ts About Coal

ut the United States, with 46% occurring and 54% in western states and Alaska. rea, encompassing some 458,000 square d in 38 states; in 31 of them the coal is ations currently take place in 25 states.

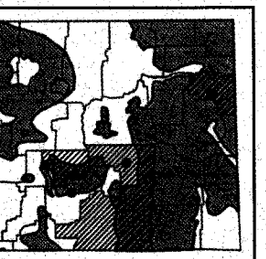
pths of less than 200 feet below the sur- e mining. Coal beds that dip or lie very t be extracted through underground min- Administration estimates that about 32% can be mined with surface methods, with ississippi River. Conversely, 54% of the g underground mining is located in states

ut 400 beds or veins, but approximately only about 10 beds. Coal beds are gener- olded or faulted as a result of geologic coal beds mined ranges from less than 2 ng is in beds 2-8 feet thick. The average le more than 4 feet in the Appalachian l about 30 feet in the West.

ked by serve ase	2004 Production (Millions of Tons)	Ranked by Production
1	40.0	6
2	31.9	9
3	396.5	1
4	148.0	2
5	114.2	3
6	66.0	4
7	23.2	12
8	39.9	7
9	45.9	5
10	27.3	11
11	35.1	8
12	29.9	10
13	1.5	14
14	.6	15
15	21.7	13

stration

Montana ranks first in coal resources and Energy Information Administration estimates y recoverable reserves. This includes only nines. At the present rate of mining, approxi- could sustain over 30 years of mining from coal reserve base, if it all became mineable, uld sustain mining for nearly 3,000 years.



Surface Mining and Reclamation

Surface coal mining companies are required to reclaim and return mined land to a productive capacity that is equal to or better than before mining occurred.

The reclamation operation takes place concurrently with the mining operation. The first step taken is to remove the top soil from an area to be mined, stockpile it and stabilize it with temporary vegetation to prevent erosion.

The initial removal of overburden (the remaining material covering the coal) is called a box cut and the cavity that is left when the coal is removed will receive the overburden from the second cut. In most cases, a dragline is used to lift over burden from a new section and deposit it in the section that has just been mined. To loosen the overburden for the dragline, it is blasted. The coal is fractured in the same way and then removed by large loaders, deposited in coal haulers and transported to the mine storage and loading facility.

Once the dragline has deposited overburden over the mined-out cavity, bulldozers smooth it out and contour it to blend with the surrounding landscape. This process is much like that employed in construction projects. After that, reclamation becomes very similar to any farming operation. The soil is scarified to guard against erosion, top soil is replaced and the area is planted with seed mixtures that are prescribed by the regulatory agency. In some cases, ponderosa pine and other woody plants are part of the approved reclamation plan. Companies may apply a fiber mulch to further protect against erosion and while fertilizer may be used during the early growing seasons, irrigation has not been necessary.

Before any company is permitted to mine, it is required to post a bond sufficient to cover the cost of reclamation if an operator fails with his reclamation efforts. That bond is not released until successful reclamation is verified. Based on precipitation rates in the West, the law dictates that, in no case, can the bond be released sooner than ten years from the date of seeding.

Royalties

Unlike a tax paid to government on the production of coal or its realized profits, royalties are a monetary payment to the owner of the coal as agreed upon in the terms of pre-mining leases. State and federal government still are major beneficiaries of these payments, however, because a large percentage of the mineral right ownership of coal in Montana has been retained by the federal government, with payments from the coal producing school sections going to the state. In addition, the 1976 federal leasing law mandates that 50 percent of the royalties collected from development of federal leases be returned to the state. Other coal lessors include Indian tribes and private (or fee) owners.

