



WESTERN ENERGY COMPANY

A Westmoreland Mining LLC Company
138 ROSEBUD LANE • P.O. BOX 99 • COLSTRIP, MT 59323
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November 10, 2010

Chris Yde
Permitting Supervisor
Industrial and Energy Minerals Bureau
Department of Environmental Quality
PO Box 200901
Helena, MT 59620-0901

Permit ID: 84003B
Reference ID: Amendment Application 00184

RE: Response Letter – Second Round Technical Deficiencies

Dear Chris:

Included in this submittal are Western Energy Company's responses to your letter dated July 16, 2010, Second Round Technical Comments for Area B Amendment. Our responses are as follows:

IEMB 17.24.303(1)(r): The table shows that all coal will be removed from B-Extension in the year 2018. However this table also shows that approximately 127 acres will be disturbed in B-Extension in years 2019, 2020, and 2021. Are these 380 acres of disturbance related to highwall reduction or some other disturbance? As noted, the permit refers to B-Extension; however, recently Western energy has used B-East and B-West. Terminology must be consistent throughout the permit.

Western Energy updated the permit disturbance tables on pages 18, 19 and 19a. However, the updates included unexpected changes to B-Extension values which differ from the 11/07 version in the permit. Proposed new disturbance with this amendment ranges from approximately 549 acres (assuming the permit is correct) to 804 acres (assuming new B-East and revised B-Extension values are correct). Proposed new mining ('Total Coal mined') has a similar discrepancy. Western Energy must clear up the confusion and provide a clear summary of the changes proposed with the amendment. Additionally, Western Energy must ensure that all maps – for both portions of Area B – are appropriately updated.

WECO Response: The table on page 19 represents actual and estimated annual production by year and acres disturbed by area. Mining is represented in Area B-East through the year 2027 and Area B-Extension through the year 2021. There will be no coal

FC: 620.112 (Application 00184)

removal in Area B-Extension in 2020 and 2021; the 434 acres of disturbance represent the final highwall reduction and associated reclamation to be split between a two year time frame.

In regards to the table on page 18 that illustrates approximate acres of disturbance and permitted area, WECO is aware that the Area B-Extension acres have changed and is confident that the numbers presented on page 18 are current with the updated model and are accurate. A summary of the proposed changes is shown in the following table.

	Existing Acres		Proposed Acres		Diff
	<u>B-East</u>	<u>B-Ext</u>	<u>B-East</u>	<u>B-Ext</u>	
Total Disturbance	2,776	2,105	3,316	2,361	796
Total Permitted Area	3,616	2,443	3,549	2,565	56
Total Surface Permitted	3,616	2,443	3,549	2,565	56
Total Surface					
Disturbance	2,776	2,105	3,316	2,361	796
Total Coal Permitted	3,616	2,443	3,068	2,565	-426
Total Coal Mined	1,802	1,380	2,500	1,493	811

IEMB 17.24.303(1)(r): The mine sequence table includes changes in B-Extension. The B-Extension map does not have cut numbers. WECO must submit a current mine plan that correlates to the cut numbers in this table.

WECO Response: The Exhibit A-3 Area B-Extension Approximate Mine Plan is included in this submittal and current cut numbers correlate from the mine plan map and the mine sequence table listed on page 19a. Four copies of the approved Exhibit A-3 Area B-Extension Approximate Mine Plan are signed and enclosed in this submittal.

IEMB 17.24.303(1)(r): The mine sequence table displays cuts with an "B" and "C" suffix. These labels are not found on the proposed mine plan. WECO must modify the mine plan map to show these cuts or update the table appropriately.

WECO Response: The mine sequence table has been updated with the proposed mine plan to correlate the cut numbers from the table to the mine plan maps A-2 Area B-Easr Approximate Mine Plan and A-3 Area B-Extension Approximate Mine Plan are included in this submittal.

IEMB 17.24.303(1)(r): The table shows that no mining will occur in Area B during 2011. Pursuant to 17.24.521(2) WECO must request a temporary cessation for Area B prior to ceasing mining operations for a period of 30-days or more.

