COAL Overview

Northwest RAC

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Colorado BLM
Coal Program
COAL BENEFITS

• The US has 25% of the world’s coal reserves.

• Over the last decade, 49% the Nation’s electricity was generated by coal, in 2030 that will increase to 53%.

• 1.5 million people are employed due to coal (directly and indirectly). In coal producing areas the average miner’s wages are $79,910 compared to $16,246 for average service industry salaries.

• Coal byproducts (methanol and ethylene) are used in making plastics, tar, synthetic fibers, fertilizers, and medicines.

• You can not make steel without coal.
Over the Last Decade (FY 2002-2011)

- 49% of the Nation’s electricity was derived from Coal
- 40% of the Nation’s Coal was Produced from BLM
- BLM-managed lands produced 4.6 billion tons of coal
- BLM held 44 Coal Sales
- BLM generated $9.0 billion in bonus bids and royalty payments
- BLM administers 306 Coal leases (FY11)
## COAL ROYALTY PAYMENTS

**FY 2002-2011: $5.67 BILLION**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Leases</th>
<th>Federal Tons</th>
<th>Royalty</th>
<th>Gross Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>312</td>
<td>473,766,828</td>
<td>$434,365,320</td>
<td>$3,874,505,113</td>
</tr>
<tr>
<td>2003</td>
<td>308</td>
<td>422,326,865</td>
<td>$407,692,879</td>
<td>$3,673,528,331</td>
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<tr>
<td>2004</td>
<td>301</td>
<td>511,330,873</td>
<td>$417,578,467</td>
<td>$3,916,962,643</td>
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<tr>
<td>2005</td>
<td>295</td>
<td>466,949,162</td>
<td>$457,494,476</td>
<td>$4,426,536,111</td>
</tr>
<tr>
<td>2006</td>
<td>293</td>
<td>429,370,207</td>
<td>$508,130,980</td>
<td>$4,648,597,905</td>
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<tr>
<td>2007</td>
<td>298</td>
<td>439,985,972</td>
<td>$561,549,252</td>
<td>$5,167,947,075</td>
</tr>
<tr>
<td>2008</td>
<td>300</td>
<td>480,254,684</td>
<td>$673,981,246</td>
<td>$6,109,987,638</td>
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<tr>
<td>2009</td>
<td>299</td>
<td>464,053,787</td>
<td>$693,890,508</td>
<td>$6,286,373,318</td>
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<tr>
<td>2010</td>
<td>298</td>
<td>454,786,120</td>
<td>$742,693,852</td>
<td>$6,696,848,110</td>
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<tr>
<td>2011</td>
<td>306</td>
<td>451,352,837</td>
<td>$774,117,051</td>
<td>$6,968,480,607</td>
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<tr>
<td>Total</td>
<td></td>
<td>4,594,177,335</td>
<td>$5,671,494,029</td>
<td>$51,769,766,852</td>
</tr>
</tbody>
</table>

**Av./Year**

- 301
- 459,417,733
- $567,149,403
- $5,176,976,685
## COAL SALE BONUSES

**FY 2002-2011:** $3.355 BILLION BONUS BIDS ACCEPTED  
4.43 BILLION TONS LEASED

<table>
<thead>
<tr>
<th>Year</th>
<th>No. Sales</th>
<th>No. of Acres Leased</th>
<th>Tons Leased</th>
<th>Bonus Bid</th>
<th>Bonus Bid $/Ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>4</td>
<td>8,436</td>
<td>566,391,000</td>
<td>$391,411,552</td>
<td>$0.691</td>
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<tr>
<td>2003</td>
<td>2</td>
<td>920</td>
<td>7,930,000</td>
<td>$6,565,800</td>
<td>$0.828</td>
</tr>
<tr>
<td>2004</td>
<td>8</td>
<td>16,857</td>
<td>1,060,482,000</td>
<td>$893,901,596</td>
<td>$0.843</td>
</tr>
<tr>
<td>2005</td>
<td>9</td>
<td>18,006</td>
<td>1,042,625,000</td>
<td>$814,207,234</td>
<td>$0.779</td>
</tr>
<tr>
<td>2006</td>
<td>5</td>
<td>7,942</td>
<td>113,317,335</td>
<td>$3,526,650</td>
<td>$0.031</td>
</tr>
<tr>
<td>2007</td>
<td>5</td>
<td>5,641</td>
<td>227,900,000</td>
<td>$39,021,420</td>
<td>$0.171</td>
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<tr>
<td>2008</td>
<td>3</td>
<td>13,132</td>
<td>591,700,000</td>
<td>$456,650,513</td>
<td>$0.772</td>
</tr>
<tr>
<td>2009</td>
<td>3</td>
<td>1,066</td>
<td>56,618,000</td>
<td>$48,650,024</td>
<td>$0.859</td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
<td>160</td>
<td>3,000,000</td>
<td>$16,000</td>
<td>$0.005</td>
</tr>
<tr>
<td>2011</td>
<td>4</td>
<td>7,441</td>
<td>758,549,800</td>
<td>$701,100,191</td>
<td>$0.924</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>79,601</td>
<td>4,431,513,135</td>
<td>$3,355,050,980</td>
<td>$0.757</td>
</tr>
</tbody>
</table>

