Mining Company Eyes Crow Indian Reservation

MATTHEW BROWN,Associated Press

BILLINGS, Mont. (AP) — A mining company plans to start exploratory work this spring on an estimated 400 million tons of coal beneath Montana's Crow Indian Reservation, adding to a spate of recent interest in the region's huge coal reserves despite flagging domestic demand for the fuel.

Signal Peak Energy is eying a future mine on private property within the reservation's boundaries known as the Hope Ranch.

The exploration area covers more than 7,000 acres and is just a few miles from the neighboring Northern Cheyenne Reservation, according to an analysis of the project by federal officials. The site is about 30 miles north of the Wyoming border.

Signal Peak operates the Bull Mountain mine north of Billings and exports much of its coal to customers in Asia.

Its pursuit of coal on the reservation follows a January deal signed by Crow leaders including tribal Chairman Darrin Old Coyote that gave another company rights to lease an estimated 1.4 billion tons of coal. Wyoming-based Cloud Peak Energy agreed to pay the tribe $2.25 million up front and additional payments in coming years could add up to $10 million.

Before any decision is made on a mine at Hope Ranch, Signal Peak President John DeMichiei said the company will need to analyze drilling samples. Those will be collected in coming months to gauge the coal's quality and more accurately define how much is there.

The 400-million-ton figure is only an initial estimate, he said.

"Obviously there's a lot of potential in Montana," DeMichiei said. "We've developed a world-class operation in Signal Peak, and we have the opportunity to do that elsewhere in Montana on a similar level."

The only coal mine now on the reservation is Westmoreland Resources' Absaloka mine, which opened in 1974 and produces about 6 million tons annually.

Crow Tribe attorney Bill Watt said there have been preliminary discussions with Signal Peak, but offered no further comment.

Hope Ranch is among several sites Signal Peak is investigating, DeMichiei said. He declined to reveal details on the others and said they were not as far along.

The tribe's 2.2-million-acre reservation sits atop an estimated 9 billion coal reserve. It's located at the north end of the Powder River Basin, an arid region along the

Montana-Wyoming border that produces more coal than any other part of the country.

The tribe's reserves would be enough to satisfy U.S. power plant needs for almost a decade based on current consumption rates. Yet domestic demand for the fuel has fallen off sharply over the last several years, primarily due to competition from cheap natural gas.

To offset those declines, companies including Signal Peak and Cloud Peak have stepped up sales in Asia, where demand remains strong among developing countries and industrialized nations including Japan and South Korea.

Exports last year hit record high levels.

The industry's aspirations for further growth have been challenged by environmentalists and some public officials lined up against several proposed new coal ports on the West Coast. In Montana, the industry's detractors have raised concerns that increased mining could hurt agricultural water supplies and cause congestion on rail lines used to ship the coal out of state.

Supporters say increased coal exports would spur new jobs in mining, shipping and construction.

Federal officials have given initial approval for Signal Peak's work at Hope Ranch, although the decision remains subject to appeal through March 22, said Phil Perlewitz with the U.S. Bureau of Land Management.

The agency has authority over the project as part of the government's Indian trust responsibilities because the site is within the reservation's boundaries, said Perlewitz.

Even though the work is being done on private land, it's expected that the company would need cooperation from the tribe to pursue a mine.

Another major player in the industry, Arch Coal, Inc., has leased a large reserve of state-owned coal just east of the Northern Cheyenne Reservation. That mine, which would require a new railroad, is encountering opposition from some members of the Northern Cheyenne who fear that it will disrupt their traditional culture and increase air pollution.

Combined, the Arch and Cloud Peak proposals entail mining of 30 million tons of coal annually. If Signal Peak also pursues a mine, the three projects have the potential to roughly double Montana's annual production levels.

It's unclear how the company would get the coal off the reservation. There's little infrastructure in the area, and the exploratory work is planned about 10 miles east of the nearest rail line, owned by BNSF Railway.

DiMichiei said it was too early to discuss transportation options. At Bull Mountain,

the company built a 36-mile rail spur for $105 million to connect to nearest BNSF line.

Source URL (retrieved on *04/19/2015 - 11:25am*):
http://www.chem.info/news/2013/03/mining-company-eyes-crow-indian-reservation?qt-most_popular=1