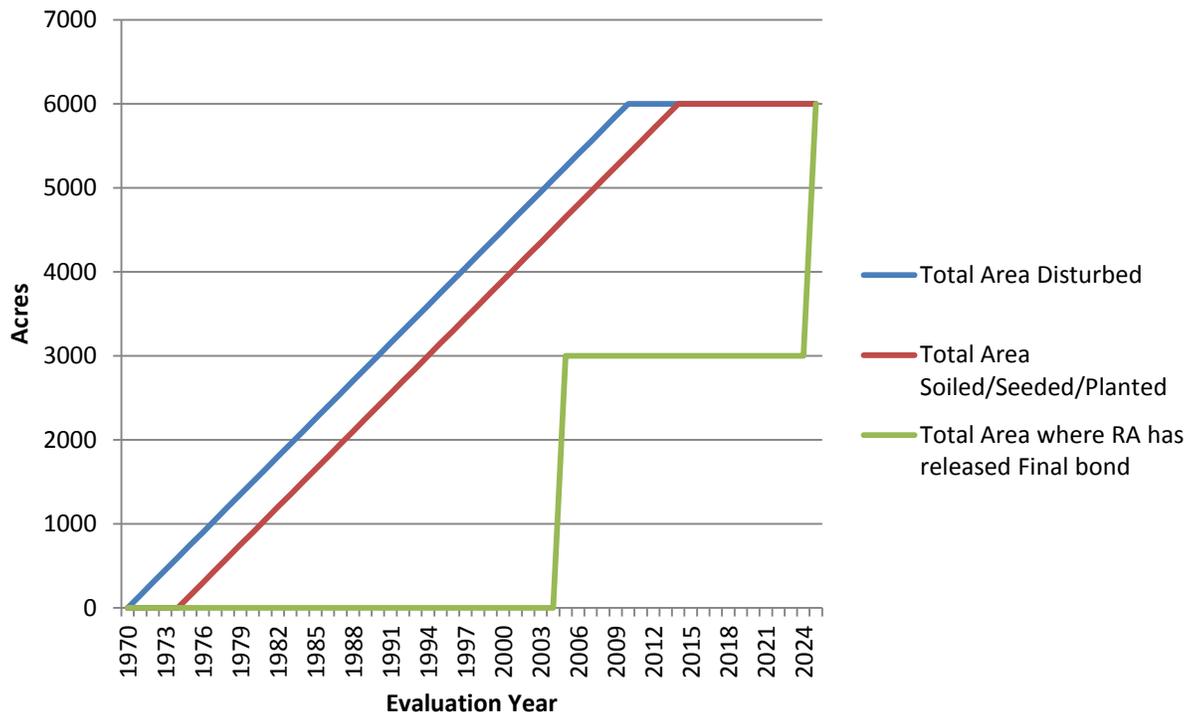


Contemporaneous Reclamation in Montana (EY2011)

According to the measurements used in REG-8 and reviews of current reclamation plans, our analysis shows that the Montana State program is effective in achieving its goal of having disturbed lands reclaimed to the approved post-mining land use as contemporaneously as possible. Both State and Federal regulations do not require that an operator file for bond release at any prescribed time. Therefore, operators typically do not file for Final bond release until it is economically advantageous for them to do so. Operators tend to wait until large tracts of land are eligible for bond release and then apply for them. As a result, the number of acres released from Final bond is relatively small compared to the number of acres actually re-graded, soiled and seeded. It should also be noted that REG-8 currently utilizes bond release as a measurement to determine reclamation success.

CFO believes another general measurement for contemporaneous reclamation is a comparison of the rate at which lands are being permanently reclaimed (re-graded, topsoiled and seeded) to the rate of disturbance. Ideally, the rate of reclamation should match the rate of disturbance.

