May 4, 2015

Armand Southall
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Office of Natural Resources Revenue
P.O. Box 25165
MS61030A
Denver, CO 80225

Subject: Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Reform (ONRR-2012-0004 (1012-AA13))

Dear Mr. Southall:

I strongly oppose the Department of Interior's recently proposed rule "Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Reform (ONRR-2012-0004 (1012-AA13))." The proposed rule is severely flawed and misguided and will likely lead to reduced coal production and less royalty for the state of Montana.

Among the many flaws, section 1206.253 is particularly troublesome.

§1206.253 "(c) ONRR may decide to value your coal under §1206.254 if ONRR determines that the gross proceeds accruing to you or your affiliate under a contract do not reflect reasonable consideration because:
(2) You breached your duty to market the coal for the mutual benefit of yourself and the lessor by selling your coal at a value that is unreasonably low."

As a commodity, coal markets can vary dramatically from year to year and even from month to month. Given the fact that most if not all audits are being conducted seven or more years after the sale has occurred, allowing ONRR to determine "mutual benefit" years after the fact creates uncertainty for the state of Montana, the federal government and the company. No taxpayer, whether it is a private individual, or a publicly traded company can operate successfully with this kind of uncertainty.

It is unclear why the ONRR has embarked upon this rulemaking process in light of the fact that neither the Government Accounting Office nor the Inspector General has considered royalty processes as part of any study or evaluation. Furthermore, no outside respectable/credible organization has conducted any study into royalty valuation processes applied by ONRR on federal coal.

Given the potential impacts to the development of coal and the subsequent potential loss of royalty payments to the federal government and the state of Montana and in the absence of any meaningful information that suggests a rule re-write is necessary, ONRR should withdraw the rule proposal entirely.

Thank you for your attention.

Sincerely,

Todd O'Hair
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