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# AUTHORIZE ACQUISITION OF LANDS WITHIN THE VERMEJO RANCH, NEW MEXICO AND COLORADO

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## HEARINGS

BEFORE THE

### SUBCOMMITTEE ON FORESTS

OF THE

## COMMITTEE ON AGRICULTURE

## HOUSE OF REPRESENTATIVES

### NINETY-SECOND CONGRESS

#### SECOND SESSION

ON

### H.R. 11182

AUGUST 14, AND SEPTEMBER 12, 1972

#### Serial No. 92-MM

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## ACQUISITION OF LANDS WITHIN THE VERMEJO RANCH, NEW MEXICO AND COLORADO

MONDAY, AUGUST 14, 1972

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON FORESTS,  
OF THE COMMITTEE ON AGRICULTURE,  
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 1302, Longworth House Office Building, Hon. W. R. Poage (chairman of the full committee) presiding.

Present: Representatives Poage, Burlison, Teague, and Kyl.

Also present: Christine S. Gallagher, chief clerk; Lacey C. Sharp, general counsel; Fowler C. West, staff consultant.

On November 11, 1971, a public hearing was held on this proposed legislation and at a closed business session following the open hearing the measure was ordered reported to the full Committee on Agriculture. At the close of the first session of the Congress, that hearing was printed along with two others under the title "Miscellaneous Land Transactions" Serial No. 92-T. On March 10, 1972 the full committee re-referred the legislation to the Subcommittee on Forests to obtain further information. The following hearings were then scheduled by the subcommittee

Mr. POAGE. The committee will please come to order.

The chairman of the subcommittee, Mr. Foley, is on his way and will be here shortly, but in order that we might hear from the representatives of the Department I thought it would be well for us to start the meeting and hear from the representatives of the Forest Service.

I am also suggesting that we change the sign on the door and make this an open meeting at least for the purpose of hearing these gentlemen. So we will make it an open meeting until we finish with the witnesses.

(H.R. 11182 introduced by Mr. Lujan, and the departmental report, follow:)

[H.R. 11182, 92d Cong., first sess.]

A BILL To authorize the acquisition of lands within the Vermejo Ranch, New Mexico and Colorado, for addition to the national forest system, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That to assure that the outstanding natural resources of the area known as the Vermejo Ranch, within the Maxwell and Sangre de Cristo land grants, New Mexico and Colorado, will be managed and protected for public use and enjoyment, under the principles of multiple use and sustained yield, the Secretary of Agriculture is hereby authorized to acquire un-

der this Act or under other authorities available to him such lands, waters, and interests therein as he deems desirable for national forest purposes within the area generally depicted on a map entitled "Proposed Vermejo Ranch Purchase Area", which is on file and available for public inspection in the Office of the Chief, Forest Service, Department of Agriculture. Any such acquisition may be made by purchase with donated or appropriated funds, by gift, by exchange, by transfer under provisions of the Act of July 9, 1962 (43 U.S.C. 315g-1) as though the land were within the exterior boundaries of the national forest, by transfer under the provisions of the Federal Property and Administrative Services Act (63 Stat. 377, as amended, 40 U.S.C. 471 et seq.), or otherwise.

SEC. 2. Moneys appropriated from the Land and Water Conservation Fund shall be available for the acquisition of lands, waters, and interests therein for the purposes of this Act: *Provided*, That the acreage of such acquisitions shall be excluded from computation of acreage added to the national forest system west of the one hundredth meridian for the purposes of the acreage limitation set forth in subsection 6(a) (1) of the Land and Water Conservation Fund Act.

SEC. 3. Lands, waters, and interests therein acquired pursuant to this Act shall, immediately upon acquisition or transfer thereof, be included in the Carson National Forest and shall be subject to the laws and regulations applicable to the national forest.

SEC. 4. There are hereby authorized to be appropriated such sums as are necessary for the acquisition of lands, waters, and interests therein for the purposes of this Act.

DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY,  
Washington, D.C., November 17, 1971.

Hon. W. R. POAGE,  
*Chairman, Committee on Agriculture,  
House of Representatives.*

DEAR MR. CHAIRMAN: AS you asked, here is our report on H.R. 11182, a bill "To authorize the acquisition of lands within the Vermejo Ranch, New Mexico and Colorado, for addition to the national forest system, and for other purposes."

H.R. 11182 would authorize the Secretary of Agriculture to acquire, through various means, the 480,000 acre area known as the Vermejo Ranch in the States of New Mexico and Colorado. Monies from the Land and Water Conservation Fund would be generally available for the acquisition of lands, waters and interests therein within the Ranch. Upon acquisition the lands would be included in the Carson National Forest and would be subject to the laws and regulations applicable to the National Forest.

The Vermejo Ranch is a large ranch property located in the Sangre de Cristo Mountains, largely in Northeastern New Mexico. It has been held intact as a family ranch for many years, and after the recent death of its owner, is being offered for sale to settle his estate.

We recognize that the Vermejo Ranch has special scenic and substantial natural resource values. The estimated asking price for the property is \$26.6 million, which averages approximately \$55 per acre. A principal source for acquisition would be the Land and Water Conservation Fund. Monies available for Federal land acquisition from this Fund have been allocated to other projects on which we must place a higher priority. Relative to other purchases we intend to make with Land and Water Conservation Fund monies, the Vermejo Ranch property is remote from population centers, and would be used primarily by visitors who are close to other wildland recreation opportunities. Even beyond the question of Land and Water Conservation Fund monies, there is no assurance that other means of acquisition as contemplated by the bill could be utilized to meet estimated asking price.

For these reasons, we recommend that H.R. 11182 not be enacted. The Office of Management and Budget advises that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

J. PHIL CAMPBELL,  
*Acting Secretary.*

MR. POAGE. We have with us Mr. Galley who is the branch chief of the Albuquerque office. I know we have Dr. Nelson, Deputy Chief

of the Forest Service in Washington. We have Howard Banta, Chief Mining Engineer of the Forest Service here. Also Mr. Koen, assistant regional forester at Albuquerque.