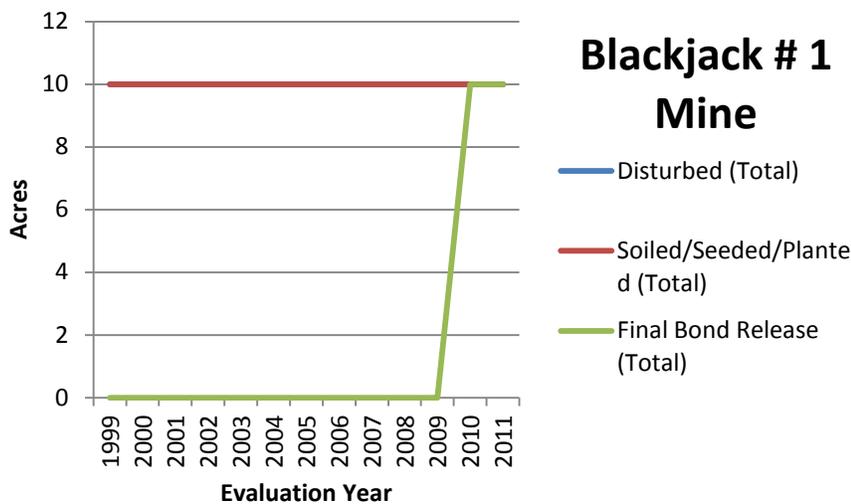
Simplified Ideal Reclamation Process



The above graph is a “simplified ideal” representation of the reclamation process. Disturbance, represented by the blue line, occurs when the mine begins operation. For the first couple of years, a boxcut is formed, with adjacent spoil piles.

Reclamation, represented by the red line, begins several years after the start of operations, when enough spoil has accumulated to warrant backfilling, topsoiling and seeding. Ideally, the red line should run parallel to the blue line. The slope (the rate of reclamation) of the red line should be equal to the slope (the rate of disturbance) of the blue line. The green line represents acres that achieve final bond release. A bond release package requires an investment of time and money from the operator. A comparable amount of effort and expense is required to develop a bond release package for a small plot of land as for a large one. It is also not a requirement for operators to achieve Phase I or II bond release incrementally, prior to achieving final bond release. So, it is often more cost effective for operators to wait until large areas of land are eligible for release until developing and submitting a bond release application. And those applications often bypass earlier incremental bond releases and attempt to qualify for Final bond release in one application package. As a result, bond release can be an inaccurate measure of actual reclamation activities.

This tendency for final bond release to occur in large blocks of acreage is demonstrated by the graph below. The graph below shows the reclamation plot for the Blackjack I Mine. The Blackjack I Mine has neither disturbed nor reclaimed any acreage since 1999 (when CFO began consistent collection of this data); however, it achieved final bond release during EY 2010. Note how no final bond release was achieved until 2010, and that goal was reached in one large block of acreage.



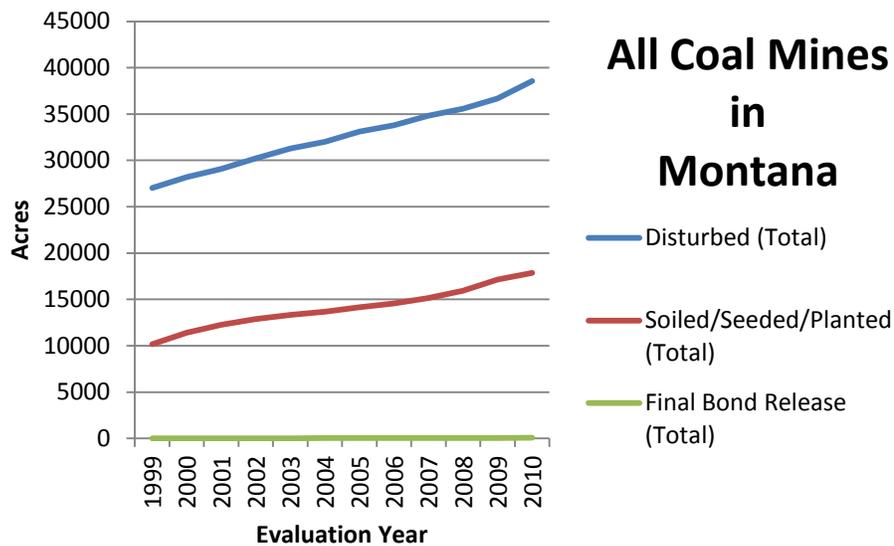
The following table shows the database for reclamation over time for all of Montana. This file will be stored on the CFO share drive and will be updated annually, as new data is supplied by the State Regulatory Authority.

