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July 25, 2012

Mr. Chris Yde
Coal Program Supervisor
Industrial and Energy Minerals Bureau
Montana Department of Environmental Quality
P. O. Box 200901
Helena, MT 59620-0901

Re: Application for Permit, Otter Creek Mine

Dear Chris:

On behalf of Otter Creek Coal, LLC Hydrometrics, Inc is pleased to submit herewith an Application for a Strip Mining Permit pursuant to the requirements of 82-4-222 MCA and pursuant rules. Included are a completed Coal SMP Application form and supporting information addressing the application requirements of ARM Title 17, Chapter 24, Sub-chapter 3 and the applicable related performance standards of Sub-chapters 5, 6 and 7.

The Permit Application Package (PAP) is in Adobe pdf format on four DVD's. There are four types of documents included: Permit Narrative, Baseline Reports, Maps and Exhibits; numbers for Baseline Reports, Maps and Exhibits are keyed to the Rule number. The Permit Narrative is arranged by Subchapter 3 Rules, with the application requirements and related performance standards addressed together. Environmental Baseline Reports required by Rules 17.24.304, 306 and 325 are on two disks. These reports describe environmental conditions in the Permit Area and provide the baseline record and will not be revised going forward, although they may be amended as future amendment applications to expand the permit area are submitted, or as new supplemental information becomes available. Baseline Reports include supporting maps, figures, tables and appendices as appropriate. Maps required under Rule 17.24.305 are grouped together and are referenced in other sections where applicable; it is anticipated that maps will be routinely revised going forward. Exhibits describe the mining and reclamation plan addressing the specific requirements of Sub-chapter 3 and related performance standards. Exhibits are in narrative form with supporting tables, figures, plates and appendices as appropriate, and will be revised routinely going forward. The modular structure of the PAP will facilitate future revisions, and eventual adaptation to a digital permitting system.

The PAP contains sufficient information to begin review and initiate the MEPA process, but some items are not included and will be submitted at a later date. Environmental baseline studies were planned and conducted using Tract 2 as the primary study area. However, the permit area has been expanded to include a portion of Tract 3 and adjacent portions of Sections 4, 9 and 10 (T.4S, R.45E) to accommodate mine facilities and hydrologic protection considerations. It is necessary to complete supplementary investigations of cultural resources, soils and vegetation on these additional areas; the field work is being conducted during the 2012 field season and supplements to corresponding Baseline Reports 304A – Cultural Resources, 304J – Vegetation, 304L – Soils and 304M – Land Use will be submitted later this year.

In addition, the following items are not included for various reasons and will be submitted at a later date:

Exhibit 303I – Insurance Certificate. The liability insurance certificate will be submitted at or before the time of permit issuance.

Baseline Report 304B – Cultural Site Testing. Testing of sites is in progress, and it is anticipated that eligibility recommendations will be made later this year, with mitigation plans to be submitted prior to disturbance.

Baseline Report 304K – Wildlife. The field work is complete, but the principal investigator has experienced a family medical emergency over the past several months and was not able to complete the report as scheduled. It is anticipated the Wildlife report will be completed and submitted in August.

Baseline Report 325B – Agricultural Production. This report will address hay production in potential alluvial valley floor areas of Otter Creek and its tributaries in and adjacent to the Otter Creek Coal Tracts. The field work is being conducted during the 2012 field season and will be submitted when complete later this year.

Map 6 – Cultural Sites. This map must show all identified cultural sites with NRHP eligibility. As noted above, site testing is in progress, and the map will be submitted when eligibility recommendations are complete and approved by the SHPO.

Map 13 – Revegetation Map. This map is deferred pending review and approval of the post-mining topography (PMT) and revegetation procedures described in Exhibit 313G – Revegetation Plan.

Map 14 – Post-Mining Drainage Plan. This map is deferred pending review and approval of the PMT.

Exhibit 313B – Bond Calculation. Calculation of the cost to reclaim is deferred pending review and approval or reclamation plans.

Exhibit 318A –Cultural Resources Mitigation. As noted above, cultural site mitigation plans will be submitted when eligibility recommendations are submitted and approved by the SHPO.

Reclamation plans for Prime Farmlands (ARM 17.24.318) and Alluvial Valley Floors (ARM 17.24.325) are not included because there have been no formal designations of either. The need to address these rules, if any, will be guided by the review process.

