No Bids for Wyo. Federal Coal Tract a First

MEAD GRUVER, Associated Press

CHEYENNE, Wyo. (AP) — For the first time, nobody has bid on a federal coal tract offered for sale in Wyoming after the company that initially sought to mine the location determined that it couldn't do so profitably.

The U.S. Bureau of Land Management held a coal lease sale in Cheyenne on Wednesday but received no bids.

Usually a federal coal tract offered for sale by the BLM receives exactly one bid — the one submitted by the company that applied to mine the coal. There are two competing bids very rarely.

This time, not even Gillette-based Cloud Peak Energy followed up its 7-year-old lease application for the 149 million tons of coal next to its Cordero Rojo mine. Economic analysis that accounted for market conditions and political and regulatory uncertainty showed that not all of the coal was economically recoverable, Cloud Peak President and CEO Colin Marshall said in a release.

"We were unable to construct an economic bid for this tract at this time," Marshall said.

While the coal industry and its allies warn that new greenhouse gas regulations for the power plants that burn Wyoming coal threaten the coal industry and by extension the state's economy, environmentalists jumped on the decision as a victory for their side.

"Even coal companies seem to be acknowledging that more coal leasing is a losing endeavor," Jeremy Nichols with WildEarth Guardians said.

Cordero Rojo is the third-biggest U.S. coal mine after two others in the Powder River Basin. The basin has a dozen surface mines that produce around 40 percent of the nation's coal and make Wyoming the top coal state.

Cloud Peak first applied in 2006 to mine the coal through the federal lease. The application launched a lengthy analysis by the BLM of the environmental effects of mining the coal and an in-depth assessment by the agency of the coal's value.

The BLM uses the secret figure to decide whether to accept or reject a high bid.

"They are bidding against the house and the house has a secret bid. So it is up to the company to put in their very, very best effort not knowing what our number is," BLM spokeswoman Beverly Gorny said.

The Cloud Peak release didn't offer details of its financial assessment of the coal

tract and a company spokeswoman didn't return a message.

Spot coal prices have recovered somewhat from recent lows, said Wyoming Mining Association Executive Director Marion Loomis, but companies need to make long-term plans based on long-term contracts.

They need to be able to recoup their investment in expanding mines.

"It just shows the softness of the market right now. They don't want to make investments until they make sure there is a market available for that coal," Loomis said.

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