Cumulative Montana Reclamation Status Table EY-1999 to Present

RECLAMATION STATUS OF ALL AREAS DISTURBED UNDER THE PERMANENT REGULATORY PROGRAM																																
EVALUATION YEAR	1		2		3		4		5		6		7		8		9		10		11		12		13		14		15		16	
	Disturbed area		Long-term mining or reclamation facilities	Active mining areas	Areas backfilled and graded		Areas released phase I bond		Areas soiled and seeded / planted		Areas released phase II bond		Areas final seeded / planted for 10 years		Areas released phase III bond																	
	EY	Total (all years)			EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)	EY	Total (all years)
1999	940	27040	6160	9733	1186	11147	1560	4639	710	10161	549	4001	269	4053	0	0																
2000	1163	28203	6124	9651	1281	12428	245	4884	1240	11401	1055	5056	359	4412	0	0																
2001	889	29092	5928	10075	661	13089	241	5125	848	12249	152	5208	829	5241	0	0																
2002	1143	30235	6429	10042	675	13764	254	5379	647	12896	127	5335	490	5731	0	0																
2003	1040	31275	6521	10537	453	14217	1450	6829	424	13320	15	5350	491	6222	0	0																
2004	739	32014	6379	10443	975	15192	52	6881	353	13673	52	5402	548	6770	50	50																
2005	1082	33096	6480	11285	139	15331	2124	9005	470	14143	1904	7306	331	7101	0	50																
2006	710	33806	6651	11551	273	15604	1074	10079	422	14565	734	8040	625	7726	0	50																
2007	1004	34810	6291	12349	566	16170	1803	11882	587	15152	38	8078	376	8102	0	50																
2008	766	35576	6046	12678	682	16852	1546	13428	794	15946	1691	9769	919	9021	0	50																
2009	1110	36686	6223	13115	496	17348	1079	14507	1196	17142	865	10634	304	9325	0	50																
2010	1888	38574	7355	13335	536	17884	739	15246	728	17870	560	11194	594	9919	17	67																
2011	1159	39733	7272	13010	1567	19451	1411	16657	685	18555	1240	12434	526	10445	0	67																

Please note that for purposes of data accuracy, the data in this table is currently undergoing review and validation with the State RA and is currently in a draft format.

Data from the above table was used to produce the following graph. These graphs track the area of reclaimed mine lands that were backfilled, soiled, seeded and planted over time to represent the rate of reclamation of mine lands in Montana. A rate of reclamation that closely mirrors the rate of disturbance indicates contemporaneous reclamation efforts. Divergence of the two lines could indicate a drop in contemporaneous reclamation.



Source of data: MTDEQ

The graph above illustrates one possible way of looking at contemporaneous reclamation in Montana. In the graph, the plot for Total Area Soiled/Seeded/Planted closely parallels the plot for Total Area Disturbed.

Chart 1
Montana Reclamation Summary

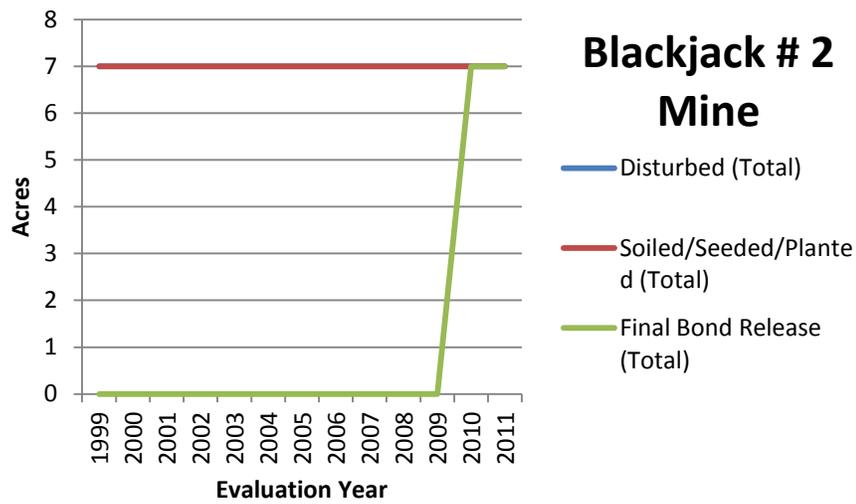
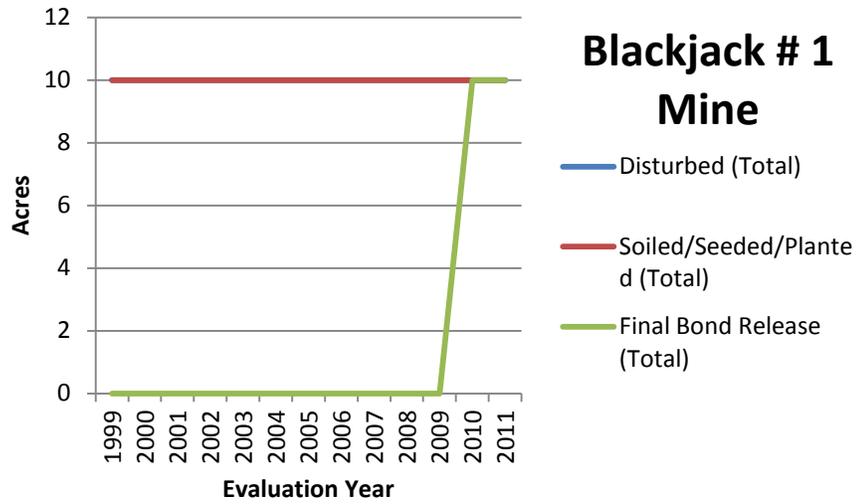
EVAL. YEAR	ACRES DISTURBED	Cumulative Acres Dist.	ACRES RECLAIMED	Cumulative Acres Recl.	RATIO OF RECLAM VS DISTURB	Cumulative RATIO OF RECLAM VS DISTURB
1999	928	27457	708	10286	0.75	0.37
2000	853	27759	1121	11038	1.31	0.40
2001	1241	29017	1026	12511	0.83	0.43
2002	1205	29763	666	12670	0.55	0.43
2003	1144	30910	550	13218	0.48	0.43
2004	738	31646	288	13498	0.39	0.43
2005	920	32502	545	14006	0.59	0.43
2006	1103	33694	426	14442	0.39	0.43
2007	444	34138	162	14584	0.36	0.43
2008	721	35402	801	15904	1.11	0.45
2009	1083	36485	1198	17102	1.11	0.47
2010	1888	38574	728	17870	0.39	0.46
2011	1159	39733	685	18555	0.59	0.47