Best Available Figures
Cumulative Royalty Payments from Montana Surface Mining Operations Through December, 2005

Company	Federal	State	Indian	Private	Total
*Big Sky Coal	$ 21,835,151			$ 32,293,872	$ 54,129,023
Decker Coal	336,452,575	$63,365,131		101,225,598	501,043,304
Spring Creek	149,447,913	9,283,831		9,749,587	168,481,331
Western Energy	175,942,933	4,408,942		111,292,604	291,644,479
Westmoreland Resources		4,617,797	$63,584,496	323,152	68,525,445
Westmoreland Savage	4,080,733			674,552	4,755,285
	$687,759,305	$81,675,701	$63,584,496	$255,559,365	$1,088,578,867

*Big Sky Coal is now closed

Source: Individual Companies

Employment and Payroll

Montana's surface mining industry furnishes some of the highest-paying and most-sought-after jobs in the state.

	Number of Employees	Estimated Payroll
Bull Mountain	60	3,600,000
Decker Coal Co.	130	7,000,000
Spring Creek Coal Co.	152	12,779,000
Western Energy Co.	386	23,692,000
Westmoreland Resources	112	8,996,000
Westmoreland Savage	12	550,000
	852	$56,617,000

Source: Individual Companies

Production and Value

The following chart shows production for 1996 through 2005. The price per ton at the various sites depends on the quality of coal (heating value, moisture content, sulfur and ash content, etc.) but an average for Calendar Year 2005 was $6.99 per ton making the value of that coal over $283 million. The price is established by the Department of Revenue after three state and two federal taxes are deducted.

Coal Production

Year	Million Tons
1996	37.8
1997	40.8
1998	42.6
1999	41.1
2000	38.3
2001	39.2
2002	37.3
2003	37.0
2004	40.1
2005	40.6

Source: Department of Labor & Industry, Safety Bureau

Coal Mine Safety

Incidence Rates by Industry, Montana,
1996 Nonfatal Occupational Injuries & Illnesses
(Incidence Rate Per 100 Full-Time Workers)

Agriculture, Forestry, Fishing	17.2
Construction	13.4
Manufacturing	12.9
Wholesale Trade	10.3
Retail Trade	8.3
Metal Mining	8.2
Services (i.e., restaurant workers)	8.1
Coal Mining	**4.1**
Finance, Insurance, Real Estate	3.5

Source: Department of Labor & Industry, Safety Bureau

This brochure was prepared by the staff of the Montana Coal Council with the assistance of informational sources quoted. The Montana Coal Council is a trade association whose members are involved in the production of coal in Montana. We support realistic state and national environmental and social standards. The council also recognizes the need for a federal energy policy that will lead to the development of domestic energy sources and reducing this nation's dependence on foreign oil.

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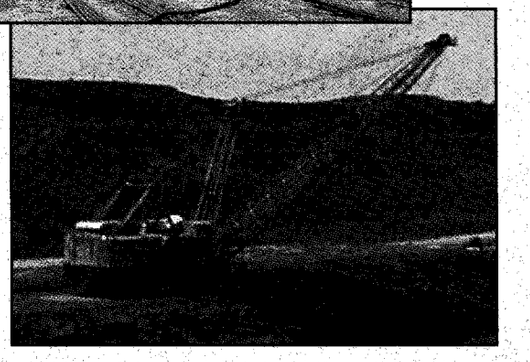
EXHIBIT NO. 3
DATE 1-26-07
BILL NO. SB-268

Montana Coal 2006



Every ton of Montana coal replaces 3 1/2 barrels of foreign oil.

X3

1. **The Severance Tax** - Prior to 1975, Montana's coal severance tax was assessed on a cents-per-ton basis. In 1975 the Legislature enacted the highest severance tax in the nation, based on percentage of the mine-mouth price of the coal. The percentage was tied to the heating quality of the coal - 30 percent for subbituminous and 20 percent for lignite. However, the 1987 Legislature enacted a law to gradually reduce the taxes on coal in 5 percent increments over the next few years if a target tonnage of 32.2 million tons was produced in Fiscal Year 1988. That target was met; and the tax dropped to 25 percent on July 1, 1988; to 20 percent on July 1, 1990; and to 15 percent on July 1, 1991.

