

January 9, 2010

Company chief says state seeking unrealistic bids for coal east of Billings

The Associated Press

HELENA — The president of the Houston company that owns 730 million tons of coal interspersed with state coal tracts in southeastern Montana said the state set too high a minimum price in seeking bids on the coal.

Great Northern Properties President Chuck Kerr also said the state is asking a lot by requiring potential developers to pay the "bonus bid" up front.

The state Land Board set the minimum bonus bid for Montana's coal at 25 cents per ton, or \$143 million, due up front. The bid also calls for a 12.5 percent royalty payment and a \$3 per acre, per year lease on the land.

"I think that's going to be a stretch," Kerr said. "I think 25 cents is too high. But we could be surprised."

Great Northern's coal is interspersed, in a checkerboard pattern of square-mile tracts, with 572 million tons of coal owned by the state in the Otter Creek Valley about 150 miles east of Billings.

Great Northern has leased its coal to Arch Coal Inc. for a bonus bid of 10 cents a ton, or \$70 million, payable over five years.

Kerr questions whether anyone will bid on the state coal, which would determine how big any coal development would be.

"If the state leases its coal, then (the coal field) could be most effectively and efficiently developed," Kerr said.

Companies have until Feb. 8 to submit their bids.

Mary Sexton, director of the state Department of Natural Resources and Development, said a company requested bid information from the state on

Thursday, but that it was not Arch Coal. She did not reveal the name of the company.

"We'll see if (companies) are interested in this amount or not," Sexton said of the state's minimum bid price. "I think it's all part of risk analysis, and this is an opportunity for coal companies."

Arch spokeswoman Kim Link said the company doesn't publicly disclose its bidding plans.

Sexton said the state Land Board will consider whatever bids it receives at its Feb. 16 meeting. It could accept or reject any bids or decide to authorize a new round of bidding at another price.