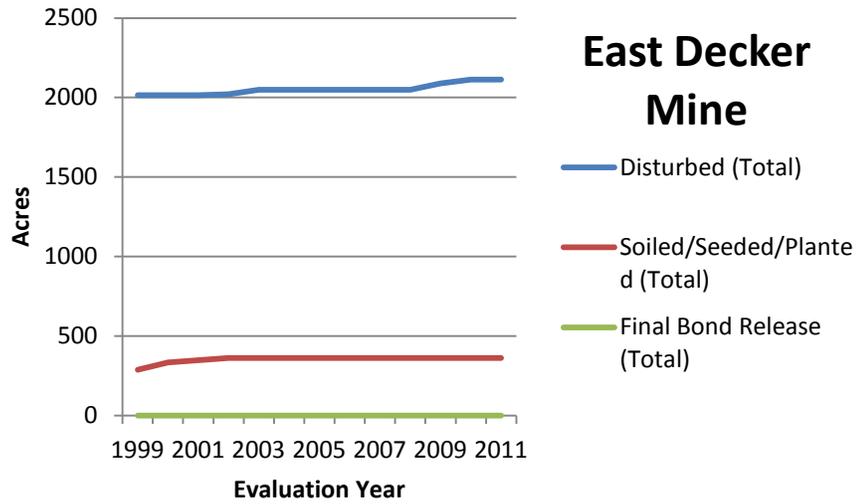
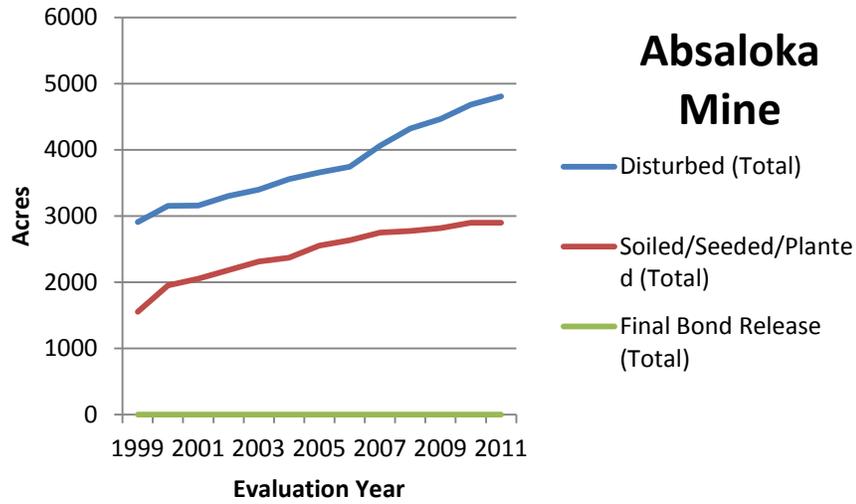
Source of data: MT DEQ

