CROW TRIBE EXECUTIVE BRANCH

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May 8, 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 (RIN 1012-AA13))

Dear Mr. Southall:

I am writing with regard to a rule proposal from the Department of Interior's Office of Natural Resources Revenue (ONRR) known as Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform.

As you know, coal is vital to the Crow people. The Crow Nation has developed a limited amount of its resource, by leasing a portion of its coal reserves for more than 40 continuous years to Westmoreland Resources, Inc. ("WRI"). WRI owns and operates the Absaloka Mine which produces 5-7 million tons per year of coal with production taxes and royalties paid to the Crow Nation – exceeding $20 million in 2010 when the Mine was operating at full capacity. The revenue generated from the Mine represents as much as two-thirds of the Crow Nation's non-federal budget. The Mine also provides the best source of employment in the area for both Tribal and non-Tribal members.

However, our coal partners and our coal economist consistently remind us of the difficult environment for domestic coal production for use in power plants across the country. Ninety percent of the coal mined from the Absaloka Mine is sold to and fuels electrical generating units (EGUs) in Minnesota. The EPA's recently proposed

Clean Power Plan strongly encourages the State of Minnesota to force retirement of the older units of those power plants to meet the carbon reduction goals set by the EPA.

The Crow Nation understands its options for providing future economic opportunities for its members and has elected to utilize its coal asset by pursuing sales to both domestic and international power generation utilities. The existing and future growth in the international energy demand for coal provides the opportunity for Crow nation to obtain full value for their resource and could offset some loss of revenue caused by the EPA decisions that diminish the domestic markets for our coal.

In June 2013, the BIA approved another Crow Nation agreement with Cloud Peak Energy ("CPE") to explore, with options to lease and develop an estimated 1.4 billion tons of Crow coal in the southeastern corner of the Crow Reservation. This long-term agreement will also provide much needed revenue to the Crow Nation, increase employment opportunities for Crow and Montana citizens, and diversify Tribal revenue sources. The project – named Big Metal (www.bigmetalcoal.com), is largely dependent on reaching international customers through the Pacific-Northwest.

To develop our coal resources and gain full value, the Crow Nation has partnered with CPE, BNSF and SSA Marine to gain access to international customers. However, ONRR's proposed rule seeks to completely reconstruct royalty valuation methods as it relates, in part, to marketing to these international utilities.

Our partners are concerned that the rule's implications could dramatically impact their ability to meet the needs of international customers, and in turn, our ability to access those customers would be damaged as well. Actions that threaten terminal development and/or create unworkable uncertainty could leave the Crow nation with few options.

The ultimate impacts of ONRR's proposed rule on Federal and Indian coal valuations and coal production are not clear. It is incumbent on the Department of Interior and ONRR to better understand those impacts, not only to the State of Montana, but also to the Crow Nation.

The Crow Nation urges the Department of the Interior and the Office of Natural Resources Revenue to reach out to all the parties that would be affected by the draft rule and engage in both further dialogue and more in depth study of the issue before attempting to finalize the rule. We are deeply concerned that there are

serious misunderstandings on the part of ONRR about both how the industry works and the negative impact that the rule as currently drafted could have on our partners, ourselves, and others in Indian Country seeking economic growth and independence through development of energy resources.

Sincerely,

Darrin Old Coyote
Chairman