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Terri A. Lorenzon, Director
Environmental Quality Council



Mr. Mark Gordon, Chairman
Wyoming Environmental Quality Council
122 W. 25th Street
Herschler Bldg., Room 1714
Cheyenne, WY 82002

January 26, 2007

RE: Citizen Petition for Rulemaking - PRBRC et al - WQD Chapter 2

Dear Mr. Gordon,

It is my understanding that the proposed petition filed by the PRBRC, if approved, could reduce or eliminate the ability to discharge CBM produced water discharge at the surface. On July 1, 2006, PRB Energy, Inc. ("PRB") acquired approximately 600 CBM wells with our purchase of leases from Pennaco Energy, Inc. ("Pennaco"). The intent of our Pennaco acquisition was to hopefully be able to develop CBM gas from deeper coal seams (Moyer & Danner), which are below the depleting WYODAK seam. The depths of these deeper zones vary from 1,000 feet to 1,400 feet below surface and are not in association with the Big George play further to the west.

In late 2005 and early 2006 PRB invested in drilling 40 new CBM wells to the deeper seams on leases we held prior to the Pennaco purchase and these 40 wells are in proximity to Gillette. With the Pennaco purchase, PRB is currently producing or bringing back on-line an additional 40 wells that were drilled to the deeper coals by Pennaco. It is PRB's intent to successfully "de-water" the deeper coals and to establish a "new" pay zone for CBM development in the eastern edge of the Powder River Basin. The quality of our produced water meets all requirements of the present rules & regs of the DEQ and we have been successful, to date, to modify our existing NPDES permits to allow the discharge of water from the deeper coal seams.

If we are successful in producing economical gas from these 80 wells, PRB has a drilling program in place to drill an additional 250-300 CBM wells. Our lease holding is approximately 30,000 acres and no doubt if we are successful, adjoining operators will seriously evaluate their potential for development of the deeper seams. Any new source of CBM gas will greatly benefit the state and will also continue to keep the CBM industry a viable resource to Campbell County and surrounding areas for years to come.

The development of our leases would be seriously affected if the proposed PRBRC petition is successful in rule changes. It is very likely that PRB would not be able to develop our deeper coal seams if stricter rules for CBM water discharge are put in place by the State. Presently, PRB has a great working relationship with surface landowners we operate on and at this time, they are all very thankful for the water that we provide them for livestock and agriculture purposes.

Please feel free to call me anytime if you may have any questions and thank you for your time.

Sincerely,


Larry E. Sare
Senior Landman

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