

Estimated Coal Royalty Revenue From San Juan Underground Mine

- Two Federal Leases and Two State Leases with estimated mineable coal of about 100 million tons through the life of the coal sales contract with San Juan Generating Station (through year 2017).
- Potential for \$250 million in royalties at 8% royalty base projected over the life of the mine from the two Federal Leases.
- \$125 million of the \$250 million of projected royalties from Federal Leases would go to the State of New Mexico.
- From State leases SJCC estimates projected production and royalties of about 10 million tons and \$25 million in royalties at 8% royalty base, all of which would go to the State of New Mexico over the life of the mine.
- Significant Federal coal reserves exist adjacent to the immediate mine area, which could increase potential royalty revenue.