



## BRIEFING STATEMENT

# BLM-MONTANA/DAKOTAS

BILLINGS FIELD OFFICE • 5001 SOUTHGATE DRIVE • BILLINGS, MONTANA 59101 • WWW.BLM.GOV/MT

March 16, 2012

### **SUBJECT: SIGNAL PEAK ENERGY COAL LEASE APPLICATION**

#### **I. SUMMARY:**

In March 2008, Signal Peak Energy (SPE), LLC. submitted an application to lease federal coal from approximately 2,700 acres in Musselshell County, Mont.

Signal Peak Energy is actively engaged in underground coal mining in Musselshell and Yellowstone counties. The proposed federal coal lease would be applied to the dedicated reserve base of the Bull Mountains Mine No. 1 and would enable the company to fully implement the life of mine plan.

#### **II. BACKGROUND:**

The Bull Mountains Mine No. 1 began production in 1992 through conversion of a surface mine to underground development, and in late 2009, the mine began production from longwall panels. Upon full development of the mine plan, the company anticipates annual production of approximately 10-12 million tons of coal.

Federal coal lease parcels occur within the mining sequence that provides access to large blocks of private coal reserves. Based on projected future coal production, SPE estimates that mine progression will reach the first of the federal coal lease parcels within two years.

The Billings Field Office completed an environmental assessment (EA) in April 2010 to analyze the effects of issuing a coal lease at the Bull Mountains No. 1 Mine. The BLM received several comment letters on the EA. The comment letters focused on the effects of mine-related subsidence and the production of greenhouse gases (GHG) and their effects on global climate, including the effects of transporting and burning the coal to generate power. The EA stated that if the coal is leased and mined, greenhouse gases would be released into the atmosphere. In addition, the EA recognized and discussed in depth the issues relating to climate change. Although the BLM quantified the greenhouse gas emissions at the mine for current and projected operations under the Proposed Action, existing climate projection models and tools are not at a scale sufficient to estimate the potential impacts to the global climate.

The Finding of No Significant Impact and Decision Record were issued in April 2011 and subsequently appealed by the Bull Mountain Land Alliance (BMLA) and the Sierra Club. The Sierra Club subsequently withdrew its appeal. The BMLA appeal points are primarily focused on affects from subsidence. As the appeal has worked its way through the Interior Board of Land Appeals, the fair market value appraisal of the coal resource proceeded and the coal was offered for lease in mid-November 2011. The BLM rejected the sole bid received at that sale, which was submitted by SPE, because the bid did not meet or exceed BLM's estimate of the fair market value of the tracts. In December 2011, SPE requested that the BLM Montana/Dakotas offer the coal lease tract for sale again, and the BLM agreed to do so. At a sale in late February 2012, the BLM accepted a single, high bid of \$10,650,000 (\$0.30 per recoverable ton) from SPE. The appeal is still outstanding.

#### **PUBLIC INTEREST:**

Public interest in the Bull Mountain Mine No. 1 is moderate to high. The mine employs approximately 200 people and is a very important source of revenue for Musselshell County.

SPE has stated that any delay in approval of the coal lease application or its ability to pass through the federal coal will seriously impact the viability of the mine.

#### **CONTACT:**

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