**Av./Year**  
4 7,960 443,151,314 $335,505,098 $0.757
Colorado Coal Program

• FY11 budget - $870,000
• FY12 budget – initially cut $523,000, then $275,000 restored = $622,000
• 3 Mining Engineers – UFO, LSFO, WRFO
• 5 Geologists – RGFO, LSFO, GJFO, UFO, TRFO
Colorado 2011

- 50 coal leases (the oldest Colorado lease was issued in 1923)
- 6 pending applications for new coal leases
- 7 pending lease modifications
- 3 exploration licenses
- 2 pending exploration licenses
Colorado Coal - 2011

- Total* production = 27 million tons (*Federal, State, and private)
- Federal production = 19.5 million tons
  - $59 million royalty on $884 million sales value
  - ½ of Federal royalty is returned to State of Colorado
- 11 mines (9 have Federal leases)
  - 5 underground longwall, 2 to 7.7 million tpy
  - 3 underground room & pillar, .1 to .6 million tpy
  - 3 surface, .3 to 2.4 million tpy
Coal Mines

• Uncompahgre Field Office
  – Mountain Coal Co 4.9 mill tpy
  – Bowie 1.2 mill tpy
  – Oxbow 5.7 mill tpy

• Grand Junction Field Office
  – McClane Canyon inactive

• Tres Rios Field Office
  – National King Coal 500 K tpy
Coal Mines cont.

• Little Snake Field Office
  – Trapper 2.1 mill tpy
  – Colowyo 3.5 mill tpy
  – Twenty Mile 7.8 mill tpy
  – Sage Creek (LBA)

• White River Field Office
  – Deserado 2.2 mill tpy

• Royal Gorge Field Office
  – New Elk (LBA) .1 mill tpy ↑
COAL LEASING PROCESS

**Exploration**
- Exploration Plan
- Exploration License

**Leasing**
- Lease application
- Environmental Analysis
- Appraisal (Fair Market Value)
- Publication and Competitive Sale
- New Coal Lease Issued

**Requirements**
- Environmental Analysis
- Bonding
- Payments
- Fair Market Value
- Diligence
- Max Economic Recovery
Federal Coal Leasing Process

Black boxes indicate decision point with potential appeal rights

1. Application
   - Applicant’s Qualifications
   - Surface Owner Consent
   - Governor and Regional Coal Team Consultation

2. Land Use Plan Compliance
   - Fair Market Value Max Economic Recovery
   - NEPA

3. Public Hearing
   - Decision to Hold Sale
   - Sale Notice
   - Public Sale

4. Application Rejected

5. Issue Lease
   - Post Bond
   - DOJ Anti-Trust Review
   - Post Sale Evaluation Panel

6. Reject Bid
Basic Leasing Process for Coal

1. BLM - application
2. BLM – issues lease
3. Company submits Mine Plan to OSM and BLM and MSHA and DRMS
4. OSM – submits Mine Permit Package recommendations to Sec. DOI
5. DRMS – issues state mining permits
6. BLM, OSM, DRMS – review all proposed modifications
7. Office of Natural Resources Revenue collects rents, royalties, bonus payments
COAL LEASING PROCESSES

Exploration
  • Exploration Plan and License

Leasing
  • Lease Application
  • Analysis: Environmental, Geological, Mining, and Fair Market Value
  • Notice of a Competitive Sale
  • Lease Processed/Issued

General Requirements
  • Mine Plan/Permit Approval
  • Bonding
  • FMV (rental, royalty, bonus) payments
  • Diligent development