

Coal companies fight over mine

BENJAMIN STORROW
307-335-5344, Benjamin.Storrow@trib.com

The developer of a proposed coal mine in Sheridan County says the planned project is being held ransom by a mining firm and ranch that control surface rights in the area.

Those remarks, delivered by Ramaco LLC CEO Randy Atkins in an interview Friday, are part of an escalating dispute between the Kentucky-based firm, Lighthouse Resources Inc., and the Padlock Ranch over Ramaco's plans to open a mine between Sheridan and Ranchester. The debate stands in stark contrast to the fortunes of many of Wyoming's coal companies which have slashed production in recent months.

Much of the disagreement

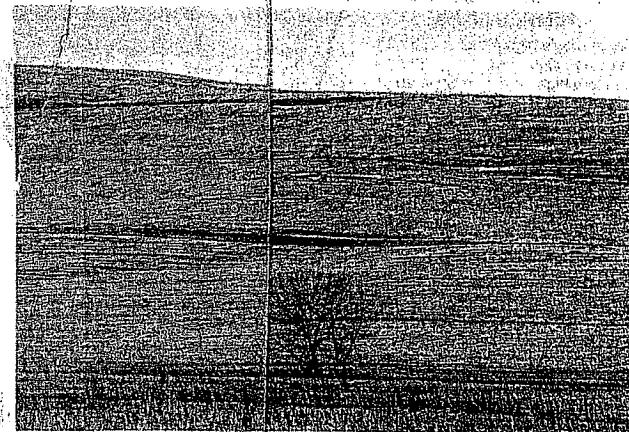
centers over who has the right to operate on the property, which is made up of state and private lands. Ramaco contends a 1954 deed gives it the mineral rights to the land. Lighthouse, which operated under the name Ambre Energy until last year, says it was given the right to use the property's surface when a subsidiary halted mining at the site in 1983. Padlock claims it should be compensated for damages to its property.

The kerfuffle is subject to a pending court case and is also set for a hearing before state regulators in August.

A surface-use agreement is unnecessary for Ramaco to open the so-called Brook Mine, Atkins said. The deed gives Ramaco the right to use the surface for min-

ing operations, he argued. But the company nonetheless attempted to reach an agreement with Lighthouse, a Salt Lake City-based coal miner, and Padlock, as part of an effort to be a good neighbor.

Those attempts have been met with unreasonable financial demands, Atkins said. Lighthouse sought \$29 million and the assumption of its pension obligations at the Decker Mine in exchange for the surface rights, he said. Lighthouse operates the Decker Mine, which sits just over the state boundary in Montana. Padlock sought lease payments 20 times greater than what Ramaco had agreed to pay other area landowners, he said.



ALAN ROGERS, STAR-TRIBUNE

The site of the proposed Brook Mine is shown Jan. 12, 2015, just north of Sheridan. Kentucky-based Ramaco plans to produce about 8 million tons of coal annually using high-mining techniques.

Please see **RAMACO**, Page A9

EXHIBIT

tabbles

Padlock 21

RAMACO

From A1

"We were rebuffed by ransom demands," Atkins said. "It's just disappointing when you see someone trying to hold up a project for financial gain that would otherwise be a good project for our community and the state."

Lighthouse officials did not respond to multiple requests for comment. An attorney for Padlock could not be reached for comment.

In filings with state regulators, both surface owners argued Ramaco failed to provide them with detailed mining and reclamation plans. They contend the mine would harm their respective businesses. And they argue Ramaco cannot proceed without surface owner consent, a requirement of the state Environmental Quality Act.

"Padlock is reluctant to enter into agreements with a company that has been unwilling to show good faith in working with the landowner to reduce the impacts on their livestock operation and compensate fair value for disruption of operations," attorneys for the ranch wrote in an April 15 letter to the state Environmental Quality Council.

Ramaco unveiled plans for the Brook Mine to much fanfare in 2014. The mine would be the first to open in Sheridan County in more than 50 years. Gov. Matt Mead and local officials said the project

could be an economic boon to northeastern Wyoming. A Ramaco-financed study estimated the mine would create as many as 600 new jobs and generate \$464 million in wages over its lifetime.

The proposal emerged against the backdrop of a contracting coal market. Major Powder River Basin miners Alpha Natural Resources, Arch Coal and Peabody Energy have filed for bankruptcy in recent months, with lukewarm demand, weak prices and substantial debts combining to sink the companies.

Ramaco's plans are considerably smaller. The Brook Mine is projected to mine 8 million tons of coal annually, compared to the roughly 100 million tons produced at Peabody's North Antelope Rochelle Mine each year. But Ramaco officials have touted their plans for high-wall mining as an effective strategy for navigating the down market. High-wall mining, where coal is removed from the earth with an auger, is a less expensive mining technique, they contend.

And where other mining firms are struggling to secure financing, Ramaco has a committed financial backer, Atkins said. Yorktown Partners, which the Ramaco CEO described as a multibillion dollar private equity firm based in New York, is financing Ramaco's construction of a metallurgical mine in West Virginia.

"I anticipate that we

would have the same general framework of financing in Wyoming," Atkins said. "We're the only company in the U.S. right now that has no debt."

But the project has been held up by disputes over surface access almost since its proposal. Wyoming environmental authorities initially deemed Ramaco's application complete in 2014 before reconsidering the permit's status last year. The Wyoming Department of Environmental Quality informed Ramaco in April the company would need to reach a surface use agreement with Lighthouse and the nearby Padlock Ranch for its application to be complete.

Each coal company filed a lawsuit; Ramaco seeking the right to mine, Lighthouse to block its competitor from the property. Initial motions to reject the other's claim were both dismissed. A trial date has yet to be set.

Ramaco, in an effort to push the project forward, has requested the state Environmental Quality Council issue the mine a permit. The company argued in a filing to the state it should be granted a permit because it has the legal right to mine the property and has submitted mining and reclamation plans to both Lighthouse and the Padlock needed to secure their consent.

Both surface owners reject that argument, saying the plans submitted for review lack key details. They argue

Ramaco has not posted the reclamation bond needed to secure a permit from the council. And the harm to their respective businesses would be substantial.

Padlock argued the mine would harm water supplies vital for its livestock operation. A Lighthouse subsidiary argues Ramaco's plan overlap with land it controls. The company rents a building on its property, is negotiating the lease of its rail spur to Burlington Northern Santa Fe Railway and has its own plans to mine 40 million tons of coal from state leases in the area. Ramaco's plans would interfere with Lighthouses' designs to transport coal from its leases.

"BHC's future plans to mine the state coal are as reasonably expected to occur as are the Brook mine's plan," the coal company wrote in a filing to the state.

Atkins, the Ramaco CEO, dismissed those claims. Wyoming regulators deemed the mine and reclamation plans complete, with the exception of surface owner consent, he said. And Lighthouse's coal reserves are of questionable economic value on their own, he said.

Looking forward, Atkins expressed optimism over the project's future. If Ramaco gets regulatory approval, he said, it could begin mining later this year.

Follow energy reporter Benjamin Storrow on Twitter @bstorrows