NATURAL RESOURCE PARTNERS LP
Form S-3
December 23, 2003

As filed with the Securities and Exchange Commission on December 23, 2003

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

NATURAL RESOURCE PARTNERS L.P.	**DELAWARE**	**35-2164875**
NRP (OPERATING) LLC	**DELAWARE**	**35-2164875**
WPP LLC	**DELAWARE**	**35-2164875**
ACIN LLC	**DELAWARE**	**35-2164875**
WBRD LLC	**DELAWARE**	**35-2164875**
(Exact name of registrant as specified in its charter)	*(State or other jurisdiction of incorporation or organization)*	*(I.R.S. Employer Identification No.)*

601 Jefferson, Suite 3600

Houston, Texas 77002
(713) 751-7507
(Address, including zip code, and telephone number, including area code, of registrants principal executive offices)

Wyatt L. Hogan
GP Natural Resource Partners LLC
601 Jefferson, Suite 3600
Houston, Texas 77002
(713) 751-7507
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:
Dan A. Fleckman
Vinson & Elkins L.L.P.
1001 Fannin, Suite 2300
Houston, Texas 77002
(713) 758-2222

Approximate Date of Commencement of Proposed Sale to the Public: From time to time after this registration statement becomes effective, as determined by market conditions and other factors.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Primary Offering Common Units of Natural Resource Partners L.P.(2) Debt Securities of Natural Resource Partners L.P.(2)(3) Debt Securities of NRP (Operating) LLC(2)(3) Guarantees of Debt Securities(2)(4)		$500,000,000	$40,450
Secondary Offering Common Units of Natural Resource Partners L.P.(5)	673,715 common units	$25,998,556(6)	$2,103
Total			$42,553

(1) Rule 457(o) permits the registration statement fee to be calculated on the basis of the maximum offering price of all of the securities listed and, therefore, the table does not specify by each class information as to the amount to be registered or the proposed maximum offering price per security.

(2) An indeterminate principal amount or number of common units, debt securities and guarantees of debt securities may be issued from time to time at indeterminate prices, with an aggregate offering price not to exceed $500,000,000.

(3) If any debt securities are issued at an original issue discount, then the offering price of those debt securities shall be in an amount that will result in an aggregate initial offering price not to exceed $500,000,000, less the dollar amount of any registered securities previously issued.

(4) Natural Resource Partners L.P., WPP LLC, ACIN LLC and WBRD LLC may fully, irrevocably and unconditionally guarantee on an unsecured basis the debt securities of NRP (Operating) LLC. If a series of debt securities of Natural Resource Partners L.P. is issued, NRP (Operating) LLC, WPP LLC, ACIN LLC and WBRD LLC may fully, irrevocably and unconditionally guarantee on an unsecured basis the debt securities of Natural Resource Partners L.P. Pursuant to Rule 457(n) under the Securities Act of 1933, as amended, no separate fee is payable with respect to the guarantees of the debt securities being registered.

(5) Common units that may be sold by or for the account of selling unitholders.

(6) Estimated solely for the purpose of determining the registration fee on the basis of the average high and low prices of the common units on the New York Stock Exchange on December 18, 2003.

Each Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the securities act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED DECEMBER 23, 2003

PROSPECTUS

$500,000,000

Natural Resource Partners L.P.

Common Units
Debt Securities

NRP (Operating) LLC

Debt Securities

We may offer the following securities under this prospectus:

Common units representing limited partner interests in Natural Resource Partners L.P.;

Debt securities of Natural Resource Partners L.P.; and

Debt securities of NRP (Operating) LLC.

Any debt securities issued by Natural Resource Partners L.P. may be guaranteed by its subsidiaries, including NRP (Operating) LLC, and any debt securities issued by NRP (Operating) LLC may be guaranteed both by its parent, Natural Resource Partners L.P., and the issuer s subsidiaries.

In addition, up to 673,715 common units may be offered from time to time on behalf of other unitholders. A supplement to this prospectus will identify any selling unitholders and specify the number of common units to be offered by them. We will not receive proceeds of any sale of units by any such selling unitholders, unless otherwise indicated in a prospectus supplement. For a more detailed discussion of selling unitholders, please read Selling Unitholders.