WECO Response: As of December 31, 2010 mining will temporarily cease in Area B due to end of the coal contract with our current customer for that area. In 2012 mining will resume in Area B with the coal being held in reserve for the coal contract with PPL Montana 1 and 2. A request for a temporary cessation of mining is noted and will be submitted in late 2010 or early 2011.

IEMB 17.24.304(1): The permit must be updated to show the location of the current information (ex. the acreages do not match, the wildlife survey baseline buffer cannot be located, prime farmland determination, etc). At a minimum a reference needs to be added to clarify where the reader may locate the necessary materials.

WECO Response: Section 17.24.301(1) is included and the rule update for this section has been completed.

IEMB 17.24.304(1)(j): Exhibits E-1 and E-2 have not been updated to show the new buffers.

WECO Response: The buffer zone on exhibits E-1 and E-2 encompass the currently approved and the proposed acres in Area B-East. The current buffer line for the wildlife survey is presented annually in the Annual Wildlife Report submitted to the Department. WECO feels the Annual Wildlife Report is a more practical place to reference current information.

IEMB 17.24.308(1)(a): On page 96 WECO states "All highwall reduction will be constructed as convex-concave slopes." The text must be revised to better describe the highwall reduction and not depend on convex-concave slopes.

WECO Response: The statement "All highwall reduction will be constructed as convex-concave slopes." has been removed and the statement "All highwall reduction will coincidence with 17.24.515. "

IEMB 17.24.308(1)(f): The Department's original comment, "The commitments contained in the paragraph on page 101 are unnecessary and this paragraph can be removed," were directed only at the paragraph requiring Western Energy to include weed control activities in annual reports. Please re-insert the original first paragraph which refers to Western Energy's weed control plan, or rewrite the current paragraph to refer to the Rosebud County Weed Board approved weed control plan.

WECO Response: The paragraph in 17.24.308(1)(f) has been written to include the Rosebud County Weed Board approved weed control plan. The paragraph reads "The noxious weed control plan to prevent the establishment of, and to control, noxious weeds on all lands within the permit area until phase IV bond release is in Volume IV of Western Energy's Vegetation Resource Reports. This plan has been approved by the Rosebud County Weed Board and is in accordance with the Montana County Noxious Weed Control Act, 7-22-2101 through 7-22-2153 MCA as amended."

IEMB 17.24.310: Improper rule citations must be corrected; there are numerous instances where 26.4.... rule nomenclature is used. These must be updated to 17.24... throughout the permit.

WECO Response: Improper rule citations have been corrected in five different areas in 17.24.310. The following corrections were made in 17.24.310(1)(a), 17.24.310(1)(b)(v), 17.24.310(1)(d), 17.24.310(1)(e), and 17.24.310(1)(g).

IEMB 17.24.312: Improper rule citations must be corrected. Also it is difficult to evaluate compliance with this rule until 304(1)(j) is updated. A plan showing how Western Energy will minimize the impacts to and enhance wildlife habitats must be incorporated into this section.

WECO Response: Improper rule citations have been corrected in three different areas in 17.24.312. Two of the following corrections were made in 17.24.312(1)(a) and one in 17.24.312(1)(c)(i).

IEMB 17.24.313(1)(j): Table 21 contains “xx” and “tbd” apparently this is still a draft table as there is no explanation for these symbols.

WECO Response: Table 21 has been updated to Table 18 and explanation of all symbols has been included.

IEMB 17.24.313(1)(h)(i): (Revegetation types) In Table 21, Pre-mine and Post-mine Vegetation Type Acres, pre-mine permit acres have decreased from 9369 acres in the current permit to 6114 acres, and pre-mine disturbed acres have decreased from 8127 to 5685. Please reconcile these numbers.

Also in Table 21, acres of upland big sagebrush, skunkbush sumac, and deciduous tree/shrub have been decreased in favor of more upland grassland acres. The shrub dominant vegetation types are important for wildlife and vegetation diversity, and the amount of disturbed acres should be better approximated in post-mine reclamation. Please revise the reclamation targets in this table.