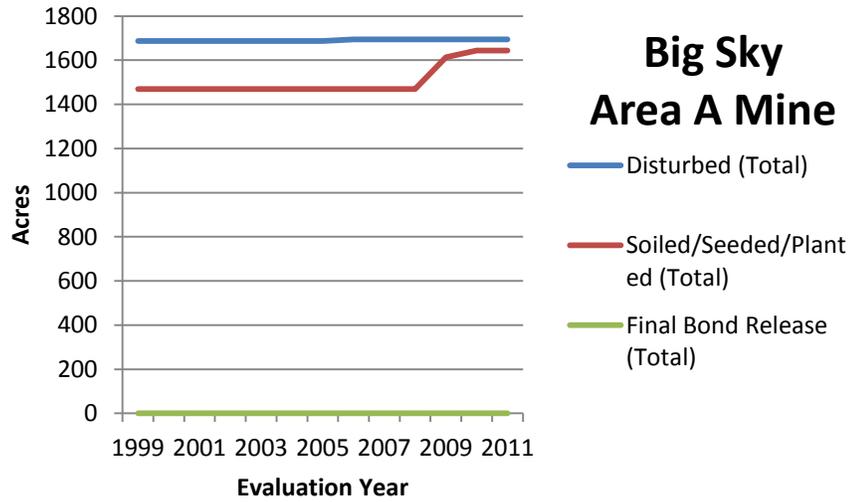
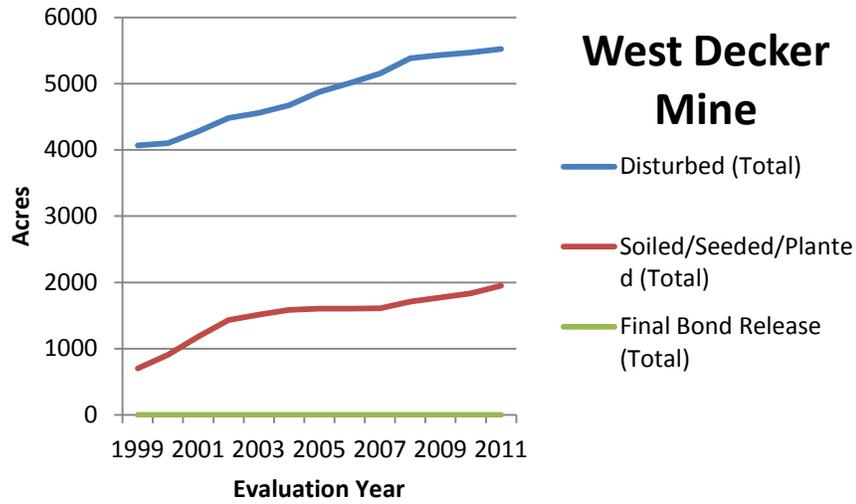
Note: The figures in this table do not exactly correspond to the Cumulative Reclamation Status Table on page 3. The figures do not appreciably differ and will be reconciled once the State RA has had an opportunity to review the figures.