This prospectus describes the general terms of these securities and the general manner in which we or the selling unitholders will offer the securities. The specific terms of any securities we or the selling unitholders offer will be included in a supplement to this prospectus. The prospectus supplement will also describe the specific manner in which we or the selling unitholders will offer the securities.

Our common units are traded on the New York Stock Exchange under the symbol NRP.

Limited partnerships are inherently different from corporations. You should carefully consider each of the factors described under Risk Factors, which begins on page 3 of this prospectus, before you make an investment in the securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2003.

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You should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. Neither we nor the selling unitholders have authorized anyone else to give you different information. Neither we nor the selling unitholders are offering these securities in any state that does not permit the offer. We will disclose any material changes in our affairs in an amendment to this prospectus, a prospectus supplement or a future filing with the SEC incorporated by reference in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf registration process, we may sell up to $500 million in aggregate offering price of the common units or debt securities described in this prospectus in one or more offerings, and the selling unitholders may sell up to an aggregate of 673,715 common units from time to time. This prospectus generally describes Natural Resource Partners L.P. and NRP (Operating) LLC and the common units, debt securities and the guarantees of the debt securities. Each time we or the selling unitholders sell common units or debt securities with this prospectus, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add to, update or change information in this prospectus. The information in this prospectus is accurate as of December 23, 2003. Therefore, you should carefully read this prospectus and any prospectus supplement and the additional information described under the heading Where You Can Find More Information before you invest in our securities.

ABOUT NATURAL RESOURCE PARTNERS AND NRP (OPERATING) LLC

Natural Resource Partners L.P. was formed in 2002 by Western Pocahontas Properties Limited Partnership, Great Northern Properties Limited Partnership and New Gauley Coal Corporation (which we refer to in this prospectus as the WPP Group) and Arch Coal, Inc. to engage in the business of owning and managing coal properties in the three major coal-producing regions of the United States: Appalachia, the Illinois Basin and the Western United States. We enter into long-term leases with third-party mine operators for the right to mine our coal reserves in exchange for royalty payments. We conduct all of our business through our wholly owned operating company, NRP (Operating) LLC, and its wholly owned subsidiaries, WPP LLC, ACIN LLC and WBRD LLC.

On December 22, 2003, Arch Coal sold the following interests:

- all of its interests in GP Natural Resource Partners LLC, the general partner of our general partner, to Robertson Coal Management LLC;
- all of its interests in NRP (GP) LP, our general partner, together with all of its incentive distribution rights, to NRP Investment L.P., an affiliate of the WPP Group; and
- 4,796,920 subordinated units of Natural Resource Partners L.P. to FRC-WPP NRP Investment L.P., an affiliate of the WPP Group and First Reserve GP IX, Inc.

Arch retained the right to elect two directors to the board of directors of GP Natural Resource Partners LLC for so long as Arch continues to hold at least 10% of the common units of Natural Resource Partners. In connection with the sale, the board of directors of GP Natural Resource Partners LLC was expanded to nine members, and FRC-WPP NRP Investment L.P., which is indirectly controlled by First Reserve GP IX, Inc., obtained the right to elect two directors, one of whom must be an independent director, to the board.

Our address is 601 Jefferson, Suite 3600, Houston, Texas 77002, and our telephone number is (713) 751-7507. Our website address is www.nrplp.com. The information contained in our website is not part of this prospectus.

As used in this prospectus, we, us, our and Natural Resource Partners mean Natural Resource Partners L.P. and, where the context requires our operating company, NRP (Operating) LLC, and its subsidiaries.

THE GUARANTORS

NRP (Operating) LLC, WPP LLC, ACIN LLC and WBRD LLC are our only subsidiaries as of the date of this prospectus. We own 100% of the membership interests in NRP (Operating) LLC. NRP (Operating) LLC owns 100% of the membership interests in WPP LLC, ACIN LLC and WBRD LLC.

