Cloud Peak Seeks 198M ton Coal Lease in Montana

MATTHEW BROWN, Associated Press

BILLINGS, Mont. (AP) — Federal and state officials will weigh in this week on a Wyoming company's application to lease 198 million tons of coal adjacent to a southeastern Montana mine, amid an emerging debate over whether the government is undervaluing the coal from such projects.

Cloud Peak Energy is seeking to expand its lease at the Spring Creek Mine near Decker by more than 1,600 acres.

Wednesday's initial decision on the application will come on the heels of a U.S. Department of Interior Inspector General's report that said the agency may be losing tens of millions of dollars by undervaluing coal from public lands.

As a result of the report, the Bureau of Land Management agreed to make changes to its leasing program, although agency officials disputed the scale of losses claimed by inspector general investigators.

Another report on the federal coal leasing program is pending from the U.S. Government Accountability Office, the investigative arm of Congress.

BLM regional coal coordinator Greg Fesko acknowledged the leasing program is under added scrutiny.

"We're right in the bull's-eye now," Fesko said.

Representatives of Cloud Peak declined comment.

Environmentalists who want a moratorium on new leases called for Wednesday's decision to be postponed until outstanding questions about the program are addressed. They highlighted the millions of tons of coal annually that Cloud Peak sells overseas — fuel that can be sold at higher prices than on the domestic market but also entails higher shipping costs.

The push to derail the lease is part of a concerted effort by coal's detractors to put the brakes on an industry considered one of the primary contributors to global warming, due to greenhouse gas emissions from coal-burning power plants.

Mining industry representatives counter that its critics ignore billions of dollars in government revenues and thousands of coal mining jobs in the Powder River Basin. That's an area of southeast Montana and northeast Wyoming that accounts for the bulk of U.S. coal production.

Seven other lease applications in the basin are pending before the Bureau of Land Management. The leases combined involve more than 4 billion tons of coal, with the earliest dating to 2005.

Cloud Peak's application will be considered by the Powder River Basin Regional Coal Team. The five-member panel includes the governors of Montana and Wyoming or their representatives, the states' BLM directors and the BLM director for mineral and lands in Montana.

Wednesday's vote is among the first steps in a process that would include environmental and economic studies if the coal team votes in favor of the application.

Federal officials said that if the team votes to move the application forward, it still could be several years before a value is placed on the lease.

Fesko said that given the early stage in the process, it wouldn't be appropriate to discuss the potential value of Cloud Peak's lease until more detailed geological and mining engineering work is done. That would provide a better gauge of the amount and quality of coal within the lease application area and how difficult it would be to extract.

In a Monday letter to BLM Wyoming Director Don Simpson, groups including the Northern Plains Resource Council, WildEarth Guardians and Sierra Club called for a delay in Wednesday's vote until more information about the application is provided.

"The coal is federally owned and managed; in other words, it is the American public's coal," the groups wrote. They added that the "paucity of detail" regarding the lease application had cast a shadow over the coal team's deliberations.

Marion Loomis with the Wyoming Mining Association defended the federal leasing program. Since the government sets minimum bids for its coal lease sales but does not make that information public, Loomis said that in some cases companies probably overpaid.

He added that the rejection of some bids shows the process is working.

"It's critical that there be some kind of consistent, reliable process for coal to be leased, so these companies can have the opportunity to continue to mine," he said.

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