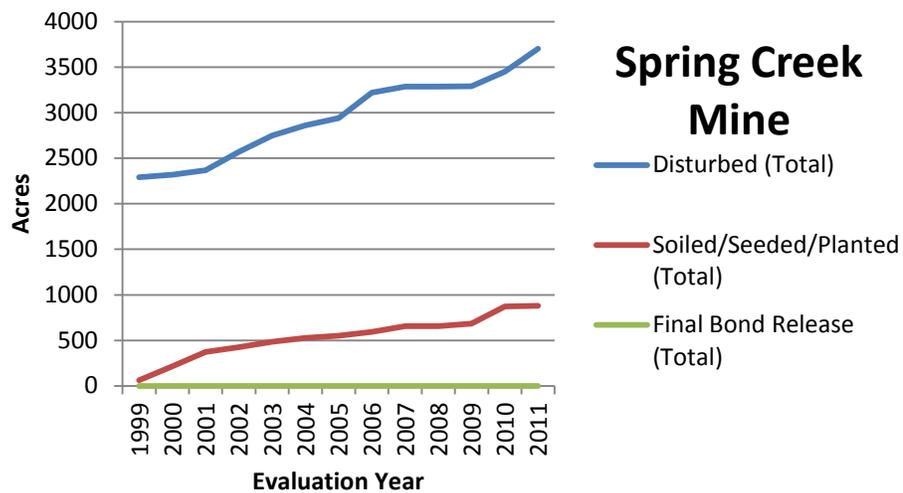
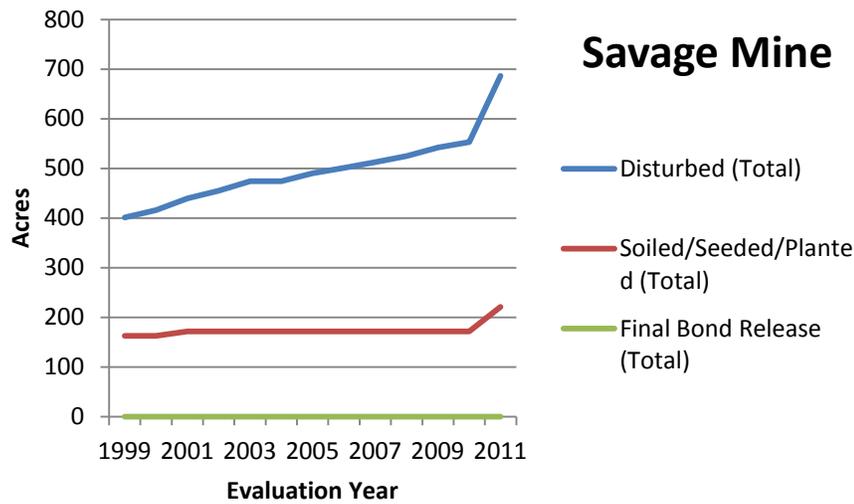
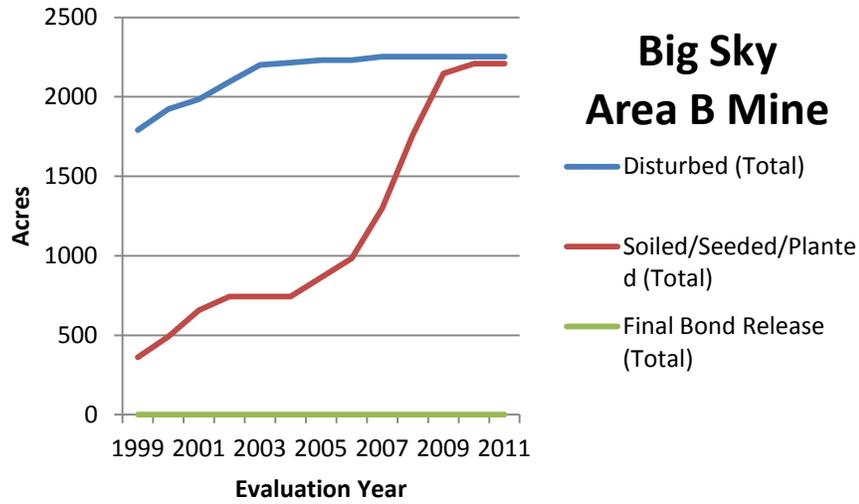
Chart 1 provides the actual acres disturbed and reclaimed annually for all mines. Note how the cumulative reclamation to disturbance ratio has been fairly constant with a slight increase over the last decade. The cumulative ratio is currently 0.47 as indicated on the chart. This ratio indicates that 47 percent of the cumulative acres disturbed in Montana have been reclaimed to the point of being backfilled, graded and seeded. The low ratio (39%) in EY 2010 is due in part by the expansion of the Bull Mountain Mine.