Natural Resource Partners, WPP LLC, ACIN LLC and WBRD LLC may unconditionally guarantee any series of debt securities of NRP (Operating) LLC offered by this prospectus, as set forth in a related prospectus supplement. NRP (Operating) LLC, WPP LLC, ACIN LLC and WBRD LLC may unconditionally guarantee any series of debt securities of Natural Resource Partners offered by this prospectus, as set forth in a related prospectus supplement.

As used in this prospectus, the term Subsidiary Guarantors means WPP LLC, ACIN LLC and WBRD LLC and also includes NRP (Operating) LLC when discussing subsidiary guarantees of the debt securities of Natural Resource Partners. The term Guarantor means Natural Resource Partners in its role as guarantor of the debt securities of NRP (Operating) LLC.

RISK FACTORS

Limited partner interests are inherently different from capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. You should carefully consider the following risk factors together with all of the other information included in this prospectus in evaluating an investment in our common units or our debt securities. When we offer and sell any securities pursuant to a prospectus supplement, we may include additional risk factors relevant to those securities in a prospectus supplement.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Please read Forward-Looking Statements. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this prospectus. If any of these risks occur, our business, financial condition and results of operation could be adversely affected, the trading price of our common units could decline and you could lose all or part of your investment.

Risks Related to Our Business

We may not have sufficient cash from operations to pay the minimum quarterly distribution following establishment of cash reserves and payment of fees and expenses, including payments to our general partner.

The amount of cash we can distribute on our units principally depends upon the amount of royalties we receive from our lessees, which will fluctuate from quarter to quarter based on, among other things:

- the amount of coal our lessees are able to produce from our properties;
- the price at which our lessees are able to sell coal;
- the level of our operating costs;
- the level of our general and administrative costs; and
- prevailing economic conditions.

In addition, the actual amount of cash we will have available for distribution will depend on other factors that include:

- the costs of acquisitions, if any;
- our debt service requirements;
- fluctuations in our working capital;
- the level of capital expenditures we make;
- restrictions on distributions contained in our debt instruments;
- our ability to borrow under our working capital facility to pay distributions; and
- the amount of cash reserves established by our general partner in its sole discretion in the conduct of our business.

You should also be aware that our ability to pay quarterly distributions each quarter depends primarily on our cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by non-cash items. As a result, we may make cash distributions during periods when we record losses and we may not make distributions during periods when we record net income.

A substantial or extended decline in coal prices could reduce our coal royalty revenues.

The prices our lessees receive for their coal depend upon factors beyond their or our control, including:

- the supply of and demand for domestic and foreign coal;
- weather conditions;
- the proximity to and capacity of transportation facilities;
- worldwide economic conditions;
- domestic and foreign governmental regulations and taxes;
- the price and availability of alternative fuels; and
- the effect of worldwide energy conservation measures.

A substantial or extended decline in coal prices could materially and adversely affect us in two ways. First, lower prices may reduce the quantity of coal that may be economically produced from our properties. This, in turn, could reduce our coal royalty revenues and the value of our coal reserves. Second, even if production is not reduced, the royalties we receive on each ton of coal sold may be reduced.

Our lessees coal mining operations are subject to operating risks that could result in lower coal royalty revenues to us.

Our coal royalty revenues are largely dependent on our lessees level of production from our coal reserves. The level of our lessees production is subject to operating conditions or events beyond their or our control including:

- the inability to acquire necessary permits or mining or surface rights;
- changes or variations in geologic conditions, such as the thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposit;
- changes in governmental regulation of the coal industry or the electric utility industry;
- mining and processing equipment failures and unexpected maintenance problems;
- interruptions due to transportation delays;
- adverse weather and natural disasters, such as heavy rains and flooding;
- labor-related interruptions; and
- fires and explosions.

These conditions may increase our lessees cost of mining and delay or halt production at particular mines for varying lengths of time or permanently. Any interruptions to the production of coal from our reserves may reduce our coal royalty revenues.

We depend on a limited number of primary operators for a significant portion of our coal royalty revenues, and the loss of or reduction in production from any of our major operators could reduce our coal royalty revenues.

We depend on a limited number of primary operators for a significant portion of our coal royalty revenues. If reductions in production by these operators are implemented on our properties and sustained, our revenues may be substantially affected. Additionally, if a lessee were to experience financial difficulty, the lessee might not be able to pay its royalty payments or continue its operations, which could materially reduce our coal royalty revenues.

