Tribe Signs Coal Deal with Mining Company

MATTHEW BROWN,Associated Press

CROW AGENCY, Mont. (AP) — Leaders of the Crow Tribe agreed Thursday to give a Wyoming mining company rights to lease an estimated 1.4 billion tons of coal beneath the tribe's land in southeastern Montana.

The deal with Cloud Peak Energy involves more coal than the U.S. consumes annually, and revives stalled efforts to expand mining on the impoverished, 2.2 million-acre reservation.

Cloud Peak is hoping to ship the fuel overseas, tapping into coal export markets that have become increasingly attractive to mining companies as domestic demand falters due to competition from cheap natural gas and other factors.

Cloud Peak will pay the tribe $2.25 million up front. Additional payments in coming years could add up to $10 million for the tribe in exchange for leasing and exploration rights.

Approval from the Department of Interior is required before the deal can go into effect.

"The hopes and dreams have always been there of the Crow people developing that area," Crow Chairman Darrin Old Coyote told a crowd of several hundred people gathered to witness the signing of the agreement in Crow Agency. "I ask that we all work together collectively as a tribe to push this project forward so we can all benefit from the massive natural resources we have as the Crow people."

The future mining project was dubbed Big Metal in honor of a legendary Crow figure by the same name.

The tribe's coal reserves are within the Powder River Basin, which accounts for about 40 percent of U.S. coal production.

Cloud Peak and other companies have been seeking to boost exports of the region's coal through West Coast ports. They face determined resistance from environmentalists.

Cloud Peak chief executive Colin Marshall said it could take five years to develop a mine that would produce up to 10 million tons of coal annually. Other mines are also possible in the leased areas, he said.

But whether anything gets built will be tied closely to the fate of pending coal port proposals in Oregon and Washington state, he said.

"If a coal port is developed, then this mine will go ahead and bring us the prosperity

we are both looking for," Marshall said.

He added that without the option to export coal, Cloud Peak would have to find domestic buyers. That's a difficult prospect under current market conditions that have prompted many utilities to reduce their use of the fuel.

Cloud Peak has included the reservation's coal as part of its "export strategy" in recent presentations to company investors.

Negotiations to lease and mine the Crow's coal took place over several years. The resulting agreement calls for Cloud Peak to lease three coal deposits in the southeast corner of the reservation near the Wyoming border for an initial five-year term.

That lease could be extended to 2035 if certain conditions are met, the tribe and Cloud peak said. If the company exercises the lease options, it would pay the tribe between 8 cents and 15 cents per ton, plus royalties and production taxes.

The money from Cloud Peak will be divided between the tribe, tribal members and reservation communities, Old Coyote said. Further details will be up to the Crow Legislature, he said.

The tribe's reserves are near Cloud Peak's Spring Creek mine and Youngs Creek coal reserves. The Big Metal project could be developed as part of a larger mining complex involving those other properties, the company said.

If Cloud Peak builds a mine, it would be the second on the reservation.

The Absaloka mine, which opened in 1974 and is owned by Westmoreland Resources Inc., produces about 6 million tons annually and employs about 80 people, according to data from the Mine Health and Safety Administration.

Another attempt in recent years to expand coal mining on the reservation called for building a $7 billion coal-to-liquids plant in partnership with an Australian company.

Tribal leaders hoped that plant would give an economic boost to the Crow's 13,000 enrolled members. But more than four years after the Many Stars coal-to-liquids project was announced, its prospects are uncertain due to financing difficulties and other problems.

Old Coyote and other tribal officials said Thursday the plans for the plant are not dead and they are in discussions to get the project going again.

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