Land Board Leases 12M Tons of Coal to Roundup Mine

MATTHEW BROWN, Associated Press

BILLINGS, Mont. (AP) — The Montana Land Board leased 12 million tons of state-owned coal to a mine near Roundup on Monday, despite concerns about its worker safety record and potential environmental impacts.

The five-member land board voted unanimously to accept a $3.6 million upfront bid for the coal from Signal Peak Energy. The owner of the Bull Mountain Mine offered the sole bid on the 640-acre tract.

State officials estimated the 10-year lease will bring Montana more than $15 million in royalties and other revenues.

Union representatives unsuccessfully sought provisions in the lease to protect worker safety, pointing to hundreds of citations and violations issued to the 300-employee mine by federal inspectors over the past several years.

The request from Robert Guilfoyle from the United Mine Workers would have allowed the state to cancel the coal lease with Signal Peak for any willful violation of worker safety laws.

Board member and state Securities and Insurance Commissioner Monica Lindeen said she was "very disturbed" by the mine's safety record. But she voted in favor of the lease sale after Signal Peak President John DeMichiei offered reassurances that the mine has been increasing worker safety training.

The Land board is chaired by Gov. Brian Schweitzer and includes Attorney General Steve Bullock and other statewide elected officials.

DeMichiei acknowledged past safety problems, which he attributed in part to worker inexperience, but said that conditions have improved and the rate of violations has fallen.

The Bull Mountain Mine was placed on notice by the U.S. Department of Labor two years ago that it faced potentially severe sanctions after racking up dozens of serious safety violations in its first two years of operation. Agency records show improvement at the mine and it has since been taken off the sanctions watch list, although it continues to be cited for violations.

"There's no mine, surface mine as well as underground, that has a zero violation history," DeMichiei told the land board Monday.

Local officials from Roundup and Musselshell County spoke in favor of the lease sale

and said the mine has brought in millions of dollars in tax revenue.

Yet, conservation groups said Signal Peak's bid was too low for what the coal is really worth, and warned that burning the fuel could contribute to climate change.

The state did not appraise the coal before deciding if Signal Peak's bid met the legal requirement of fair market value.

Instead, the Department of Natural Resources and Conservation relied on a comparison with another lease sale to Signal Peak by the federal Bureau of Land Management.

Musselshell County rancher and mine neighbor Steve Charter said the BLM has refused to disclose how it came up with its value for the coal. And Charter pointed out that Signal Peak faced no competition in the state or federal lease sales.

"A competitive bid in the middle of an existing mine is a joke," Charter said. "It's setting a very bad precedent for all future coal leases."

DeMichiei said the coal reserves included in the state lease sale will allow Bull Mountain to continue mining through 2023.

The DNRC said the $3.6 million upfront bid equals about 30 cents per ton of recoverable reserves. The lease also would require a royalty payment of 10 percent of the gross value of coal mined.

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