



DELTA COUNTY, COLORADO

BOARD OF COUNTY COMMISSIONERS

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Dist. 1: C. Douglas Atchley - Dist. 2: C. Bruce Hovde - Dist. 3: J. Mark Roeber

May 8, 2015

Armand Southall

Regulatory Specialist, ONRR

P.O. Box 25165, MS 61030A

Denver, CO 80225

Attn: Regulation Identifier Number (RIN) 1012-AA13

Re: Delta County Comments on Office of Natural Resources Revenue (ONRR) Proposed Rule to Amend Federal and Indian Coal Valuation Regulations, 80 Fed. Reg. 608 (Jan. 6, 2015)

Submitted via: <http://www.regulations.gov> and U.S. mail

Dear Mr. Southall:

On January 6, 2015, the Office of Natural Resources Revenue (“ONRR”) issued a Proposed Rule entitled “Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform.” This rule would significantly modify the royalty valuation regulations in 30 C.F.R. Part 1206, Subparts F and J, applicable to coal production from leases on federal and Indian lands, respectively.

Delta County is located in west central Colorado and is 57 percent federal land. The economy is based on agriculture, coal mining and tourism. The mines in our county and surrounding area have very innovative and have even implemented ground breaking power generation by converting methane to electricity.

Mining in Delta County historically employed 1200 families and supported thousands more by those employed in the service and supply businesses within the county. The majority of families, whose livelihood depends on mining, lives and works in Delta County. There are approximately 7800 households in Delta County therefore mining represented 15 percent of the families in Delta County prior to 2012. Since 2012, Delta County has lost over 500 mining jobs and 3 supporting businesses. The direct mining jobs alone represent a 42 percent decrease in jobs.

Specific numbers for the mines that affect Delta County include:

West Elk Mine employs 368 miners with total pay and benefits of nearly 44 million. The mine's economic impact in 2011 was \$25 million in taxes and royalties. From that \$12.4 million was distributed in the state. In 2012, \$16.0 million in royalties and taxes were paid.

Bowie Mine employs 321 miners and has made \$8.8 million in royalty payments, \$777,000 in severance taxes, \$2.3 million in excise taxes, and \$357,000 in reclamation taxes. Bowie has a total payroll of \$26.2 million. Additionally, Bowie made \$40 million in purchases of goods and services locally.

Oxbow historically employed 300 plus miners and documents similar economic numbers. Total direct economic benefits associated with the coal mines within the North Fork Valley exceed \$60 million annually.

Delta County strongly opposes the principal proposed changes to the royalty valuation standards for coal production from federal and Indian leases. The Proposed Rule ignores that the applicable mineral lease laws and lease terms entitle the lessor to a prescribe percentage of the value of coal at the lease. The production and marketing of coal is significantly different than all other minerals, oil and gas and therefore warrants its unique valuation system. The individuality and production constraints to coal have remained the same over time and thus the current system of valuation has worked and provided consistency to the industry and supporting county economies. The Proposed Rule would only add to the complexity and brings a level of uncertainty, individual regulatory interpretation and volatility to the industry and supporting counties.

Public lands counties are subject to vague interpretation of rules, standards and guidelines and this proposed rule will actually increase ambiguity, undue burdens and regulatory uncertainty. Additionally, the Proposed Rule fails to adequately define how State auditors would administer federal coal leases. This sets up the State to additional financial burden. The audit functions should stay at the federal level.

Finally, Delta County urges the ONRR to continue researching methodologies and administrative guidance to simplify federal and Indian coal valuation and provide a fair return to the public. The Proposed Rule as written will only result in additional burdens and potential litigation. Our County depends on a fair and equitable valuation system that is not subject to political correctness.

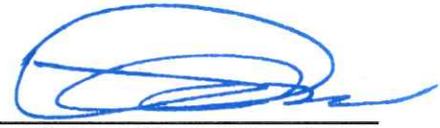
Sincerely,
Delta Board of County Commissioners



J. Mark Roeber, Chairman



C. Douglas Atchley, Vice Chairman



C. Bruce Hovde, Commissioner