

FUTURE OF COAL DEVELOPMENT

A PERSPECTIVE FROM THE AFFILIATED GROUP OF:

MAJOR RESOURCE HOLDERS –

GREAT NORTHERN PROPERTIES LP,
NATURAL RESOURCE PARTNERS LP

AN INDUSTRY INVESTOR –

QUINTANA CAPITAL GROUP GP,

AND A PROJECT DEVELOPER –

GREAT NORTHERN PROJECT DEVELOPMENT LP

July 14, 2010

Presented By Chuck Kerr to:

The Western States Lands Commissioners Association



GREAT NORTHERN PROPERTIES LIMITED PARTNERSHIP
GREAT NORTHERN PROJECT DEVELOPMENT
NATURAL RESOURCE PARTNERS LP
AND QUINTANA CAPITAL GROUP GP, LTD I/II



Natural Resource Investment Focus

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The various entities referred to in this presentation are all affiliated by their common ownership and significant control by Corbin J. Robertson, Jr. of Houston, Texas and his immediate family. The Robertson Family and their investment partners have a very long history of natural resource based investments utilizing three investment methodologies:

- ▣ To acquire *outright ownership* of mineral resources – lease to others
- ▣ To pursue project development to utilize and monetize acquired mineral resources
- ▣ To raise private equity capital to invest in all facets of natural resource development

Resource Acquisition – Ownership of Mineral and Surface Rights

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- Primary affiliated resource acquisition and ownership vehicles
 - Great Northern Properties LP (“GNP”)
 - Owns 5 million mineral acres; 200,000 surface acres & ~ 20 billion tons of coal reserves
 - Largest owner of coal reserves in U. S. other than U. S. Government
 - Natural Resource Partners LP (“NRP”):
 - Owns ~ 9 million mineral acres; 200,000 surface acres & ~ 5 billion tons of coal reserves
 - Manages 125 leases comprising 53 lessees and over 65 MMT/Y mined on NRP owned minerals
- Collectively, the Affiliated Companies:
 - Own conventionally mineable coal reserves in excess of 25 billion tons
 - Have a perpetual mineral ownership position in excess of 14 million acres in 40 states
 - Have surface ownership position in excess of 400,000 acres
 - Have an investment thesis to buy minerals, lease to others, take on no operational risk

Resource Owner Footprint

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14 Million Acres of Owned Minerals!

- Natural Resource Partners/IP 9 million acres
- Great Northern Properties – 5 million acres

Identified Mineable Coal Reserves > 25 billion tons

Great Northern Properties
Largest Private Owner of Coal Reserves in U. S.
Coal Reserves: 20 bn tons