On behalf of Otter creek Coal LLC, I respectfully request that Industrial and Energy Minerals Bureau (IEMB) initiate the completeness review recognizing that the above items have been deferred.

On behalf of Otter Creek Coal, LLC and the entire project team, I would like to thank you and your IEMB staff for all of your assistance in planning baseline studies and developing mining and reclamation plans that comprise this PAP. This submittal marks the first major milestone in the permitting process, and we look forward to working with you during the course of your review. Please contact me if there are any questions or concerns regarding the contents of this PAP.

Sincerely,
Hydrometrics, Inc.

A handwritten signature in cursive script that reads "Heidi Kaiser".

Heidi Kaiser
Project Manager

C: M. Rowlands, Otter Creek Coal, LLC
D. Simpson, Simpson and Associates, Inc
WESTECH
Bison Engineering, Inc.

Montana Department of Environmental Quality Coal and Uranium Program's Application for Strip or Underground Mining Permit (New or Amendment)

INSTRUCTIONS-See rules and regulations pursuant to the following: This application form is pursuant to Title 82, Chapter 4, Part 2, MCA requiring permits for mining coal and uranium.

The applicant agrees to:

1. Submit annual progress reports as required in accordance with 82-4-226 and 82-4-237 MCA for all activities conducted during the report year. Yes
2. Promptly reclaim the disturbed acreage as outlined in the reclamation plan. Yes
3. Submit the Affidavit of Publication following the publication of the Public Notice Yes

Attach any support documents that are referenced in this application and check the appropriate boxes below to indicate those attached.

1. Designation of Agent Form *(only required if new applicant of information has changed)*
2. Proposed mining and reclamation plan
3. Copies of documents upon which the applicant bases its legal right to mine
4. Documentation that the owners of the land affected have been notified and understand that the department must make investigation and inspections necessary to ensure compliance with the Act as well as the current mailing address and phone number of each affected landowner
5. Proposed Public Notice per ARM 17.24.401(3)
6. Maps per ARM 17.24.305
7. Bond per ARM 17.24.1101-1122
8. Other *(Please describe):* _____

SECTION A – APPLICANT INFORMATION
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A1.

1. Indicate which of the following is being requested *(check one)*: **Permit** **Amendment**
 If for an **Amendment**, provide current Permit ID Number: _____ and Amendment Number: _____
 Mine Type *(check one)*: Surface Underground
 Mineral to be mined: Coal
 Site Name: Otter Creek Mine
2. Name of Applicant: Otter Creek Coal, LLC.
 Address: P.O. Box 7152
 City: Billings State: MT Zip Code: 59103
 Office Phone: 406-245-0990 Fax: 406-245-0219
3. Name of Resident Agent: _____
 Address: _____
 City: _____ State: _____ Zip Code: _____
 Office Phone: _____ Cell: _____ Fax: _____ Email: _____
4. Legal Description of Mine Area: T4 S, R45E: Sections 3 (S1/2SE, S1/2SW), 4 (SE, E1/2SW), 9, 10, 11, 12, 13, 14, 15, 16 (portion of E1/2), 22 (E1/2, portions of W1/2), 23, 24 (W1/2), 25, 26
 County(s): Powder River
 Quadrangle(s): Willow Crossing, Coleman Draw, King Mountain and Yager Butte

5.

Ownership Breakdown <small>*leave blank if N/A</small>	Permit Acreage Mineral	Permit Acreage Surface	Reserved Tonnage Mineral
Federal:	124	533	0
Tribal:	0	0	0
State:	3054	101	0
Private:	4461	7004	0
County:	0	0	0

Total:	7639	7639	0
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- 6. Expected date of commencement: Upon permit issuance
- 7. Expected date of completion: 20 years after commencement

SECTION B – CERTIFICATION *MUST BE CONSISTENT WITH DESIGNATION OF AGENT FORM

I, the undersigned, hereby certify that the materials and information contained in this application are complete and correct to the best of my knowledge and belief.

Signature: William M. Rowlands

Title: President

Date: July 24, 2012

Subscribed and sworn to before me, the undersigned, a Notary Public for the State of Montana this 24th day of July, 2012.

Karen Sable
Notary Public for the State of: Montana
Residing at: Billings
My Commission expires: 3-27-2014

