



# WESTMORELAND RESOURCES, INC.

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February 26, 2010

Mr. Chris Yde, Supervisor, Coal and Uranium Section  
Industrial and Energy Minerals Bureau  
Department of Environmental Quality  
1520 E. Sixth Avenue  
P.O. Box 200901  
Helena, MT 59620-0901

RE: Application 00186

Dear Chris:

In behalf of Westmoreland Resources Inc. (WRI), I herewith submit a complete application, Application 00186, for the Tract III West Amendment to SMP 85005 and OSM Permit MT-0007F. The application is submitted in both hard copy and digital form (one copy each). On several occasions we have discussed this application with you and your staff, and we appreciate the assistance of the department in helping to shape both the form and substance of this application.

#### Purpose

Tract III West differs from previous amendments at Absaloka Mine in that it is not planned as an extension of existing mining of the Rosebud and McKay seams to serve present customers. Rather, it proposes to mine the Robinson coal in order to supply test coal and develop a market for this product which in the past has not been acceptable to existing customers. Early plans, as you may recall, contemplated only a test pit, but given the regulatory requirements, it makes more sense to permit enough coal to support initial sales until a larger reserve can be permitted for the longer term. The Tract III Coal Crow Indian coal lease holds an estimated 210 million tons of "single seam" Robinson coal where the Rosebud-McKay coal is largely burned or eroded away. This reserve represents a substantial growth opportunity for Absaloka Mine if a market can be developed.

#### Content and Organization

This application has been prepared as an amendment to SMP 85005 adding acreage to the permit area, but Tract III West is a separate mining unit, the mining method involves mobile equipment instead of a dragline for overburden removal and the primary coal seam to be mined is different. For these reasons, structuring the application materials to facilitate ease of review, and ultimately updating of the permit books, has posed somewhat of a challenge.

As it has turned out, no single approach is appropriate for all affected exhibits of the permit. The enclosed Table of Contents describes the nature of each exhibit revision, that is, whether it is intended to supplement, replace or revise the existing exhibit. Unless supplemented or revised by the contents of this submittal, the language of the existing permit is equally applicable to Tract III

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West. We are confident that the department will find this approach logical and conducive to ease of review.

#### Bond Calculation

This application includes a map and proposed approach to calculating the cost to reclaim, but a complete bond calculation is not submitted at this time. An updated bond calculation for Absaloka Mine, including the Tract III West area, will be submitted when technical review is complete and prior to permit issuance.

#### Coal Ownership

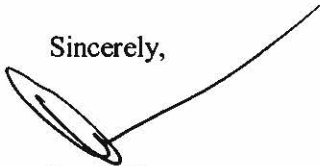
Most of the coal proposed for mining is within the Tract III Crow Indian coal lease. However, a small area – SW ¼, NE1/4 SW ¼ Section 22, T.1N, R.37E – is owned by the Farley family. Although WRI once held a lease on this coal assigned in 1973 by Consolidation Coal Company, that lease has lapsed, and it will be necessary to negotiate a new lease agreement prior to permit issuance and mining of this fee coal. WRI is confident that a lease can be secured, and the required documentation will be submitted to the department at that time. If a lease cannot be obtained, the mine plan can easily be revised to exclude this small area of coal at the far north end of the mine plan area..

#### Attachments

In addition to permit exhibit supplements and revisions, this submittal includes as enclosures the completed application form, draft public notice of application, updated AVS information, the required certification statement and a map certification sheet. Also, consultants' reports submitted as baseline information are listed in the Table of Contents; these are submitted in digital form only. Baseline reports in hard copy can be provided if requested by the department for the technical review phase.

We look forward to a prompt affirmative completeness review and determination. Please contact me if there are any questions or if we can aid in your review in any way.

Sincerely,



David Kuzara  
Permit Coordinator

C. Alan Boehms, OSM, Casper Field Office (1 hard copy; 6 digital copies)

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EXHIBITS:	NARRATIVE	MAP(S)	COMMENTS:
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SUPPORTING INFORMATION:

SEDIMENT MODELING REPORT (HYDROMETRICS, INC)  
HYDROLOGY REPORT & PHC (HYDROMETRICS, INC.)  
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