Severance Tax Collections*

FY	
1975/76	$ 23,965,000
1976/77	35,906,000
1977/78	34,372,000
1978/79	42,689,000
1979/80	75,125,000
1980/81	70,415,000
1981/82	86,187,000
1982/83	80,045,000
1983/84	82,823,000
1984/85	91,749,000
1985/86	84,217,000
1986/87	76,547,000
1987/88	84,638,000
1988/89	58,566,000
1989/90	67,871,000
1990/91	50,458,000
1991/92	43,434,000
1992/93	38,181,000
1993/94	41,200,000
1994/95	40,416,000
1995/96	36,261,000
1996/97	37,740,000
1997/98	35,045,000
1998/99	36,768,000
1999/00	35,470,000
2000/01	32,337,000
2001/02	31,614,000
2002/03	29,424,000
2003/04	31,545,000
2004/05	37,635,000
	$1,552,643,000

Earmarked Fund Allocations 1975/76 through 2004/05

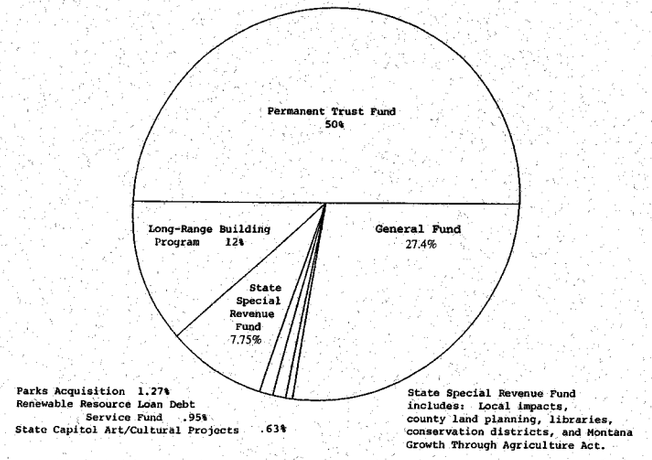
Permanent Coal Trust Fund	$708,900,735	
General Fund	350,449,836	
State Special Revenue Fund**	27,631,381	
Long Range Building Program	40,672,046	
Local Impact	90,616,117	
County Land Planning	6,119,376	
Parks Acquisition Trust	22,957,718	
Arts Council Trust/Cultural & Aesthetic Projects	3,356,671	
State Library Commission	4,801,351	
Conservation Districts	1,916,714	
Water Development	4,275,441	
MT Growth Through Agriculture	3,207,594	
Renew. Res.Loan Debt Service	3,119,601	
Long Range Building Program Debt Service	933,565	(ended in FY 99/00)
Renewable Res. Develop.	11,169,855	(ended in FY 98/99)
Highway Reconstruction Trust	52,731,221	(ended in FY 94/95)
Fish, Wildlife & Parks	1,482,985	(ended in FY 94/95)
State Equalization Aid to Schools	102,574,928	(ended in FY 94/95)
State Parks/Historic Sites	550,165	(ended in FY 91/92)
Education Trust Fund	75,318,623	(ended in FY 89/90)
Alternate Energy Research	18,354,255	(ended in FY 88/89)
Coal Area Highway Improvement	15,117,192	(ended in FY 79/80)
Coal Counties	4,737,441	(ended in FY 79/80)
Acquisition of Sites & Areas	1,647,532	(ended in FY 79/80)
	$1,552,642,343	

Source: Montana Department of Revenue

*The above figures do not include coal severance taxes paid since 1988 by Westmoreland Resources Inc. on coal owned by the Crow Tribe. WRI pays coal severance taxes and gross proceeds taxes directly to the Crow Tribe and not to the state of Montana or the county.

**State Special Revenue Fund includes Local Impacts, County Land Planning, Libraries, Conservation Districts and MT Growth Through Agriculture Act. Unspent money goes to the General Fund.