We may not be able to terminate our leases, and we may experience delays and be unable to replace lessees that do not make royalty payments.

A failure on the part of one of our lessees to make coal royalty payments could give us the right to terminate the lease, repossess the property and enforce payment obligations under the lease. If we repossessed any of our properties, we would seek a replacement lessee. We might not be able to find a replacement lessee and, if we did, we might not be able to enter into a new lease on favorable terms within a reasonable period of time. In addition, the existing lessee could be subject to bankruptcy proceedings that could further delay the execution of a new lease or the assignment of the existing lease to another operator. If we enter into a new lease, the replacement operator might not achieve the same levels of production or sell coal at the same price as the lessee it replaced. In addition, it may be difficult for us to secure new or replacement lessees for small or isolated coal reserves, since industry trends toward consolidation favor larger-scale, higher-technology mining operations in order to increase productivity.

If our lessees do not manage their operations well, their production volumes and our coal royalty revenues could decrease.

We depend on our lessees to effectively manage their operations on our properties. Our lessees make their own business decisions with respect to their operations within the constraints of their leases, including decisions relating to:

- marketing of the coal mined;
- mine plans, including the amount to be mined and the method of mining;
- processing and blending coal;
- credit risk of their customers;
- permitting;
- insurance and surety bonding;
- acquisition of surface rights and other mineral estates;
- employee wages;
- coal transportation arrangements;
- compliance with applicable laws, including environmental laws;
- negotiations and relations with unions; and
- mine closure and reclamation.

If our lessees do not manage their operations well, their production could be reduced, which would result in lower coal royalty revenues to us.

Adverse developments in the coal industry could reduce our coal royalty revenues and, due to our lack of asset diversification, could substantially reduce our total revenues.

Our coal royalty business generates substantially all of our revenues. Due to our lack of asset diversification, an adverse development in the coal industry would have a significantly greater impact on our financial condition and results of operations than if we owned more diverse assets.

Any decrease in the demand for metallurgical coal could result in lower coal production by our lessees, which would reduce our coal royalty revenues.

Our lessees produce a significant amount of the metallurgical coal that is used in both the U.S. and foreign steel industries. In 2002, approximately 16.2% of the coal production from our properties was metallurgical coal. The steel industry has increasingly relied on electric arc furnaces or pulverized coal processes to make steel. These processes do not use coke. If this trend continues, the amount of metallurgical coal that our lessees mine could continue to decrease. Additionally, since the amount of steel that is produced is tied to global economic conditions, a decline in those conditions could result in the decline of steel, coke and coal production. Since metallurgical coal is priced higher than steam coal, some mines on our properties may only operate profitably if all or a portion of their production is sold as metallurgical coal. If these mines are unable to sell metallurgical coal, these mines may not be economically viable and may close.

We may not be able to expand and our business will be adversely affected if we are unable to replace or increase our reserves or obtain other mineral reserves through acquisitions.

Because our reserves decline as our lessees mine our coal, our future success and growth depend, in part, upon our ability to acquire additional coal reserves or other mineral reserves that are economically recoverable. If we are unable to replace or increase our coal reserves or acquire other mineral reserves on acceptable terms, our royalty revenues will decline as our reserves are depleted. In addition, if we are unable to successfully integrate the companies, businesses or properties we are able to acquire, our royalty revenues may decline and we could experience a material adverse effect on our business, financial condition or results of operations. If we acquire additional reserves, there is a possibility that any acquisition could be dilutive to our earnings and reduce our ability to make distributions to unitholders. Any debt we incur to finance an acquisition may also reduce our ability to make distributions to unitholders. Our ability to make acquisitions in the future also could be limited by restrictions under our existing or future debt agreements, competition from other mineral companies for attractive properties or the lack of suitable acquisition candidates.

Any change in fuel consumption patterns by electric power generators resulting in a decrease in the use of coal could result in lower coal production by our lessees, which would reduce our coal royalty revenues.

