May 5, 2015

Armand Southall
Regulatory Specialist
Office of Natural Resources Revenue
P.O. Box 25165
MS61030A
Denver, CO 80225

Subject: Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Reform (ONRR-2012-0004 (1012-AA13))

Dear Mr. Southall:

I ask that the Department of the Interior withdraw the Office of Natural Resource Revenue's proposed Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Reform (ONRR-2012-0004 (1012-AA13)) because of the significant, harmful and ultimately unworkable uncertainty created by the rule, which could lead to less federal energy production and a resulting decrease in federal and state revenues.

Responsible development and production of federal energy resources provides an immense benefit to the federal government as well as state, local and tribal governments across the country. The U.S. enjoys some of the world's lowest electricity prices because of the production and use of low-cost, abundant and reliable coal, much of which comes from the Powder River Basin, stretching across northeast Wyoming and southeast Montana. In addition to being low-cost, Powder River Basin coal is also extremely low in sulfur content, reducing utility emissions of sulfur-dioxide. This region is a critical component of America's energy mix and must continue to be for decades to come if the U.S. is to maintain its competitive advantage of low energy prices.

This proposed rule change appears to be a continuation of the Administration's onslaught on the coal industry and threatens the reliable and affordable energy it provides. The proposed ONRR rule would, for the first time, assess royalties on logistics services provided by coal companies who arrange delivery to domestic and international customers. This is a significant change to the current system, under which large long term investments have been made, where federal royalties are applied to coal (and other minerals) as it is sold from mines. Such a significant change to the application of a rule creates significant uncertainty that will have a chilling effect on investment while adding to the large regulatory burden already faced by the industry.

If enacted, over time this rule is likely to lead to a decrease in the revenues received by states with federal coal leases due to reduced overall shipments.

While it will impact domestic and export deliveries alike it appears to be an attempt to hinder attempts to export federal coal by imposing a federal mineral royalty on logistics services provided by producers. In effect this would be a penalty on vertical integration that would treat sales differently for tax purposes if undertaken by a miner or third party companies. Most troublingly, the draft rule's "default provision" would grant Administration officials the power to unilaterally set prices for the purposes of taxation and royalties for the first time. Such a provision can only create ongoing uncertainty that would inhibit long term investments. I am deeply concerned that despite our proven record of complying with state and federal regulations, and substantial royalty payments over many years, the ONRR is acting, not to improve efficiency and increase revenues as they suggest, but to reduce overall federal coal production.

For these reasons, I ask that the rule be withdrawn.

Thank you for your attention to this matter of significant importance.

Sincerely,

Rick Curtsinger
Manager, Media Relations
Cloud Peak Energy