MONTANA COAL TAX DISTRIBUTION
Source: 15-35-108, MCA
Effective 7-1-03



2. **Net (prior to 1975) and Gross Proceeds Taxes -** These are additional taxes paid on the value of the coal to support county government in the counties where the mines are located. $337,038,460 has been collected by Big Horn, Richland, Musselshell and Rosebud Counties through FY 2004. The figure for FY 2005 is $12,220,405 bringing the total to date to $349,258,865.

Source: Montana Department of Revenue

3. **Resource Indemnity Trust Tax -** As of 1973, all nonrenewable resource producers have been required to pay this tax which is now 0.4 percent of contract sales prices. The total collections from FY 1973/74 through FY 2003/04 were $31,328,028. The FY 2004/05 figure was $1,107,999 making the total taxes paid $32,436,027

Source: Montana Department of Revenue

4. **Personal Income Tax -** While it is difficult to determine the amount of personal income tax paid to the state by surface mine employees, we have made a general estimate based on an average gross income of $66,452 per year with two exemptions. Under that formula, the state of Montana would receive approximately $2.9 million annually and the actual amount is probably higher. It may be of interest to note that perhaps as many as 50 percent of mine employees who work in Montana and pay its state income tax live in Sheridan County, Wyoming, because it is the closest urban center.

5. **Federal Taxes -** In addition to state taxes, Montana surface mining operations pay a tax for abandoned mine reclamation, mostly abandoned hardrock mines, consisting of 10 percent of the FOB mine price up to a maximum of 10 cents per ton for lignite or 35 cents per ton for all other types of coal.

Also, 4.4 percent of the FOB mine price (less the black lung tax) or 55 cents per ton, whichever is less, is paid to a fund for black lung disease victims, even though this disease is primarily suffered by underground miners.

PM^{10} Emissions (Respirable-Size Particulates)
Comparison Between
Colstrip Units 1-4 and Montana Wildfire

Wildfire puts out over 1,000 pounds of PM^{10} per acre. In the year 2000, 965,000 acres burned in Montana resulting in 482,000 tons of PM^{10} in the air. Colstrip Units 1-4 emit 255 tons/year of PM^{10}. PM^{10} emitted by wildfires in Montana in the year 2000 is equal to 1,892 years of Colstrip Units 1-4.

Sources: North Elkhorns Environmental Assessment, Helena National Forest, & Montana Department of Environmental Quality

Major Holders of U.S. Coal Reserves-2004
(billion short tons)

Holder	Estimated Reserves
1. U.S. Government	90.0
2. Great Northern Properties Limited Partnership	20.0
3. Peabody Energy Corp.	9.3
4. CONSOL Energy Inc.	4.5
5. Arch Coal, Inc.	3.7
6. The North American Coal Corp.	2.4
7. Massey Energy Co.	2.2
8. Pocahontas Land Corp. (Norfolk Southern)	1.8
9. Natural Resource Partners LP	1.8
10. Foundation Coal Corp.	1.8
11. Kennecott Energy Co.	1.5
12. Murray Energy Corp.	1.2
13. BHP Billiton	1.1
14. International Coal Group (ICG)	.7
15. TXU Mining Co. (Texas Utilities)	.6

Source: National Mining Association

15 Largest U.S. Surface Coal Mines, 2004
(million short tons)

Mine Name	State Located	2004 Tonnage	Operating Company
1. Black Thunder	WY	93.0	Arch Coal, Inc.
2. North Antelope/Rochelle	WY	82.5	Peabody Energy Subsidiary
3. Cordero-Rojo	WY	38.8	Kennecott Energy Co.
4. Jacobs Ranch	WY	38.6	Kennecott Energy Co.
5. Antelope	WY	29.7	Kennecott Energy Co.
6. Caballo	WY	26.5	Peabody Energy Subsidiary
7. Eagle Butte	WY	23.0	Foundation Coal West, Inc.
8. Buckskin	WY	20.3	Kiewit Mining Group
9. Belle Ayr	WY	18.7	Foundation Coal West, Inc.
10. Freedom	ND	15.2	The Coteau Properties Co.
11. Martin Lake	TX	13.0	Texas Utilities Mining Co.
12. Rosebud	MT	12.7	Western Energy Co.
13. Spring Creek	MT	12.0	Kennecott Energy Co.
14. Decker	MT	8.5	Kiewit Mining/Kennecott
15. Kayenta	AZ	8.4	Peabody Energy Subsidiary

Source: National Mining Association

Did You Know?