Western Energy must commit to creating wildlife habitat enhancement features in a specific percentage of each post-mine vegetation type.

In the wetland/wet meadow section on page 131, please include the number of wetland acres pre-mine, in both the original permit and amendment areas. Describe how and where these acres will be replaced in the reclamation, as per ARM 17.24.751(2)(f).

WECO Response: During the reconciling acres in the Area B Vegetation Type Acres Table it has become apparent that Area C tables and information were erroneously placed in the Area B permit. With correcting the information in the Area B permit, please note the following changes to the tables listed below.

Currently Permit Tables			Correct Permit Tables	
Table 21	Premine and Postmine Vegetation Type Acres	is now	Table 18	Premine and Postmine Vegetation Type Acres
Table 22	Lowland Mixture	is now	Table 19	Lowland Mixture

Table 23	Upland Mixture	is now	Table 20	Upland Mixture
Table 24	Conifer Mixture	is now	Table 21	Conifer Mixture
Table 24A	Mix Shrub-Grass Mixture	is now	Table 22	Mixed Shrub-Grass Mixture
Table 24B	Mixed Shrub-Forb and Shrub Mixture	is now	Table 22A	Mixed Shrub-Forb and Shrub Mixture
Table 24C	Shrub Complex Mixture	is now	Table 22B	Shrub Complex Mixture
Table 25	Was Eliminated – Blank	is now	Table 23	Pasture Mixture
Table 25A	Pasture Mixture	is now	Table 23A	Was Eliminated - Blank
Table 25B	Seed Rate PLS Formula	is now	Table 23B	Seed Rate PLS Formula
Table 26	Indigenous Trees and Shrubs for Revegetation	is now	Table 24	Indigenous Trees and Shrubs for Revegetation
Table 27	Indigenous Forbs and Half shrubs for Revegetation	is now	Table 25	Indigenous Forbs and Half shrubs for Revegetation

The following information presented below was previously in the Area B permit, the table labeled as Table 21 now in the Area B permit should be Table 18 Postmine Revegetation Plan Acreages. The information presented in the table shown below referenced 5/99.

Table 18 Postmine Revegetation Plan Acreages

Number	Vegetation Type	B-East	B-Extension	Total
111	Upland grassland	1,859	1,022	2,881
211	Big sagebrush-grassland	217	237	454
	Silver sagebrush-grassland	566	145	711
212	Lowland grass			
212	Upland grass			
213	Skunkbush sumac-grassland	59	56	115
214	Mixed shrub	0	89	89
215	Deciduous tree/shrub	36	53	89
216	Shrub complex	0	0	0
351	Conifer	31	90	121
530	Cropland	0	212	212
531	Hay cropland	0	188	188
P	Pond	4	8	12
WM	Wet Meadow	0	0	0
S	Sandrock	4	2	6
CF	Cliff feature	0	0	0
	TOTALS	2,776	2,102	4,878

17.24.313(h)(iii): (Seeding) In Table 22, Lowland Mixture, please include silver sagebrush in the seed mix. In Table 23, Upland Seed Mix, please include big sagebrush in the seed mix (see Area D upland seed mix as an example). Additionally, please specify the sub-species of big sagebrush to be used in the mix, most likely Wyoming (Artemisia tridentata var wyomingensis), as it is very important when seeding sagebrush to use one adapted to and native in the area.

For all post-mine vegetation types, Western Energy must specify the shrub seed or transplant amount (plants per acre), species, and method of planting. For example, the permit states that in the upland skunkbush sumac type, the conifer seed mix will be seeded at 50% of the normal rate. There is no discussion of how shrubs will be established on the site, what species will be used, or how dense they will be seeded or planted.

Please include seeds/ft² in the seed mix tables, see example below.

Scientific Name	Common Name	Seeds/PLS lbs	PLS lbs/acre	Seeds/ft ²	Percent of mix
<i>Agropyron dasytachyum</i>	Thickspike wheatgrass	154000	3	11	50%
<i>Agropyron smithii</i>	Western wheatgrass	110000	4	10	47%
<i>Achillia millefolium</i>	Common yarrow	2770000	0.01	1	3%
Total:			7.01	21	100%

Additionally, Western Energy must commit to a shrub establishment density for each reclamation type.