NRP-The Cline Group
Coal Reserves: 3 bn tons

NRP-Northern Powder River Basin
Coal Reserves: 132 mm tons

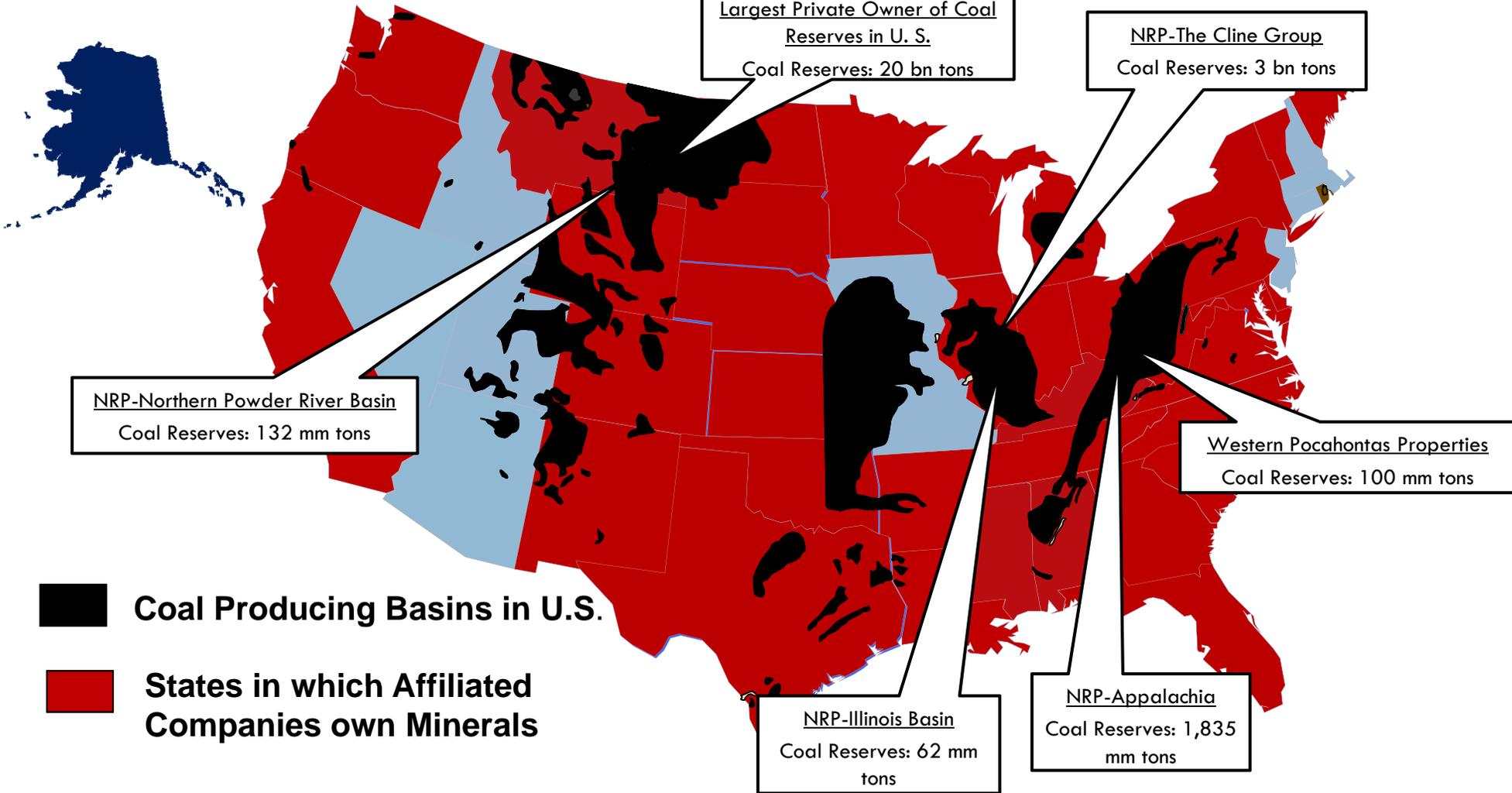
Western Pocahontas Properties
Coal Reserves: 100 mm tons

NRP-Illinois Basin
Coal Reserves: 62 mm tons

NRP-Appalachia
Coal Reserves: 1,835 mm tons

 Coal Producing Basins in U.S.