**STATEMENT OF DR. THOMAS C. NELSON, DEPUTY CHIEF, U.S. FOREST SERVICE; ACCOMPANIED BY HOWARD E. BANTA, CHIEF MINING ENGINEER, FOREST SERVICE; FRED W. GALLEY, CHIEF, LAND ACQUISITION AND EXCHANGE, SOUTHWEST REGION, FOREST SERVICE; AND JOHN T. KOEN, ASSISTANT REGIONAL FORESTER, RECREATION AND LANDS, SOUTHWEST REGION, FOREST SERVICE**

Dr. NELSON. I would like to bring the other gentlemen to the table with me.

Mr. POAGE. If you will take charge and present the witnesses, we will be glad to have your suggestions on what ought to be done.

Dr. NELSON. Following last Wednesday's meeting of the subcommittee we were asked if we could bring the appraiser on the Vermejo Ranch to Washington to answer questions of the subcommittee. Mr. Galley on my left made the appraisal on the Vermejo Ranch and is prepared to answer questions concerning the nature of the appraisal.

Mr. Sharp also asked us to bring Mr. Koen, the assistant regional forester in Albuquerque. Mr. Koen has been present with the Gourley family during all of the negotiations that have taken place to date concerning this ranch property.

Inasmuch as the committee asked some rather technical questions on mining at the last subcommittee meeting, I asked if it were possible for us to bring our Chief Mining Engineer, Mr. Banta, to the meeting in the event some of the members had general or specific questions concerning mining on Federal lands.

Mr. POAGE. You understand while I am technically a member of all subcommittees I have not made it a practice of being at subcommittee meetings. I am sure the other members here are much more familiar with this than I am.

I would like to point out that maybe I have an unreasonable prejudice in connection with this matter. I do know something of the history of the Maxwell grant, and I know it was produced in one of the most fraudulent operations that ever took place in the American Congress. I think it is a black mark on the Congress and on the U.S. Government. I think it was shot through with fraud from start to finish. It seems there was nothing honest about the Maxwell grant even in its inception. The representation of the Mexican officials was apparently fraudulent, and certainly everything that took place here in Washington was fraudulent. I recognize at least a substantial part of this is at least part of the Maxwell grant. I am not trying to blame anybody with the Maxwell grant, but there were a lot of good men in the Congress whose reputations were ruined as a result of the Maxwell grant. I don't want to see that sort of thing happen here again.

I am convinced that you have something very desirable in the way of recreation there in northern New Mexico, and I know enough of the country to know it is a beautiful country. I would love to see the

United States have it all but I certainly don't want to fall into the trap that so many of the Congressmen fell into 100 years ago when they expanded the Maxwell grant from a 30,000-acre Spanish grant into a 1½ million-acre congressional gift of minerals and valuable property. Since we have that kind of a history confronting us, we don't want to get into the same situation.

We do want to be assured by you that we are not getting into anything of that kind. If there is a doubt about it, I am in favor of giving ourselves the benefit of the doubt by letting the land go rather than by acquiring it under circumstances that might lead to a repetition of the things that happened about 1867.

I don't want to monopolize the time because other members of the subcommittee are more conversant with it than I am.

Mr. TEAGUE. To get it started, Mr. Chairman, although Mr. Kyl is more familiar with this thing than any other member of the subcommittee, I would like to be sure that I recall correctly that if the U.S. Government acquired this property we would not get the mineral rights. Is that correct?

Dr. NELSON. There are some mineral rights that we would get with this purchase, and I would ask Mr. Galley if he would give the acreages that the United States would acquire and the other outstanding mineral rights on the property.

If I might, Mr. Teague, at this time I would like to make sure that the record is clear that the U.S. Department of Agriculture recommends that S. 2699 not be enacted.

Mr. GALLEY. The status of the minerals on the property in the western portion of the ranch, the approximately 78,000 acres in the Sangre de Cristo Mountains, is that minerals are outstanding in a third party. These were reserved in a deed of conveyance, I believe, in 1915.

On the Maxwell land grant portion of the ranch, Kaiser Steel Corp. presently owns approximately 252,000 acres of coal rights only on this portion of the ranch. These rights were reserved in a deed of conveyance in approximately 1902, and Kaiser is a successor in interest of that company. On the remaining approximately 150,000 acres of the ranch, the ranch owns all of the minerals including coal.

I might back up to this 252,000 acres on which Kaiser Steel owns the coal rights. The ranch owns all of the remaining oil, gas, and other minerals.

Mr. TEAGUE. So roughly two-thirds of the mineral rights, not all mineral rights but at least some mineral rights would not go to the U.S. Government if we purchased the property?

Mr. GALLEY. The portion of mineral rights that would not go to the U.S. Government would be the 78,000 acres in the western portion of the Sangre de Cristo Mountains and the Kaiser-owned coal rights on 252,000 acres.

Mr. TEAGUE. Has any strip mining been engaged in at all on the property?

Mr. GALLEY. There has been no strip mining to date. There is a potential for a minor amount of strip mining in the eastern portion of the property.

Mr. TEAGUE. I yield to Mr. Kyl.

Mr. KYL. In this area of which you speak now as being possibly susceptible to strip mining, that is the area where the present owners hold title to the subsurface rights; is that correct?

Mr. GALLEY. No, sir.

Mr. KYL. In other words, the right to strip mine would still be with the Kaiser Steel Co. which owns the land?

Mr. GALLEY. The information on the mining potential was obtained from an attorney for Kaiser Steel Corp. In addition to this 252,000 acres on the Vermejo Ranch they presently own slightly over 250,000 acres of additional lands plus coal rights on adjacent properties. Kaiser informed us that, in the area in which they are presently drilling on the Vermejo Ranch, approximately 10,000 acres have a potential for strip mining in this very eastern-northeastern portion of the Vermejo property adjacent to their ownership there. Their core drilling indicates a maximum potential of possibly 20,000 to 25,000 acres of total ownership on the Vermejo site that would have a capability of strip mining.

I might refer to Mr. Banta who has some additional information on the legal possibilities of the strip mining.

Mr. BANTA. There was a precedential court case in 1955 on the Monongahela National Forest. The citation is 131 Fed. Supp. 772. This was *United States vs. Sam G. Polino* wherein the Federal District Court held that the right to strip mine was not contemplated in the deed—that is to say, that, at the time the deed was made separating the minerals from the surface rights, strip mining was not a usual and customary practice; therefore, although persons owned coal, they did not have the right to strip mine coal.