WECO Response: Please see the revised tables that are in section 17.24.313(1)(h)(iii) for Lowland Mixture, Upland Mixture, Conifer Mixture, Mixed Shrub-Grass Mixture, Mixed Shrub-Forb and Shrub Mixture Shrub Complex Mixture, and Pasture Mixture. A column with PLS K/lb and Min #/sqft have been included in the tables showing a range which is attainable for each species. WECO feels that meeting a range is a more realistic target and more readily achieved. Setting limits in the permit and showing actually what was planted in the annual report is more useful and beneficial tool for both the Department and the Company.

IEMB 17.24.315: The following comments must be addressed regarding the Hydrologic Control Plan and Associated Ponds.

Ponds PO-010 and PO-010B: These ponds appear to be located in Area E. If so, the proposed modifications should be submitted as an MR to Permit # 81003E once plans for the upstream drainage are approved. The application should include the design narratives along with plan sheets for “Location and Drainage Area Map” and “Design Plan and Details”. After the plan is approved and the pond modifications constructed, the design sheets can be updated as necessary and submitted as the “As-Built Plan and Details”.

Ponds PO-10D, PO-11B, PO-21B, PO-21D, PO-21E, PO-21F: These are designated on the plan sheet “Area B East Hydrological Control Plan” but no further information is provided. Please provide a “Proposed Pond Design Narrative” for each pond that describes the proposed pond, approximate drainage area, when it will be constructed and when it will be reclaimed. Also provide labeling on the plan sheet that differentiates between constructed and proposed ponds

Pond PO-15: This pond was not addressed. There currently exists a “Proposed Pond Design Narrative” for this pond in the Permit Volume titled “Certified Pond Designs and As-Built”. Does that narrative reflect the current conditions and intent? If not please provide an updated narrative.

Table 31 “Sedimentation Pond Summary” should be updated.

WECO Response: WECO will submit an updated Hydrologic Control Plan and associated materials when the Postmine Topography has been approved. With continual changes to the PMT the work on the Hydrologic Control Plan is irrelevant and will need to be revised with each revision to the PMT.

IEMB 17.24.322(2)(a)(i), (ii), and (iv): The basic parts of these regulations have not been addressed and the information that is referenced in the permit has not been updated since the 1980’s. For example, the drill hole location map was last updated in 1986. The permit must include reserve information in tons and what incrementally will transpire as a result of the amendment. We have no basis for an amendment without this information.

WECO Response: Please see Section 17.24.322(2)(ii) on page 215, this section has been updated with update model information that represents Area B in the current and proposed state. Information has been placed in this section for both the proposed B-East area and the approved B-Extension area. Also the Exhibit N Drill Hole and Geologic Cross Sections, has been updated to the most current information and is included in this submittal.

IEMB 17.24.322(2)(a)(vi): The regulation requires analysis of chemical properties of the coal and the permit refers you to Appendix D which is spoil analysis.

WECO Response: The required analysis of chemical properties of the coal is presented in Appendix E Narrative Interpretation of Rosebud and McKay Coal Seams. The appendix reference has been edited on page 215 to Appendix E.

IEMB 17.24.322(2)(b): Western must include a map showing areas where the Rosebud seam is not recovered with an explanation of the number of tons left in-place and the reason these reserves were not recovered (ie: strip ratio, operations, quality). The Stocker and Robinson seams must also be addressed as they too will not be recovered.

WECO Response: Western proposes to continue illustrating non-recovery coal areas in the annual report (Exhibit 2-Area B Coal Removal Map). The annual report will also contain reasons why the coal reserves were not recovered. Section 17.24.322(2)(b) of the Area B permit will continue to summarize the extent of minable coal at the mine. It is the intent of WECO to mine all of the Rosebud coal in accordance with section 17.24.322(2)(b) of the permit, but environmental and economic factors change during the course of the permit. Therefore, WECO feels that the annual report is the most practical placeholder to summarize coal conservation information during the year. Exploration drilling has never penetrated the Robinson or Stocker seams at the Rosebud Mine. A statement of this nature will be incorporated within Section 17.24.322(2)(b) of the permit.