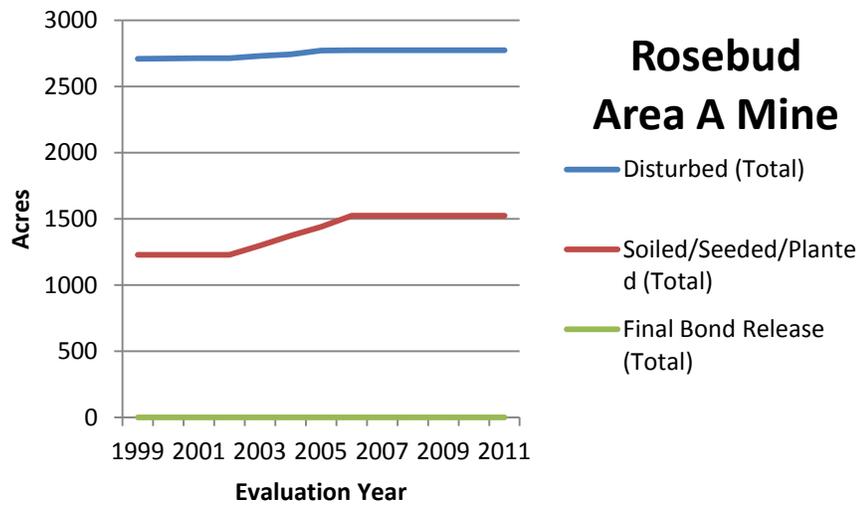
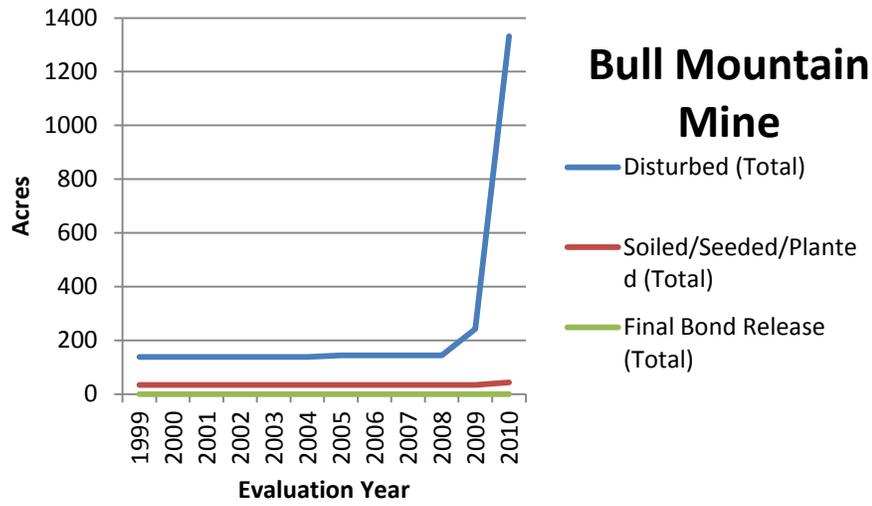
Reclamation data is also collected for individual mining operations in Montana. There are currently nine active surface permits and one active underground mining permit in Montana. The following graphs demonstrate the degree to which each individual mine is contemporaneously conducting reclamation activities.

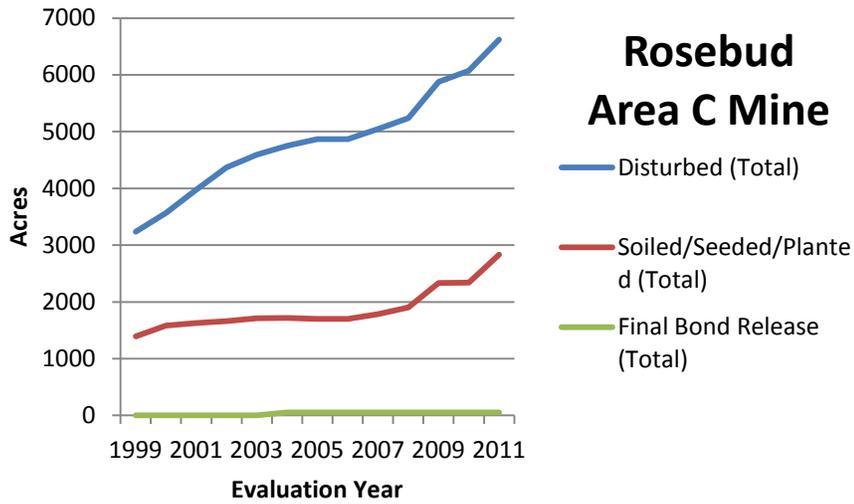
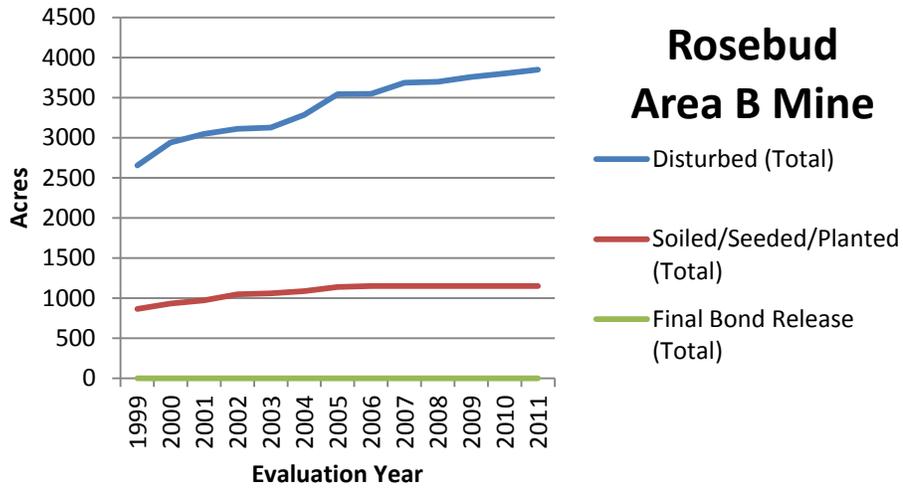


