



COLORADO
Gov. John Hickenlooper

August 25, 2017

Mr. Gregory P. Shoop, Acting State Director
U.S. Bureau of Land Management, Colorado State Office
2850 Youngfield Street
Lakewood, Colorado 80215

Sent via U.S. Mail and Electronic Mail to gshoop@blm.gov

RE: Mountain Coal Company's West Elk Mine Royalty Rate Reduction Application

Dear Mr. Shoop:

On behalf of the State of Colorado, I am writing to confirm our support for a royalty rate reduction application for federal coal leases COC 1362 and COC 67232 for Mountain Coal Company's West Elk Mine. This support is contingent on Mountain Coal's stated commitment to work collaboratively with Gunnison and Delta Counties, the State of Colorado and others to explore and develop a methane capture strategy at the mine, as well as to explore opportunities to put the methane to beneficial use.

The royalty rate reduction would be from 8 to 5 percent in areas where the E-seam split is six inches or greater in thickness and will be for a period of five years, retroactive to February 1, 2015. The estimated loss in revenues to the State of Colorado would be approximately \$4 million total over the course of five years.

The State supports this request subject to local government support, the economic value this mine provides to the North Fork Valley and the State of Colorado, and the Company's commitment to developing a strategy to capture methane emissions. If production from this federal coal seam does not occur at this time, local employment and revenues will be impacted, along with royalty revenues to federal and state governments, and severance tax revenues to state and local governments. Importantly, the Company has committed to working with the community and other stakeholders to develop ways to capture methane, and to explore ways to use the methane that would otherwise be vented. The Company's good-faith commitment to dedicating significant time and resources to the pursuit of this outcome is critical to our support—and that of local communities'—for the royalty rate reduction request.

If you have any further comments, please contact Ginny Brannon, Deputy Director of the Colorado Department of Natural Resources (303-866-3311).

Sincerely,

John W. Hickenlooper
Governor

cc: Robert Randall, Executive Director of the Colorado Department of Natural Resources