Mr. KYL. The strip mining probably will be a moot question before long if we pass the legislation now pending. But in regard to the rights of Kaiser is there presently a royalty paid to the present owners of the ranch for the mining of coal?

Mr. GALLEY. No, sir. This is a fee ownership of those rights to which Kaiser was the successor in interest, and the mineral rights were separated from the surface.

Mr. KYL. Therefore, if the Government purchases this land there would be no income to the Government from the actual process of mining of the property?

Mr. GALLEY. On that 252,000 acres, that is correct, sir. There is a coal interest on the ranch holdings on the other 150,000 acres that have the distinct potential for coal.

Mr. KYL. Continuing then, so far as the forest is concerned, as I understand it there is presently a legal binding arrangement under which a company has the right to cut timber on the property under certain restrictions, the trees must be a certain size, the company can cut over the land once. Then is there any payment made under that arrangement to the present owners which right of compensation would pass to the Government if the Government purchased the property?

Dr. NELSON. The answer to that, Congressman Kyl, is that the present timber contract extends until 1990 and until that period of time no payments would be made to the United States. There is an option in that contract that extends from the year 1990 to the year 2000. In this option, \$25,000 per year would accrue to the owners of the prop-

erty, and if the lumber company which has this option exercised it, then this money from the year 1990 to the year 2000 would accrue to the United States.

Mr. KYL. Is the contract written in such fashion that the lumber company has the right to continue for that extra 10 years regardless of the attitude of the owner?

Dr. NELSON. It is my understanding that this is the case, sir.

Mr. KYL. Could we then move to this business of appraisal?

Mr. TEAGUE. What is the situation as far as oil is concerned, either for exploration or production? Is there any oil activity on the property at all?

Mr. GALLEY. Yes, sir. There is, first of all, a past history of oil leases that have been executed and an oil exploration program. Those past leases have expired. There was an exploration program carried on. In both of those programs there were discoveries of insignificant shows of oil and gas. In the last 6 months, the ranch has executed a new lease for oil and gas and an exploration program has begun.

We have been informed that, out of six holes they have drilled so far, they had a show of gas with a 35-pound pressure—I believe that was the figure quoted to us—which was considered insignificant and insufficient to develop in any commercial quantity. So they are still talking about a show of oil and gas.

Mr. TEAGUE. They are not producing oil or gas wells on the property as of now?

Mr. GALLEY. No, sir.

Mr. TEAGUE. I yield to Mr. Kyl again.

Mr. KYL. Is it my understanding now that so far as oil and gas is concerned, the Kaiser Co. does not have any vested right?

Mr. GALLEY. That is correct.

Mr. KYL. Even on the lands where they are mining for coal?

Mr. GALLEY. That is correct.

Mr. KYL. The present activity is under a new lease holding?

Mr. GALLEY. Right.

Mr. KYL. What was paid for the right to explore?

Mr. GALLEY. That we do not have any information regarding it. It is a very recent lease.

Mr. KYL. Is there any provision in that lease which would return funds to the owners of the property if they found producing gas or oil wells?

Mr. GALLEY. I am not certain of this, sir. I assume it is very similar to other previous leases they had executed which would return a royalty.

Mr. FOLEY. Will the gentleman yield?

Mr. TEAGUE. I will yield back.

Mr. FOLEY. Who is the lease holder of the oil and gas exploration?

Mr. GALLEY. It is Odesso Oil and Gas, a subsidiary of El Paso Natural Gas.

Mr. FOLEY. How long is the lease for?

Mr. GALLEY. I do not know that, sir.

Mr. FOLEY. Are you familiar with the terms of the previous lease, the one or ones that have expired?

Mr. GALLEY. Not completely. I am familiar with what was written in the title opinions just regarding the length of time of the lease and the amount of acreage covered.

Mr. FOLEY. Do you know how much the present lease covers in acreage?

Mr. GALLEY. I was told it was approximately 100,000 acres.

Mr. FOLEY. Do you have any questions?

Mr. BURLISON. Dr. Nelson, I believe you referred to a Senate bill. Is the Senate bill that you referred to, identical to H.R. 11182?

Dr. NELSON. I believe it is, sir.

Mr. KYL. Will the gentleman yield at that point?

Just for clarification, does our colleague from New Mexico know the answer to that question.

Mr. LUJAN. There were some amendments added to the Senate bill.

Mr. KYL. Thank you.

Mr. BURLISON. What is the status of the Senate bill that you referred to? Has it been passed in the Senate?

Dr. NELSON. Yes; it is my understanding that it has been passed by the Senate.

Mr. BURLISON. I have a copy of the Department's report of November 17, 1971, with respect to this legislation. Has the Department's position been modified in any respect since that date?

Dr. NELSON. No, sir. The Department's position is still the same.

Mr. BURLISON. As I read that report, the Department objects to passage of this bill principally for two purposes, two reasons.

One is that it is felt the resources of Land and Water Conservation Fund are not enough to handle this transaction; and, second, that this property is located near other wild land recreation projects which the same visitors would have access to. It is thought that for that reason this property should not have any great priority or at least not have priority over other properties that the Department feels these funds are needed for.

Does that pretty well sum up the Department's position?

Dr. NELSON. That is right, sir. It is primarily a priority situation.

Mr. BURLISON. Thank you.

I yield back the balance of my time.

Mr. FOLEY. Mr. Chairman?

Mr. POAGE. I would like to ask Mr. Nelson right there: You suggest for those two reasons you are opposing this. Are you satisfied as to the title, the reservations of minerals and of timber, are you satisfied as to all of those?

Dr. NELSON. Yes, sir. We are satisfied with the reservations on the land. We have purchased land with outstanding minerals and timber reservations in the past, and we have been able to manage the lands with those caveats, sir.

Mr. POAGE. And you are satisfied with these reservations that the price is still a fair price.

Dr. NELSON. We are satisfied, sir, that this price is a fair and equitable price; yes, sir.

Mr. POAGE. Taking into consideration the reservations?

Dr. NELSON. Yes, sir.