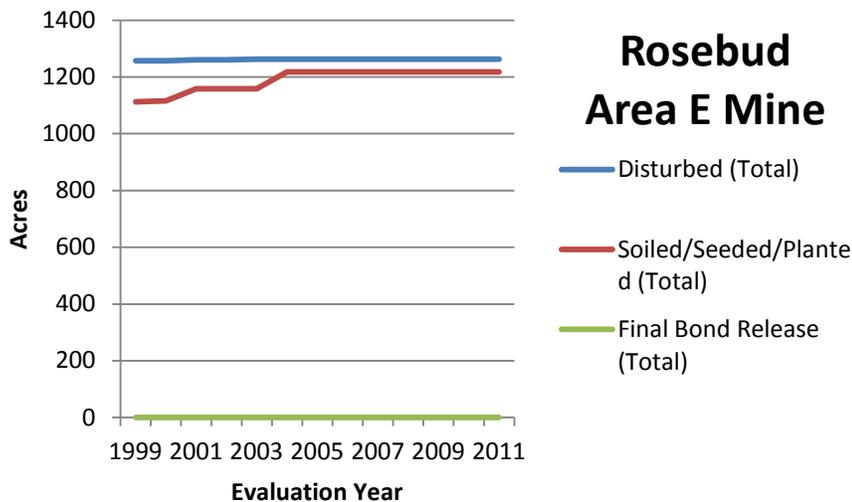
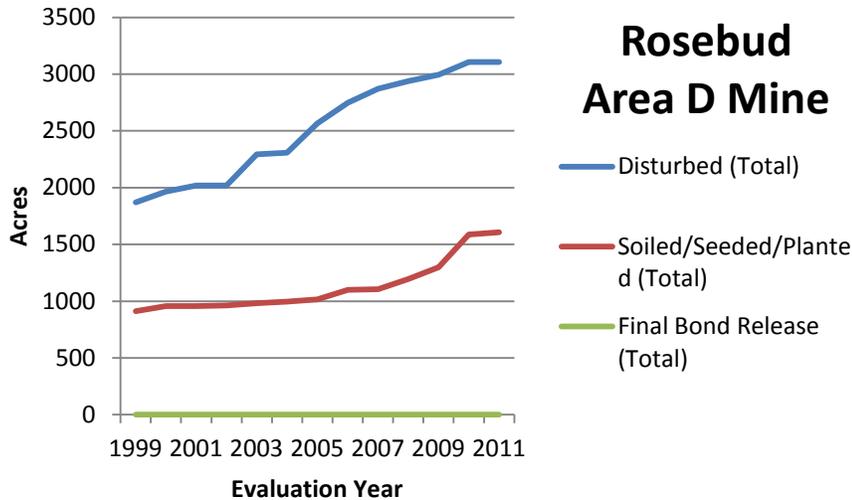












Source of data: MTDEQ

The graphs above illustrate reclamation activities at the active operating surface coal mines in Montana. Note that comparatively little final bond release has occurred. However, the slope of the Total Area Soiled/Seeded/Planted indicates that reclamation activities are occurring. The degree to which reclamation activities are keeping pace with disturbance is demonstrated by the convergence or divergence of the plotted lines of Total Area Disturbed and Total Area Soiled/Seeded/Planted. Divergence of these two lines may indicate a need for a greater emphasis on reclamation activities.

The CFO feels that overall, reclamation in Montana is occurring as contemporaneously as practicable. Reclamation success varies between

operations. Some of these delays can be explained as part of the normal mining process. However, a trend of reclamation delays, as indicated by a pattern of divergence on the plots of Total Area Disturbed vs. Total Area Soiled/Seeded/Planted may require future action on the part of the RA or OSM.

For example, a significant increase in the development of new mine areas will result in a predictable delay in final reclamation. When mining ceases in a pit area, a large spoil area behind the final pit cannot be reclaimed as quickly as desired. This is because the spoil material must be transported and used to backfill the final pit to meet AOC requirements. This can cause a short term delay in final reclamation. However, as the spoil piles are re-graded and the final pit is properly backfilled to AOC requirements, large acreages will likely be reclaimed in future years. Likewise, as new areas are developed, several pits must be mined before a large enough area is available to move and re-grade boxcut spoils to ensure the AOC requirements are met. Once enough boxcut spoil has been placed in its final location to meet AOC requirements, large areas become available for soil re-spreading and seeding. The CFO will continue to report reclamation success and inventory the status of disturbed lands for future reports.