IEMB 17.24.501: Slope diversity and the number of side tributaries were improved in some eastern drainages, but was still limited mine-wide, especially in the central and western portions compared to pre-mine. In particular, the proposed PMT would lack the entrenched valley bottom coulees present in many portions of pre-mine topography, especially apparent in the upper valleys of Drainages 010 (west tributary), 019, and 021-1. Several proposed drainage valleys would have overly steep, uniform side slopes and narrow cross sections and would not adequately approximate broader pre-mine valley basin slopes (especially Drainages 011, 015, 020, 021 East tributaries).

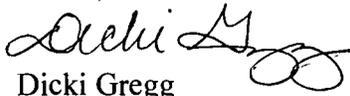
WECO Response: Please see Exhibit B-1 B-East Approximate Post mine Topography with Drainage Basins for requested revisions.

IEMB 17.24.313(1)(e),(1)(f); 314, 501, 631, and 634: PMT adjustments are needed in some of the profiled drainages to provide smooth concave longitudinal profiles blending with adjacent native channels above and below, and without abrupt slope transitions within the profile. Western Energy needs to adjust breaks in Drainages 010, 015, 020, and middle 021. More fill is needed along an overly steep transition to native in the upper reach of Drainage 021. Western Energy must compare pre-mine and PMT valley cross sections to provide similar valley bottom, terrace and slope characteristics.

WECO Response: Please see Exhibit B-1 B-East Approximate Post mine Topography with Drainage Basins for requested revisions.

Please feel free to contact me if you have any questions or comments.

Sincerely,



Dicki Gregg
Permit Coordinator
Western Energy Company
Rosebud Mine – Area B
Phone: (406) 748-5124
Fax: (406) 748-5202
dgregg@westmoreland.com

Enclosures

ARM Sections that have revisions are included in this submittal:

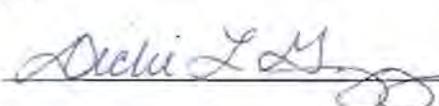
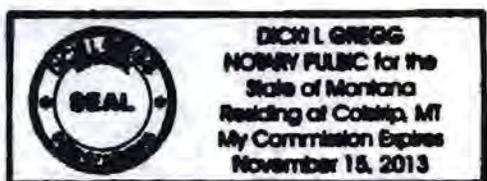
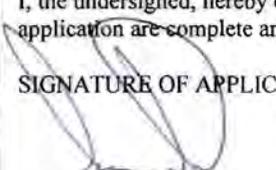
ARM	17.24.302	Format and Supplemental Information
ARM	17.24.303	Legal, Financial, Compliance and Related Information
ARM	17.24.304	Baseline Information: Environmental Resources
ARM	17.24.308	Operations Plan
ARM	17.24.310	Blasting Plan
ARM	17.24.312	Fish and Wildlife Plan
ARM	17.24.313	Reclamation Plan
ARM	17.24.314	Plan for Protection of the Hydrologic Balance
ARM	17.24.315	Plans for Ponds and Embankments
ARM	17.24.322	Coal Conversation Plan

Exhibits with revisions:

Exhibit	A-2	Area B-East Approximate Mine Plan
Exhibit	A-3	Area B-Extension Approximate Mine Plan (signed copies)
Exhibit	B-2	Area B-East Approximate Postmine Topography with Drainage Basins
Exhibit		Area B-East Channel Profile Comparison
Exhibit	C-2	Area B-East Postmine Vegetation Plan
Exhibit	E-2	Area B-East Premine Vegetation Survey
Exhibit	N	Drillhole Location Map