Mr. POAGE. And you are satisfied that you have no reason to suspicion that there is anything connected with this transaction that would bring about a repetition of the kind of thing that took place with the Maxwell grant originally?

Dr. NELSON. I am not that well acquainted with all of the details of the Maxwell grant, Congressman Poage.

Mr. POAGE. You do know what the Congress of the United States did in connection with the Maxwell grant, do you not?

Dr. NELSON. Yes, sir.

Mr. POAGE. You do know the grant was for 30,000 acres, and 1.6 million acres had been sold later as part of the Maxwell grant.

Dr. NELSON. Yes, sir.

Mr. POAGE. When anybody can run a 30,000-acre grant into 1.6 million acres without any payments except possibly under the table, there was something wrong.

Dr. NELSON. Congressman, we know of nothing of this nature that is involved in this particular ranch holding.

Mr. POAGE. You are satisfied that there is no tax problem?

Dr. NELSON. I cannot answer that question, sir.

Mr. POAGE. The tax problem has been raised. Whether it has been settled or not, I do not know.

Mr. Galley appraised this. You are satisfied as to the taxes, are you?

Mr. GALLEY. Sir?

Mr. POAGE. You are satisfied that all the taxes have and will be paid?

Mr. GALLEY. It is our understanding that we would be in the same position as another private buyer purchasing the tract, if we were to purchase it.

Mr. POAGE. I know. If there are any taxes on it, they would be on you.

Mr. GALLEY. No, they would have to pay them.

Mr. POAGE. They would have to pay it? You have it planned and they would have to pay the taxes.

Mr. GALLEY. Sir, I assumed you were talking about their inheritance taxes and so forth relating to the property.

Mr. POAGE. Even the inheritance taxes, I understood possibly this land was owned by some citizens of my State. But how are you going to get down there and get money if there is no money there to get?

The land is in the possession of the Government, the land is the big asset, is it not?

Mr. GALLEY. Yes, sir.

Mr. POAGE. Where are you going to collect those taxes except from the land? What do you know about the solvency of the present owners? I do not know a thing about it. I am not trying to suggest there is anything wrong, but what do you know about the solvency of the present owners?

Mr. KOEN. Congressman, may I respond to that?

Mr. POAGE. Yes.

Mr. KOEN. In our land acquisition programs, we do not accept title to properties until all liens and taxes have been satisfied.

Mr. POAGE. In your land acquisition, that is the way I would deal too if I were practicing law and representing the party. I would not suggest they pay off until all the taxes were settled, but if this Congress

passes legislation here authorizing the purchase of this land, you do not have any such protection.

Mr. KOEN. Yes, we do—

Mr. POAGE. That is what we did in 1867, we did do that sort of thing.

Mr. KOEN. We are required by our general counsel and the Justice Department to accept title clear, and we cannot accept a title that has a lien.

Mr. POAGE. You can accept anything in the world that this Congress allows you to accept, and you will accept it. If we write legislation already telling you to accept this title, all the opinions of everybody down there in the Department are not going to cut a bit of ice. You are going to accept whatever title this legislation tells you to accept. I want to know what we are suggesting you to accept. I want to know what this legislation tells you to accept. You are not making a private trade now.

Mr. KYL. Mr. Chairman, would you yield?

Mr. POAGE. Certainly.

Mr. KYL. Let me approach this from a different angle. Who presently owns the Vermejo Ranch?

Mr. KOEN. W. S. Ranch Corp., a New Mexico corporation.

Mr. POAGE. What corporation?

Mr. KOEN. W. S. Ranch.

Mr. KYL. W. S. Ranch Corp. of New Mexico holds complete title with the exception of the rights that we have discussed.

Mr. KOEN. That is right, yes, sir.

Mr. KYL. According to your statement, if the Government buys this land they will not pay for that land until the taxes owed the Federal Government, either previously or as part of this transaction, are paid; is that correct?

Mr. KOEN. That is correct. That was the amendment put into the Senate bill.

Mr. KYL. All right. That is in the Senate bill?

Mr. KOEN. Yes.

Mr. KYL. That is what I want to clarify.

Now, is there any individual or corporate entity which in any way has an interest in this land other than the W. S. Ranch Corp.?

Mr. KOEN. According to our title information, they are a wholly owned subsidiary.

Mr. KYL. W. S. Ranch Corp. is a wholly owned subsidiary?

Mr. KOEN. Yes, sir.

Mr. KYL. Now, the thing that the chairman is getting at, the thing that bothered me after having it called to our attention by the people downtown is this: any possibility that there are individuals or other corporate entities which in any way would be injured, which in any way would get less than their rightful interest, if Uncle Sam purchased this property from the Ranch Corp. itself?

Mr. KOEN. Not to my knowledge.

Mr. KYL. Is there any way in which money coming to the W. S. Ranch Corp. should be distributed to any other entities or individuals except those who are involved in the Ranch Corp.?

Mr. KOEN. Not to my knowledge.

Mr. TEAGUE. Would you yield?

Mr. KYL. Yes.

Mr. TEAGUE. Then you are saying in effect there are no mortgages on the property, it is free and clear except for these timber and oil rights?

Mr. KOEN. We have not dwelt on that particular aspect of it at this stage of the consideration.

Mr. KYL. What we are afraid of is that somebody outside the W. S. Ranch Corp., a wholly owned subsidiary, may have some money invested or may hold a right of some kind in connection with this land, if Uncle Sam paid the Ranch Corp. then these other people may not get what is really legally or ethically theirs as part of the transaction. Is there any reason to harbor such a suspicion?

I would ask any one of you gentlemen.

Mr. KOEN. None that I know of.

Mr. GALLEY. That question was raised once before in correspondence, as I think back, to IRS by Richard Simon, attorney for the company. He reported to them that the W. S. Ranch Co. was a wholly owned subsidiary of American Manufacturing, of which Mrs. Gourley, now the heir, would be the principal stockholder.

The only other stock out was a minor ownership in the grandchildren's names. That was the report Mr. Simon's attorney made at that time in a letter to IRS.