Domestic electric power generation accounts for approximately 90% of domestic coal consumption. The amount of coal consumed for domestic electric power generation is affected primarily by the overall demand for electricity, the price and availability of competing fuels for power plants such as natural gas, nuclear, fuel oil and hydroelectric power and environmental and other governmental regulations. We expect new power plants will be built to produce electricity. Many of these new power plants will likely be fired by natural gas because of lower construction costs compared to coal-fired plants and because natural gas is a cleaner burning fuel. The increasingly stringent requirements of the federal Clean Air Act may result in more electric power generators shifting from coal to natural-gas-fired power plants.

Current conditions in the coal industry may make it difficult for our lessees to extend existing contracts or enter into supply contracts with terms of one year or more, which could adversely affect the stability and profitability of their operations and adversely affect our coal royalty revenues.

As electric utilities adjust to the Phase II requirements of the Clean Air Act and the possible deregulation of their industry, they are becoming increasingly less willing to enter into coal supply contracts with terms of more than one year. Instead, these utilities are purchasing higher percentages of coal on the spot market. The industry shift away from long-term supply contracts could adversely affect our lessees, and the level of our coal royalty revenues, in several ways. First, fewer electric utilities will have a contractual obligation to purchase coal from our lessees, thereby increasing the risk that our lessees will not have a market for their coal production. Second, the prices our lessees receive in the spot market may be less than a contractual price an electric utility is willing to pay for a committed supply. Finally, spot market prices tend to be more volatile than contractual prices, which could result in decreased coal royalty revenues and adversely affect our ability to pay distributions in any one quarter.

In addition, price adjustment, price reopener and other similar provisions in supply contracts with terms of one year or more may reduce the protection from short-term coal price volatility traditionally provided by these contracts. Some coal supply contracts contain provisions that allow for the price at which coal is purchased to be renegotiated at periodic intervals. These price reopener provisions may automatically set a new price based on the prevailing market price or, in some instances, require the parties to agree on a new price. In some circumstances, failure of the parties to agree on a price under a price reopener provision can lead to termination of the contract. Any adjustment or renegotiation leading to a significantly lower contract price could result in decreased coal royalty revenues. Accordingly, even supply contracts with terms of one year or more may provide only limited protection if adverse market conditions occur.

Some supply contracts also contain provisions that allow the customer to suspend or terminate performance under the contract upon the occurrence or continuation of specified events. These events typically include:

the inability of our lessees to deliver the volume or qualities of coal specified;

changes in government regulations that render use of coal inconsistent with the customer s pollution control strategies; and

the occurrence of events beyond the reasonable control of the affected party, including labor disputes, mechanical malfunctions, transportation disruptions and changes in government regulations.

Competition within the coal industry may adversely affect the ability of our lessees to sell coal, and excess production capacity in the industry could put downward pressure on coal prices.

Our lessees compete with numerous other coal producers in various regions of the United States for domestic sales. During the mid-1970s and early 1980s, increased demand for coal attracted new investors to the coal industry, spurred the development of new mines and resulted in additional production capacity throughout the industry, all of which led to increased competition and lower coal prices. Any increases in coal prices could also encourage the development of expanded capacity by new or existing coal producers. Any resulting overcapacity could reduce coal prices and therefore reduce our coal royalty revenues.

Competition from coal with lower production costs shipped east from western coal mines has resulted in increased competition for coal sales from the Appalachian region and the Illinois Basin. This competition could result in a decrease in market share for our lessees operating in these regions and a decrease in our coal royalty revenues.

The amount of coal exported from the United States has declined over the last few years due to adverse economic conditions in Asia and the higher relative cost of U.S. coal due to the strength of the U.S. dollar. This decline could cause competition among coal producers in the United States to intensify, potentially resulting in additional downward pressure on coal prices.

Conversely, the amount of coal imported into the United States over the last few years has increased. This increase is mostly due to the economic and environmental advantages of some imported coal. A continued increase in imported coal could result in less of our coal being mined and sold and reduce our coal royalty revenues. Additionally, lower priced imported coal could result in lower on coal prices that would reduce our coal royalty revenues.

Lessees could satisfy obligations to their customers with coal from properties other than ours, depriving us of the ability to receive amounts in excess of minimum royalty payments.

