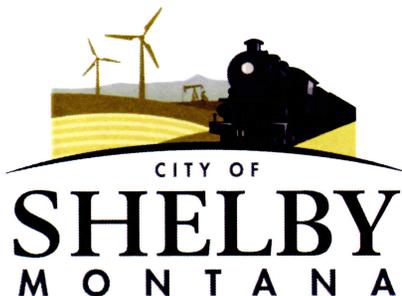


CITY OF SHELBY

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Mayor: Larry J. Bonderud
Council: Cindy Doane, Eugene Haroldson,
Harvey Hawbaker, Lyle Kimmet,
Don Lee, John "Chip" Miller, Jr.
Animal Control: Mark Warila
Attorney: William E. Hunt, Jr.
Building Inspector: Rob Tasker
Community Development: Lorette Carter
Finance Officer:
Judge: Joe Rapkoch
Recreation Director: Cindy Florez
Superintendent: Loren Skartved

May 05, 2015

Armand Southall
Regulatory Specialist
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 write to ask that you vocally oppose the Department of the Interior's proposed rule "Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Reform (ONRR-2012-0004 (1012-AA13))." This rule puts at jeopardy millions of dollars in royalty payments and taxes from development of federal coal in Montana, important funds that go to services across our state.

Under the proposed rule, the Secretary of the Interior would be granted far too much power, which is worrisome for royalty valuation but could also be precedent-setting across the Interior Department's wide scope of Montana interests. Under the rule's 'default provision,' the Secretary can arbitrarily set a value for coal based on any price he/she believes is 'fair.' While proponents generously say that this default provision would be used only rarely, I do not think producers of federal energy reserves could be faulted for wanting more clarity than this Administration's word, which in any case is not binding for future Administrations. The uncertainty the default provision creates could stifle production of coal, leading to lost revenue and difficult budget cuts.

It is important to note that the royalty and tax calculations are audited on an annual basis, ensuring Montana and the federal government receive the accurate amount for production of these resources. However, the audits lag years, often 6 to 8 years, after these sales. Thus, a producer would need to hold in reserve an untold amount for 6 or 8 years before the Secretary decided whether to invoke the default provision and then determine the Secretary's 'value for coal.' Individuals could not operate under this type of scenario if the IRS was promoting

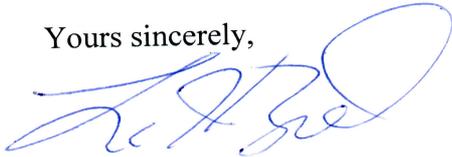
something similar, and energy producers cannot be expected to do so either. The proposal is simply unworkable and could have wide-ranging consequences.

If coal producers abandon development in Montana, the state will feel a significant and nonproportionate impact of this loss of revenue compared to the federal government.

I ask that you give the Department of the Interior's proposed rule a full and thorough review and oppose this federal power grab that would harm our state.

Thank you for your attention to this matter.

Yours sincerely,



Larry J. Bonderud
Mayor
City of Shelby