Mr. KYL. We have had some discussions concerning a situation which was pending, perhaps it has been settled and you can acquaint me with the facts if it has, regarding a matter which is before the Renegotiation Board, in which there was a claim at least that some corporation would have to return some funds to the Government possibly. Now how does that fit into this transaction?

Mr. KOEN. It is my understanding that this is a separate consideration with American Manufacturing Foundation Corp.

Mr. KYL. But the principal stockholder in American Mining Corp. and in the W. S. Ranch Corp. are the same people, is that correct?

Mr. KOEN. That is right.

Mr. POAGE. Does the U.S. Government have a claim against the American Mining Co. or Manufacturing Co.? I did not understand which it was.

Dr. NELSON. Manufacturing Co.

Mr. POAGE. American Manufacturing Co., does the United States have an unpaid claim against the American Manufacturing Co.?

Mr. KOEN. They are in the process of what is referred to as renegotiation on a manufacturing contract that American Manufacturing Corp. had with the American Government; yes, sir.

Mr. POAGE. There is at least a possibility that the United States will have a substantial claim against that corporation?

Mr. KOEN. This is my understanding; yes, sir.

Mr. POAGE. If all the assets of the W. S. Ranch are sold, then the American Manufacturing Co. will have no assets with which to pay the U.S. Government; is that a correct statement?

Mr. KOEN. I could not answer that, Congressman.

Mr. POAGE. It is right important that we know, is it not; else we are going to bleed the U.S. Government. We are going to pay some people with U.S. funds on the one hand and fixing it so that the U.S. Government cannot collect, on the other hand.

Now, had we not better know about that before we act? Should we not know what the situation is with regard to this tax situation? I know enough of this to know there is some question somewhere about this. Every question I asked, you seem to want to cover up something. I do not want to say that you are parties to anything, but you do not want to—we do not know.

Mr. KOEN. Congressman?

Mr. POAGE. Now how in the world—how you could pass on a title without knowing these things, I cannot understand. You are the people, your legal department are the people who must pass on this title. If you are telling us that there is good title, yet you do not know about these Government claims, it just seems to me that somebody has not done his homework. We are going to spend a lot of Government money if we buy this. We ought to know what we are buying.

As far as I am concerned, we are going to know what we are buying. The Congress did not know what it was buying or what it was giving away 100 years ago. We are going to try to do a better job than that. I just want to know this—how much this is. How much is this possible claim of the Government?

Mr. KOEN. Congressman, I could not answer your question. We have not looked into this or had our legal counsel review the title and liens that the Government might have on the American Manufacturing Co. Only the people in the company could answer these questions for you.

Mr. POAGE. I used to practice law a great many years ago. I never let the seller do the looking into and tell me just what the valid claims were against it. That is what I was paid to do.

Now, Mr. Chairman, I wonder if we could not ask that the Department have their legal department get us an opinion on the title. You have an abstract of this, have you not? You have an abstract on this, do you not?

Mr. KOEN. Yes.

Mr. POAGE. Now that ought not to be a very burdensome thing. Back when I practiced law, we could prepare an opinion for \$25. Of course, it is probably \$250 now.

It certainly is not a great burdensome thing to ask your legal department to give us an opinion on title.

Dr. NELSON. We would be happy to fulfill the wishes of the committee in this, sir.

Mr. FOLEY. If there is no objection, the subcommittee would request that an opinion on title be provided.

Mr. Chairman, if you would yield just for a moment on that question.

Mr. POAGE. Certainly.

Mr. FOLEY. I think the committee would like to be able to answer the chairman's question regarding the renegotiation contract. I realize that is a little bit outside the authority of the Forest Service, but have you been in contact with any other officials of the Government with respect to that issue, that renegotiation problem?

Mr. KOEN. Yes.

Mr. FOLEY. Are you aware of who is, in the Federal Government, cognizant and familiar with the American Machinery renegotiation issue?

Mr. KOEN. Mr. Chairman, we are aware of the renegotiations taking place, and we are aware that the Renegotiation Board is here in Washington. Other than that, we have not dwelt on this particular aspect of American Manufacturing Co's. activities in other parts of the Government.

Mr. TEAGUE. I make the suggestion that Congressman Lujan feel free to assist in answering any of these questions.

Mr. FOLEY. Surely.

Mr. TEAGUE. Do not hesitate at all if you have any information.

Mr. LUJAN. Perhaps I might be able to clear this Renegotiation Board business.

The Renegotiation Board looks into any contract over \$1 million, I believe that is the figure, where it is claimed that some company made an excess profit. There is the claim by the Renegotiation Board that American Manufacturing Co. did make excess profits and the law requires that if the feelings of the Renegotiation Board are correct, that American Manufacturing Co. pay back the money.

Mr. FOLEY. Do you know what the claim is for?

Mr. LUJAN. No; I do not.

Mr. FOLEY. I think the chairman's concern was that if, subsequent to this sale. American Manufacturing Co. dissolved without assets, the assets having been transferred to the principal stockholders of this company, and the corporation was in fact a skeleton and the United States then proceeded to attempt to enforce a judgement against the company for \$15 million, we would be in the awkward situation of having paid the stockholders of American Manufacturing \$26 million and the company has collapsed. I assume there would be no way to reach the stockholders because the corporation is liable on the renegotiation, not the principal stockholders, unless they have somehow personally signed off.

Mr. POAGE. Exactly.

Mr. LUJAN. W. S. Ranch Co. vice president and general counsel Mr. Richard Simon has indicated to my staff that they do not require that the total amount be paid. He indicated a figure of somewhere around one-third of the amount due could be a downpayment and the rest retained, in order to work out whatever problems may come up.

Mr. POAGE. That is exactly the thing I think we should take care of but I do not find that you have that in the bill.

Mr. LUJAN. No, I do not. These things came up after the introduction of the legislation.

Mr. POAGE. I recognize you can put money in escrow and protect against this thing, but I want to know that we are protected. There may be nothing to this claim. I am not trying to pass judgment on it, but about nine-tenths of the objections that any lawyer writes to a title, amount to nothing, or nothing ever comes of them, but if he does not set them out and point on that they are there, mighty quickly he is going to cease to be a lawyer of any reputation.

This committee is in much that same sort of situation. Certainly we are probably raising questions that are without any great validity, and may never arise.