Coal supply contracts do not generally require operators to satisfy their obligations to their customers with coal mined from specific reserves. Several factors may influence a lessee s decision to supply its customers with coal mined from properties we do not own or lease, including the royalty rates under the lessee s lease with us, mining conditions, mining operations costs, cost and availability of transportation, and customer coal specifications. If a lessee satisfies its obligations to its customers with coal from properties we do not own or lease, production on our properties will decrease, and we will receive lower coal royalty revenues.

Fluctuations in transportation costs and the availability or reliability of transportation could reduce the production of coal mined from our properties.

Transportation costs represent a significant portion of the total cost of coal for the customers of our lessees. Increases in transportation costs could make coal a less competitive source of energy or could make coal produced by some or all of our lessees less competitive than coal produced from other sources. On the other hand, significant decreases in transportation costs could result in increased competition for our lessees from coal producers in other parts of the country.

Our lessees depend upon railroads, barges, trucks and beltlines to deliver coal to their customers. Disruption of those transportation services due to weather-related problems, mechanical difficulties, strikes, lockouts, bottlenecks and other events could temporarily impair the ability of our lessees to supply coal to their customers. Our lessees transportation providers may face difficulties in the future that may impair the ability of our lessees to supply coal to their customers, resulting in decreased coal royalty revenues to us.

Our reserve estimates depend on many assumptions that may be inaccurate, which could materially adversely affect the quantities and value of our reserves.

Our reserve estimates may vary substantially from the actual amounts of coal our lessees may be able to economically recover from our reserves. There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. Estimates of coal reserves necessarily depend upon a number of variables and assumptions, any one of which may, if incorrect, result in an estimate that varies considerably from actual results. These factors and assumptions relate to:

- future coal prices, operating costs, capital expenditures, severance and excise taxes, and development and reclamation costs;
- future mining technology improvements;
- the effects of regulation by governmental agencies; and
- geologic and mining conditions, which may not be fully identified by available exploration data and may differ from our experiences in areas where our lessees currently mine.

Actual production, revenue and expenditures with respect to our reserves will likely vary from estimates, and these variations may be material. As a result, you should not place undue reliance on our coal reserve data that is incorporated by reference in this prospectus.

Our lessees work forces could become increasingly unionized in the future.

Some of the mines on our properties are operated by unionized employees of our lessees or their affiliates. Our lessees employees could become increasingly unionized in the future. Some labor unions active in our lessees areas of operations are attempting to organize the employees of some of our lessees. If some or all of our lessees non-unionized operations were to become unionized, it could adversely affect their productivity, increase costs and increase the risk of work stoppages. In addition, our lessees operations may be adversely affected by work stoppages at unionized companies, particularly if union workers were to orchestrate boycotts against our lessees operations. Any further unionization of our lessees employees could adversely affect the stability of production from our reserves and reduce our coal royalty revenues.

Regulatory and Legal Risks

Our lessees are subject to federal, state and local laws and regulations that may limit their ability to produce and sell coal from our properties.

Our lessees may incur substantial costs and liabilities under increasingly strict federal, state and local environmental, health and safety and endangered species laws, including regulations and governmental enforcement policies. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of limiting production from our lessees operations. Our lessees may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from their operations. If our lessees are pursued for these sanctions, costs and liabilities, their mining operations and, as a result, our coal royalty revenues could be adversely affected.

Some species indigenous to our properties are protected under the Endangered Species Act. Federal and state legislation for the protection of endangered species may have the effect of prohibiting or delaying our lessees from obtaining mining permits and may include restrictions on road building and other mining activities in areas containing the affected species. Additional species on our properties may receive protected status, and currently protected species may be discovered within our properties. Either event could result in increased costs to us or our lessees.

New environmental legislation, new regulations and new interpretations of existing environmental laws, including regulations governing permitting requirements and the protection of endangered species, could further regulate or tax the coal industry and may also require our lessees to change their operations significantly to incur increased costs or to obtain new or different permits, any of which could decrease our coal royalty revenues.

A substantial portion of our coal has a high sulfur content. This coal may become more difficult to sell because the Clean Air Act restricts the ability of electric utilities to burn high sulfur coal.

Sulfur is a naturally