- Coal provides about 55% of the total amount of electricity used in the United States each day.
- Coal mining is one of America's great basic industries, providing $15.5 billion annually in direct economic impact in 1995.
- Since 1970, the electric utility industry has increased its use of coal by nearly 154%, yet since the 1970's total U.S. emissions of sulfur dioxide have declined more than 20%.
- The coal industry routinely reclaims thousands of acres of mined lands each year, returning them to productive use in the ecosystem.
- Coal is actually "buried sunshine," because it originated from prehistoric plants that lived some 300 million years ago.
- Coal accounts for about 95% of America's fossil energy reserves and is larger than either world petroleum or natural gas reserves, when measured in terms of oil equivalency.
- The largest coal producing state is Wyoming employing roughly 4,500 workers to produce over 400 million tons of coal in 2005.
- Coal provides employment for over 90,000 miners directly, with an additional seven jobs created throughout the economy for each miner's job (electric utilities, transportation, manufacturing, etc.)

Glossary of

Anthracite - Called hard coal, highest r
large heating value of 15,000 Btu; carbo
tent of less than 15%. Used primarily for
Anthracite coal deposits total some 7 b
Pennsylvania.

Btu - British thermal unit. A measure of
ture of one pound of water one degree Fa

Bituminous - Called soft coal, most com
15,500 Btu; carbon content of 45-86%;
20%. Mined chiefly in Appalachia and I
across the country and total some 238 bil

Coal Resources - Total coal deposits,
mined or recovered. The U.S. may hav
sources, according to the U.S. Geologica

Coal Seam - A bed or stratum of coal; u

Coal Washing - The process of separa
shapes by allowing them to settle in a flu

Demonstrated Reserves - Coal depo
economic basis with existing technology.
tration estimates that there are about 494.
the U.S.

Fossil Fuel - Any naturally occurring
crude oil and natural gas.

Gasification - Any of various processe
dium, or high Btu gases.

Lignite - Brownish-black coal with ger
heating value (4,000-8,300 Btu). Carbon
as high as 45%. Demonstrated reserves
Louisiana, Montana, North Dakota and T
power plants located relatively close to th

Liquefaction - Converting coal into sy
crude oil and/or refined products such as

Magnetohydrodynamics - Also know
fired in a low-resistance time burner at v
are added, producing a gas of high condu
magnetic field, producing electricity. Th

Mine-Mouth Plant - Commonly a stear
which delivers its electricity output to a c

Recoverable Reserves - The amount
demonstrated reserve base. The recover
90% and for underground mines about 6
about 296.5 billion tons of recoverable re
than 250 years at current production leve

Scrubber - Any of several forms of che
remove sulfur compounds formed during
bine the sulfur in gaseous emissions with
"sludge," which must then be removed fo

Slurry Pipeline - Pipeline for transpor
medium. Only one such line, a 273-mile
rently operating, although several others
dium now is use, but experiments with oil
promise of increased efficiency and reduce
water supplies are scarce. These pipelines
port, such as from a port facility to a near
the need for large stockpiles of coal.

Subbituminous - Dull black coal with
11,500 Btu; carbon content, 35-45%; an
strated reserves total about 180 billion ton
Colorado, New Mexico, Washington and
electricity and for space heating.

Tons - A short or net ton is equal to 2,0
2,240 pounds; a metric ton is approximat

Unit Train - Long train of 60-150 hop
mine and a customer. A typical unit train
a single shipment.