Mr. FOLEY. I am going to suggest that in addition to the opinion which the subcommittee would like to have, that counsel, working with

the Forest Service representatives here, contact the Renegotiation Board to provide us with a statement in writing regarding the present status of the renegotiation issue involving American Machinery Co., including any pertinent data as to the amount of the claim and its present status.

Mr. SHARP. I have already written to the Internal Revenue Service asking them for a letter on the tax problem.

Mr. POAGE. On the renegotiation?

Mr. SHARP. No. Only on tax problems, if any.

Mr. FOLEY. I would also like to have you inquire with the IRS what particular agent or agents of the IRS were involved in this case in any matter at the present time in the Southwest region.

One of the things that I must say, myself, I am a little disappointed that we do not have from the appraisers the information concerning the present oil and gas lease. That is an incumbrance on the property, which differs I think a bit from the Renegotiation Board issue.

I would assume that you would know the acreage, terms and conditions of a present encumbrance on a property which the government is about to purchase. Would that not be a normal thing to know?

Dr. NELSON. Yes, sir. I do want to make sure the record is clear that the Department did oppose this particular piece of legislation, and at the request of several Members of the Congress, we did make this appraisal on the property. I think it was in February of this past year; is that right?

Mr. GALLEY. Yes.

Mr. FOLEY. Was that at a time prior to the issuance of this latest—

Dr. NELSON. Yes.

Mr. FOLEY. Can you obtain that information for us? I am concerned if we pass legislation here and there is a 150,000-acre oil and gas lease in existence—

Mr. POAGE. How long does that lease run?

Mr. KYL. Ten years or as long as there is production.

Mr. POAGE. Is this a new one or old one? There were several old leases. A newly executed lease has just led to the resumption of exploratory work on gas wells.

Let me ask Mr. Galley a question in connection with that while you are looking that up. What is customary out there in New Mexico?

I think I have some familiarity with the custom across the line in Texas. I used to own some land in New Mexico. I lease it for oil and gas. Is a 10-year lease customary up there? We are getting mighty likely to object to anything longer than five.

Mr. GALLEY. I have very little experience there.

Mr. BANTA. I am familiar generally with what the oil industry considers a reasonable lease. A 10-year lease is not at all unusual. A royalty of one-eighth of the production is usual. A lease usually runs as long as production is sustained.

Mr. POAGE. Yes.

Mr. BANTA. Those are the usual and customary terms of any lease.

Mr. POAGE. But you use the 88 form out there, do you not?

Mr. BANTA. The Federal Government has its own lease forms.

Mr. POAGE. The Federal Government, but this is not a Federal Government lease.

Mr. BANTA. That is right.

Mr. POAGE. The ordinary form in New Mexico is the same as the Texas 88, is it not?

Mr. BANTA. I am not sure, sir, whether that is the case or not. I do not really know. I would suspect this lease is a usual lease. It might have a little higher royalty payment.

Mr. POAGE. But you do not know what the bonus was on this lease?

Mr. BANTA. Not at all, sir.

Mr. POAGE. You do not know what the annual rental is? You understand an oil lease, if it is a Texas 88, and I think it is, would provide that for a certain payment they would lease the land for 1 year, with the right to renew that lease each year during a period of 10 years, and normally with some kind of payment. We generally have \$1 per acre, per-year payment; although it might be as low as 10 cents. It could be anything in the world they wanted to fix. But certainly any normal lease would provide for some kind of lease payment, every year, if they were going to renew it.

If the oil company did not want to renew it, they did not make the payment and that is the end of the lease. You do not know what the annual payment is?

Dr. NELSON. We would be glad to work with the Gourley people and obtain that information for this committee.

Mr. TEAGUE. I assume this lease is a recorded public document?

Mr. POAGE. Sure.

Mr. TEAGUE. So we do not need to rely on what the Gourley people tell us. The records should speak for themselves.

Mr. FOLEY. I would think if we are going to ask the Department for an opinion on this property, the actual document should be examined. It is not that we want to imply any distrust of the counsel or representatives of the seller, but I agree with the chairman, as a lawyer I think we ought to have sufficient resources at our disposal to make our own determination of the obligations of recorded documents, in addition to whatever we might be told by the potential sellers.

Mr. Lujan, do you have any comments?

Mr. LUJAN. No.

Mr. FOLEY. Again I encourage you to speak up on this. You have been with this much longer than we have.

Mr. KYL. I have one additional comment in the form of a question, if I may.

Mr. FOLEY. Mr. Kyl.

Mr. KYL. Can you gentlemen tell us if the contracts between the Ranch Co. and Pacific Lumber on the one hand or Kaiser Co. on the other permit the sale of their rights to a different company?

Mr. GALLEY. Yes, sir. The Gourley family did not release the coal rights. Those were separated from the land, and they can be bought and sold like any piece of property.

The timber right sale did provide for Pacific Lumber to sell that to a third party. I believe there is an approval clause. The surface owner of the land has give his approval to a subsequent owner.

Mr. KYL. In the case of the coal, the third party owns the land and has the right to sell that right and would continue to have the right to sell the right, after the Government acquired the property?

Mr. GALLEY. Yes, sir.

Mr. POAGE. The coal company owns an interest in the land that we cannot get, that the Ranch Co. never owned. They own the mineral estate, at least as it relates to coal. They have just as much ownership as the man up on top of the land has. It is a part of the realty that they have. They own real estate, they do not have merely the right to go on it, they actually own real estate there, a part of the real estate, the part we cannot get.

Mr. KYL. Is that true?

Dr. NELSON. Yes, sir.

Mr. GALLEY. Yes.

Mr. KYL. And we would have to buy that land from the coal company?

Mr. GALLEY. That is not land ownership.

Mr. KYL. That is what I am talking about. They own that right.

Mr. GALLEY. They own a right to the coal.

Mr. POAGE. They own more than that. It is realty. It is not merely a right to do something. They own the coal in place, it is theirs.

Dr. NELSON. This is true.

Mr. KYL. The reason I brought that matter up was to clarify the record. I think I muddled it up a bit instead of clarifying it.

The W. S. Ranch Corp. owns every acre of land within the exterior boundaries of the land.

Dr. NELSON. No, sir.

