



May 4, 2017

Armand Southall  
Office of Natural Resources Revenue  
Building 53, Entrance E-20 Denver Federal Center  
West 6<sup>th</sup> Ave and Kipling Street  
Denver, CO 80225

**RE: RIN 1012-AA20 Repeal of Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform Rule**

Dear Mr. Southall:

The Lignite Energy Council (LEC) is submitting the following comments in support of the April 4<sup>th</sup> proposal<sup>1</sup> from the Office of Natural Resources Revenue (ONRR) to repeal the Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform Rule that was published on July 1, 2016. The LEC is a regional, non-profit trade association whose primary mission is to enhance, preserve, and protect the development and use of lignite coal as an affordable and reliable energy source. The LEC's membership includes: 1) producers of lignite coal who have an ownership interest in and who mine lignite; 2) users of lignite who operate lignite-fired electric generating plants and the nation's only commercial-scale "synfuels" plant that converts lignite into pipeline-quality natural gas; and 3) suppliers of goods and services to the lignite coal industry.

The LEC represents producers who mine approximately 30 million tons of lignite coal annually for use at coal conversion facilities within the State of North Dakota and who have a direct interest in the proposal to rescind the 2016 rule. The LEC offers the following information to help you understand the situation with federal coal in North Dakota. All of the coal produced in North Dakota is used within the state to produce electricity, synthetic natural gas, and associated byproducts. No coal mined within the state is sold on the open market or transported out-of-state.

Federal coal production in North Dakota is unique in many ways relative to surface coal production throughout the Western United States. Primarily, federal coal typically represents a small, yet not inconsequential, proportion of the coal within a mine area. Federal coal tracts typically represent approximately fifteen percent of the coal that is being permitted and mined on an annual basis. In some years, no federal coal is mined at all. Further, while federal coal reserves are comingled with non-federal coal, the Federal Government has no surface ownership

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<sup>1</sup> 82 Fed. Reg. 16323-16325



above its coal holdings, and sometimes shares its coal ownership in a given tract with other coal owners.

Given the mine-mouth nature of lignite coal mines and electric generating facilities, mining companies in North Dakota have secured long-term supply contracts with their utility customers. As a result, mining companies secure the majority of leases needed to satisfy decades-long fuel supply contracts, as well as the surface area they intend to mine, before submitting an application for a mine permit from the North Dakota Public Service Commission (PSC). After these pieces have fallen into place, coal producers can begin mining activity and have developed the practice of pursuing a federal coal lease by accounting for an appropriate amount of lead time in their mine plan.

Due to the significant number of Department of Interior initiatives with respect to federal coal that were taking place around the same period in which the valuation rule was proposed and finalized, the LEC did not have adequate time to appropriately review and provide substantive comment on the rule. However, since that time, it has become abundantly clear that the final valuation rule had significant deficiencies that warrant its rescission. Further, we believe that ONRR had failed to identify appropriate justification for why the rule was needed at the time it was finalized. Nothing presented by ONRR at the time indicated the need for substantial revision to valuation regulations that have been well understood and implemented for nearly three decades. As such, the LEC feels that any determinations regarding the need for future changes to federal coal valuation are most appropriately addressed by the recently reinstated Royalty Policy Committee.

Thank you for this opportunity to submit comment. The LEC supports ONRR's proposal to repeal the Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform Rule. By allowing responsible production of federal coal resources, the ONRR can assist in providing the low-cost and reliable electricity that powers our homes and businesses, maintains economic competitiveness, good-paying jobs, and a solid return for the taxpayer.

Sincerely,

LIGNITE ENERGY COUNCIL

A handwritten signature in black ink that reads "Jason Bohrer". The signature is written in a cursive style with a horizontal line underneath the name.

Jason Bohrer  
President & CEO

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