 States in which Affiliated Companies own Minerals



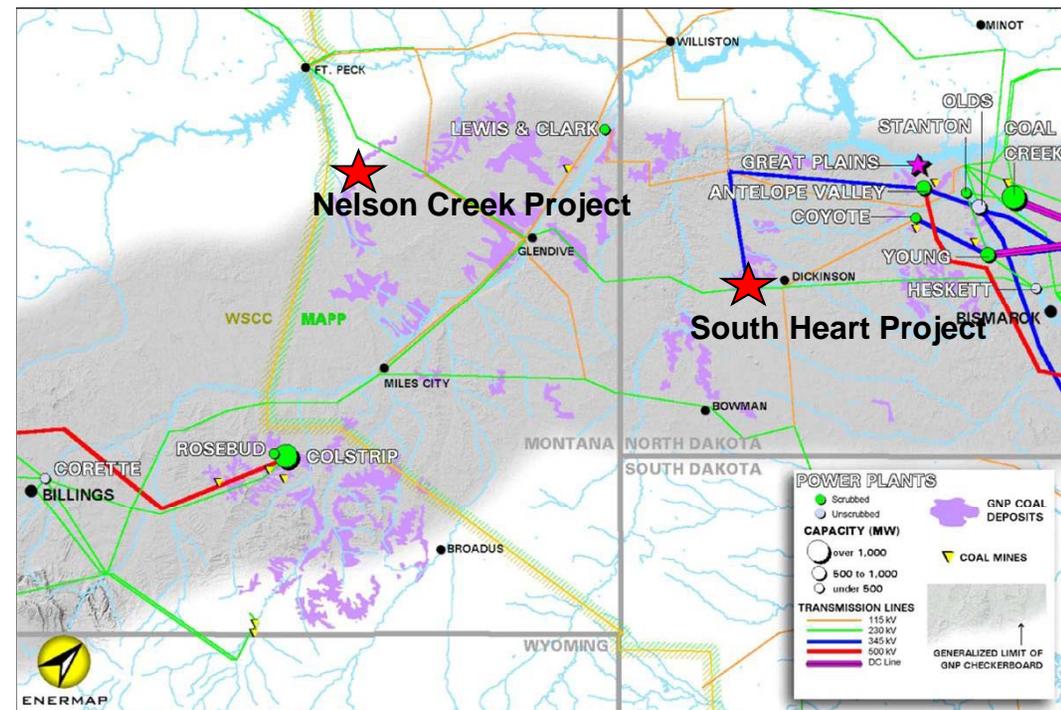


Project Development – Great Northern Project Development LP

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Organized in 2001 to take on project development risk to develop coal based power and high value product (syngas, chemicals, liquids) coal gasification projects involving GNP's extensive lignite reserves in Montana and North Dakota

- Current focus is South Heart Hydrogen Power Facility near South Heart, North Dakota: \$1.5 billion in capital; COD ~2015
- State of North Dakota supported; low carbon power could augment significant wind generation potential to support RPSs



- ❑ Private Equity Fund focused on control investments across the oil and natural gas, coal and power industries
- ❑ Fund I raised \$650 million and is fully deployed
- ❑ Fund II expected to be \$650 million and is partially deployed
- ❑ Representative holdings include oil and gas production assets, coal mine operations, oilfield service companies, marine fueling company, material handling EPC company, product storage & marketing, fuel terminal
- ❑ Target return: +25% gross IRR; 2-4x multiple of invested capital
- ❑ Attractively priced, diversified portfolio of investments
- ❑ In each Fund, target 12-20 equity investments ranging from \$10 million to \$50 million in equity across the upstream, midstream and downstream sectors

CORPORATE SUMMARY

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We Think We Are Diversified Enough To Weigh In On Coal and Natural Resource Development from Multiple Viewpoints!

CURRENT STATE OF THE COAL INDUSTRY – IN A WORD – **CHALLENGING!**

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- Coal industry has had to weather a broad economic recession
 - Reduced demand both domestically and world wide
 - Domestic & electric power sector consumption down about 10% from 2008
 - According to Energy Information Administration (EIA) total coal production in 2009 – 1.072 billion tons, down 8.5% from 1.171 billion tons in 2008
 - Coal exports dropped 27% in 2009 from 2008 levels to 59.1 million tons
- Recession impact exacerbated by displacement of coal demand by lower natural gas prices
 - Natural gas provides 23.3% of total net generation up from 21.4% in 2008 – Coal at 45%
 - According to EIA estimates, 18% (4,785 Mw) of new added generation was coal based, with over 50% being natural gas-based
 - Average cost of natural gas delivered to plants in 2009 - \$4.70 MMBtu
 - \$9.02 in 2008, \$7.11 in 2007 and \$6.94 in 2006.
 - Net generation change for hydro and nuclear remained virtually flat
- But, even with coal demand down, prices are up domestically and in global market
 - Average delivered coal prices to utilities up 8.2% to \$44.72 per ton
 - Electric generators paid \$2.23/MMBtu for coal in 2009, up 8.5% from 2008
 - Export prices up 3.8% to \$101.44/ton.