Mr. FOLEY. Owns the surface.

Dr. NELSON. Owns the surface. There is one minor exception.

Mr. KYL. Before we go on with that, you say my statement is correct as far as surface is concerned?

Dr. NELSON. No, sir; with one exception it is correct. There is a small portion of private land that is owned by Kaiser Steel.

Mr. KYL. Within the exterior boundaries of the ranch?

Dr. NELSON. Within the exterior boundaries, this is where the colliery, and the like, are situated.

Mr. KYL. What is the size of that piece?

Mr. GALLEY. Approximately 4,300 acres.

Mr. KYL. The Government in this proposal is not buying that land?

Dr. NELSON. That is correct.

Mr. GALLEY. Their present active coal mining operation is situated there.

Mr. KYL. To clarify, is this a correct statement: W. S. Ranch Corp. owns all surface rights within the exterior boundaries of the ranch except for this approximately 4,000 acres to which Kaiser has surface and subsurface title?

Dr. NELSON. That is correct.

Mr. KYL. Looking at the other side of this again, and looking at the realities of what we are buying and what we are not buying, the Pacific Lumber Co. bought the right to timber on this property for \$3.3 million, with a downpayment of \$600,000, payments of \$300,000 for the next 9 years; they began payments in 1960, completed payment in 1970. In other words, Pacific Lumber has paid \$3.3 million for the right.

How much of that \$3.3 million has Pacific Lumber recouped to this date in profit on its timber operation in this area?

Mr. GALLEY. There is no way to answer how much profit they have gotten. We have no way of looking into the record to see how much monetary value they have received. They have cut and released 23 percent of the acreage involved in their timber lease.

Mr. KYL. Let me state the reason for asking the question. We are assuming that if the Forest Service purchased this land, subject to the reservations that we apparently all understand now, it occurs to me that to recoup \$3.3 million investment, the Pacific Lumber Co. is going to have to harvest a lot of timber. If they did harvest a sufficient amount of timber to cover their costs to present a profit so they could come out whole on this proposition, they are going to continue to cut a lot of timber after Uncle Sam owns this property.

I might say here, one of the worries I have about not buying the property is if some individual came along and bought the property or a major segment thereof, they would have to clear-cut that timber to get their money out of it. We would have a denuded area then. Then I get back to my recent question: How much of that timber is going to have to be taken off the land to satisfy an investment of \$3.3 million?

Mr. POAGE. Do you not have this, though, to help us? Is there not a clause in their cutting contract that they cannot cut anything less than 8 inches.

Dr. NELSON. Yes, sir. The cutting contract calls for a 8-inch diameter; to date they have cut to an 11- or 12-inch diameter.

Mr. POAGE. As a result, they could not go in and clear-cut?

Dr. NELSON. No, they cannot.

Mr. KYL. But, if Uncle Sam is gaining a value here, part of that value is timber. If we are to keep the other values that are inherent which make this an attractive proposition for the Government, we want to have a really good stand of timber left. I understand they do not cut along roads or creeks or things of this kind, but the fact remains that there is going to be a heck of a public outcry, if nothing more than that, if this company proceeds to take off probably \$30 million worth of timber.

Mr. FOLEY. As I understand it, what you are talking about is an existing contract with Pacific Lumber Co. But a private owner would be able to cut all timber under 8 inches since he would be in continuous ownership of that.

Mr. KYL. That is right.

Mr. POAGE. May I ask Mr. Lujan a question?

Mr. FOLEY. Yes.

Mr. POAGE. Do you know if there have been any negotiations with this Pacific Lumber Co., about what we could buy their interests for? They have approximately one-fourth of what they have paid for up to the present time. Has there been any effort made to find out what we could get their remaining three-fourths for?

Mr. LUJAN. No, sir. They have not told us that they would be willing to sell it.

Mr. POAGE. I know; but has anybody asked them.

Mr. KYL. In this question and answer sheet obtained from Mr. Simon, we find this comment:

"Is Pacific Lumber Co. interested in selling their timber rights?"

Answer. "Rumor has it that they are. Rumor has it that there has been no cutting since 1964."

I understand there has been some cutting since 1964.

Mr. LUJAN. They have cut recently.

Mr. KYL. "Pacific Lumber Co. is now only cutting redwoods in California. They are said to be asking \$9 million."

Now, the source is Mr. Simon, who also commented that:

Price is much too high and they could be expected to come down from it. John Koen, Forest Service, in Albuquerque, who said the figure had been mentioned to them by Pacific Lumber Co.

They apparently talked to them about it. He says until they could assess the land they could not judge it.

Mr. POAGE. It would seem to me if we are going to buy this thing, spend the amount of money, which is a big amount of money to buy it, we might certainly give consideration to buying the timber rights there because they obviously have a great deal to do with the value of this as a recreation area.

Mr. GALLEY. That is correct.

Mr. KYL. Have you made any estimate as to the value of that timber for commercial timber purposes?

Mr. FOLEY. Let's be sure we are talking about the right thing here. You are asking whether he made any estimate of the value of the Pacific Lumber Co. holding or of all the timber.

Mr. KYL. No; of the timber on this entire ranch.

Mr. GALLEY. No, sir; we made no effort to do an inventory.

In other words, this would take a great deal of money and time to go in and make a timber inventory over that piece of property.

I have talked to Pacific Lumber and gotten their estimate and their asking price.

Mr. KYL. What is that?

Mr. GALLEY. They estimated that they have 600 million board feet of timber left under their contract on the property. They have confirmed that they are asking \$9 million. That was a very brief talk, a one-time talk with Mr. Cilinski.

Mr. FOLEY. 600 million board feet as yet uncut?

Mr. GALLEY. That was his estimate to us. He quoted how many timber plots they had made.

I talked to our timber management people, gave them the figure and maps that we did have, some rather oldtime timber-type maps, and asked them their opinion. Their estimate based on that particular portion of New Mexico and the types involved was that 600 million board feet was probably a highly optimistic figure, based on the topography. They figure all of the timber types must have been included, even some aspen-mixed conifer.

Mr. KYL. Taking all those factors into consideration, what has the Forest Service estimate of dollar value been on even that optimistically high figure?