cc Jesse Noel
Molly Schwend
Rusty Batie

REVISED APPLICATION FORM FOR STRIP OR UNDERGROUND MINING PERMIT AMENDMENT

STATE OF MONTANA DEPARTMENT OF ENVIRONMENTAL QUALITY PO Box 200901 Helena, MT 59620-0901 Phone (406)444-4970	APPLICATION FOR STRIP/UNDERGROUND MINING PERMIT APPLICATION NUMBER: 00184 Pursuant to Title 82, Chapter 4, Part 2, MCA requiring permits for mining coal and uranium.															
NAME AND ADDRESS OF APPLICANT: (Corporations or other business entity: give names and addresses of principal officers, agents, etc.) WESTERN ENERGY COMPANY PO BOX 99 COLSTRIP, MT 59323 (see page 3 in ARM Section 17.24.303)	INSTRUCTIONS: See rules and regulations pursuant to the above. LOCATION OF MINE AREA: <table border="0"> <tr> <td>Section</td> <td>Township</td> <td>Range</td> </tr> <tr> <td>8</td> <td>T1N</td> <td>R41E</td> </tr> <tr> <td>9</td> <td>T1N</td> <td>R41E</td> </tr> <tr> <td>10</td> <td>T1N</td> <td>R41E</td> </tr> <tr> <td>11</td> <td>T1N</td> <td>R41E</td> </tr> </table> County: ROSEBUD (see page 3a in ARM Section 17.24.303)	Section	Township	Range	8	T1N	R41E	9	T1N	R41E	10	T1N	R41E	11	T1N	R41E
Section	Township	Range														
8	T1N	R41E														
9	T1N	R41E														
10	T1N	R41E														
11	T1N	R41E														
NAME AND ADDRESS OF DESIGNATED AGENT: JESSE NOEL WESTERN ENERGY COMPANY PO BOX 99 COLSTRIP, MT 59323	<table border="0"> <tr> <td></td> <td align="center"><u>Surface</u></td> <td align="center"><u>Mineral</u></td> </tr> <tr> <td>FEE acres to be permitted:</td> <td align="center">4,785</td> <td align="center">2,970</td> </tr> <tr> <td>STATE acres to be permitted:</td> <td align="center">512</td> <td align="center">512</td> </tr> <tr> <td>FEDERAL acres to be permitted:</td> <td align="center">817</td> <td align="center">2,152</td> </tr> </table> (see page 18 in ARM Section 17.24.303)		<u>Surface</u>	<u>Mineral</u>	FEE acres to be permitted:	4,785	2,970	STATE acres to be permitted:	512	512	FEDERAL acres to be permitted:	817	2,152			
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FEE acres to be permitted:	4,785	2,970														
STATE acres to be permitted:	512	512														
FEDERAL acres to be permitted:	817	2,152														
TELEPHONE NUMBER: (406) 748-5100	TOTAL ACRES TO BE PERMITTED: 6,114															
NAME AND ADDRESS OF SURFACE OWNER: (if different from above) (see pages 4 & 5 in ARM Section 17.24.303)	Mineral to be mined: COAL Acres to be disturbed in the 60 months following permit issuance: (see pages 19a in ARM Section 17.24.303)															
NAME AND ADDRESS OF MINERAL OWNER: (if different from above) (see page 6 in ARM Section 17.24.303)	Acres to be disturbed in life of operation: 5,677 Expected date of commencement: 2010 Expected date of completion: 2027 Estimated reclamation cost (per acre): *Reclamation estimate will be provide at later date when bond calculation is submitted															
CONTRACTORS WHO WILL BE WORKING ON PROJECT: (Show names, addresses and function) NONE	THIS APPLICATION MUST BE ACCOMPANIED BY: 1. Proposed mining and reclamation plan 2. Maps (see rules and regulations) 3. Bond (see rules and regulations) *will provide bond at later date 4. All materials and information required under the law and rules and regulations pursuant to it.															
SUBSCRIBED AND SWORN TO before me, the undersigned, a Notary Public for the State of <u>Montana</u> this <u>10TH</u> day of <u>November</u> , 2010.  	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 OF APPLICANT  _____ Jesse Noel, P.E. ENGINEERING MANAGER Title NOVEMBER 10, 2010 Date															