SO WHAT DOES ALL THIS MEAN?

Major Issues Surrounding Coal Resource Growth and Coal Project Development in the U. S.

TODAY, even though coal industry is under duress, it is stable and able to hold its own, BUT WHAT ABOUT TOMORROW?

ENERGY DEMAND ACROSS THE BOARD IS EXPECTED TO INCREASE DRAMATICALLY IN THE FUTURE AND COAL NEEDS TO BE A PART OF THE ENERGY SOLUTION!

BUT, the future growth of the coal industry through new mines and coal fueled projects faces significant challenges that affect the whole value chain – resource holders, developers, lenders, off-takers and ultimately, the end-users/customers

- Regulatory uncertainty
 - GHG issues – carbon taxation/management
 - Lack of carbon capture/sequestration and CO₂ pore space ownership regulations
 - Lengthy, expensive and complicated permitting processes
- Current Financial crisis
 - No Financing
 - Short term excess capacity – No markets
 - Skyrocketing & Volatile Capital Costs on major projects
- Decision Gridlock – follow the path of least resistance
 - Utilities face major capital cost/risk decision when adding new generation
 - Lately, developers have taken the quick and easy route – natural gas fired generation
- Coal is perceived as a “dirty fuel” inciting coal mine/project development opposition
 - Well funded and organized opposition whose primary weapon is legal challenges
- Lack of available infrastructure such as transmission lines, CO₂ pipelines
- Future Commodity Pricing

SO, HOW DO WE AS A MAJOR RESOURCE HOLDER, PROJECT DEVELOPER AND INDUSTRY INVESTOR LOOK AT COAL'S FUTURE GROWTH AND DEVELOPMENT?

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Our group of companies are optimistic about coal's future and believe the challenges and hurdles can be overcome but it will take patience, perseverance and proactive action.

We are focused on the proactive action in this equation!

■ As a Resource Holder we are:

- Proactively high grading/beginning preliminary development of potential project sites –Developers desire “shovel ready” prospects
- Developing site selection matrices which compile site attributes of potential sites for selection by prospective developers
- Actively monitoring and supporting new coal based technology development
 - Underground Coal Gasification
 - Direct Gasification/Other Btu Conversion Technologies
 - Coal Beneficiation
- Actively supporting CO₂ Sequestration/EOR Studies
- Engaged on governmental legislation/regulation affecting resource exploitation and development

■ As a Project Developer we are:

- Working with regulators/legislators on GHG issues and the entire permitting process
- Building markets/customer base
- Exploring new ways to lower capital costs
- Working on site selection and end product selection
- Working with technology developers on deploying step-level changing technology
- Working with lenders on crafting workable financial structures

■ Industry Investor/Financier

- Building risk profile models to understand, mitigate and quantify risk of project development
- Working with project developers on creative financing
- Monitoring and working with legislators in the regulatory environment to mitigate regulatory uncertainty
- Working with technology developers to finance advancements in “clean coal” technology

WRAPPING IT UP

- Coal is a challenging business to be in these days but coal is necessary to help meet our growing energy needs today, and into the future
- We need to be proactive not reactive in working through the barriers and hurdles of coal legislation, regulation and development to unlock this abundant energy source
- Energy independence from foreign oil can be substantially reduced using coal if it is allowed to do so (we control our own destiny!)
- Technology is allowing coal to be converted into a variety of energy related products (electricity, natural gas, transportation fuels, chemical feedstocks) while being extracted and utilized in a more environmentally responsible manner
- In the end, we, the owners, developers, regulators, lenders, legislators and others must work together to facilitate using ALL energy sources, including coal, to meet our future energy needs

Questions?