant vigor was high and the site appears to have yielded well this year. Photographs of the enclosures are on file with the Reclamation Division.

The seeded native warm season species, particularly sideoats grama and switchgrass, are benefitting from the haying operation that occurred earlier in the growing season on the reclaimed native grasslands located in Sections 2 and 34 of Permits NACT-9001 and NACT-9501, respectively. Mr. Schmidt indicated that Coteau has discussed fencing the native grassland in this area to allow the tracts to be grazed next year. Cattle were noted grazing the reclaimed native grassland located in the S ½ of the SW ¼ of Section 31, Permit NACT-9501.

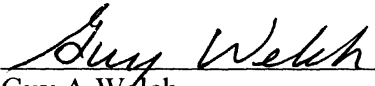
The majority of the permitted lands at the Freedom Mine were affected by a recent hail storm. The crops growing on the reclaimed lands located north of Coteau's shop office complex were reportedly affected more severely than other areas.

MISCELLANEOUS

A tracklog of the inspection is shown in black on the attached aerial photo.



Michael Berg PE
Environmental Engineer



Guy A Welch
Environmental Scientist

cc: Donn Steffen
OSM Casper Field Office
Mercer County Auditor

Freedom Mine Complete Inspection

August 18, 2011

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Tracklog shown in black