Dr. NELSON. We will get that for the record. I would like to know the current prices and the like before I enter this into the record.

Mr. FOLEY. Of course there are two difficulties, I would imagine. I do not know without some kind of cruise—whether in fact there are 600 million board feet, or what species there are.

DR. NELSON. We have some ideas as to the species, but I would want to know the current prices before I answer that question.

It should also be pointed out that Mr. Kyl had an unanswered question here. That was that if this went into private development, could it be clear-cut? You raised that question. Certainly the 23 percent of the land that has been released under the Pacific Lumber Co. contract could be clear-cut by an owner acquiring these properties.

MR. FOLEY. Has there been any conversation with the Kaiser Co. regarding any interest on their part in relinquishing title to the coal rights?

MR. GALLEY. I have talked to the attorney for Kaiser in Oakland, Calif., on several occasions, and he has corresponded with me regarding their ownership. He indicated that Kaiser Steel felt this was a highly advantageous and profitable reserve of coal, that they would need it for their company's future reserves, and that they would carry it on the books for future use.

He also was quite cooperative in offering to sit down with the Forest Service, should we feel we were getting close to Government ownership of the property. He said Kaiser Steel was working very closely with the Forest Service in the western region, in the California area; that they had participated in the development of the proposed legislation for strip mining in New Mexico. They put in writing from the attorney that they are quite concerned themselves over the protection of surface resources on their own lands adjacent to this holding where they own the surface and coal.

He spelled out how they would mine the coal should they ever get into a strip mining operation on this particular 10,000 to 20,000 acres. He stated they would open up only 500 or 600 acres at a time and restore the surface on that parcel with about \$1,400 to \$1,700 per acre in restoration funds.

He volunteered to sit down with us and develop a restoration plan in writing with us. He told us about a plan whereby they would do future coal mining operations on the Vermejo ownership, and they would put in writing how the surface would be mined and restored under their mining operation. He was very cooperative.

MR. FOLEY. There is a bill pending in the Interior Committee which would require the reclamation of both surface and pit mining in future operations.

Although it is not necessarily a typical arrangement, if the Government acquires this property they would have one option, assuming the Congress would give it that authority, not present with the private owner, that would be the authority to condemn these prior ownerships, if suitable arrangements could not be made to reach an agreed price, that is.

MR. KYL. One other subject area.

In the Senate report, and I will read the whole paragraph for the record, I know Mr. Poage will be interested in the possibility of problems here:

The ranch includes some of the highest water-yielding areas in the State of New Mexico. The water resources are very impressive, consisting of more than 60 high country fishing lakes with about 2,000 total surface acres and over 100 miles of trout streams. Artesian water is present in the vicinity of Adams and

Bartlett Lakes and supplies about 60 surface acres each. About 2,500 acres of the ranch are cultivated and irrigated, and there is a water right to 1,000 acre-feet per annum in Eagle Nest Lake for irrigation of part of this acreage.

If Uncle Sam bought this land, would the Forest Service continue to cultivate and irrigate those acres?

Mr. KOEN. Congressman, we have not finalized our plans, but this could be done in a cooperative range program with the permittees who might want to run the cattle on the ranch. We would certainly reserve the water rights for recreation and fishery purposes. We would not give that up.

Mr. KYL. But Uncle Sam would acquire the water right in total?

Mr. KOEN. Right; that is correct.

Mr. KYL. Now is there a possibility that someone in that area is looking at this appropriation as a means of acquiring water for irrigation or municipal purpose or any other purpose outside the Vermejo area?

Mr. KOEN. It is my understanding that at this time Raton and other communities are looking for water, but not at the water rights within the ranch. The water rights would remain with the land, the ownership of the land.

Mr. LUJAN. Almost anyone would be looking at it from the standpoint of buying it. If the Federal Government wanted to sell the water at that point, there would be plenty of buyers.

Mr. POAGE. Does this bill provide that the Government may sell those portions that are not needed for Forest Service and recreation use?

If it does not, should it not provide that the Government could sell it? If I understand it, this is that land down around Cimarron?

Mr. LUJAN. Talking about water rights?

Mr. POAGE. Irrigated land, 2,000 acres. I understand there is 1,000 acre-feet of water rights that they are not using there at the moment; is that correct?

Of course, I suppose yours is under the Colorado Water Code, is it not; they have to use it or lose it, is that not right?

Mr. LUJAN. I would hate to see in the bill that the Forest Service divest itself of land which is not primarily for recreation, because one of the interests that I would have in this legislation is that it would provide grazing for cattle for some of the local people to help the economy there.

Mr. POAGE. It would still do that, if they sold cultivated land down there. Of course, they grow hay on that cultivated land, I suppose. That is right around the town of Cimarron?

Dr. NELSON. Yes. This land would be to the east of Cimarron.

Mr. POAGE. To the east of Cimarron?

Dr. NELSON. Yes.

Mr. POAGE. There is a whole lot of land between the foot of the mountains and Cimarron in cultivation.

Dr. NELSON. I believe I am correct in that

Mr. POAGE. Off the record.

(Discussion off the record.)

Mr. KYL. I am finished.

Mr. FOLEY. On the appraisal of the property there has been some escalation of land values in that area in recent years; is that correct?

Mr. GALLEY. Yes, sir; considerable. Of course, this is pretty well the trend all over the State.

Mr. FOLEY. On the other hand, I do not suppose you have too many sales on which to base an appraisal in terms of any properties of this size, aside from the Waggoner Ranch?

Mr. GALLEY. I collected seven sales that I used directly for a comparison in the appraisal. Also in an exhibit A, I listed a great number of smaller acreages and areas of recreation properties just to give an indication of value that could be developed from this type of property. But in the 11 sales that I quoted, to give you an idea of the larger sales, there was a 150,000-acre sale that is actually listed twice. The first time sold in 1968 for \$20 an acre; in 1971 it had escalated and sold for \$35 an acre, 3 years later.

This is purely flat, open grassland out in the San Pablo grant area. That was one of the largest sales I was able to obtain in the area.

Two other sales, general resale of another property—it was not a resale either—130,000 acres; adjacent to that, 150,000 acres.

Another property of 130,000 acres, a portion of which was adjacent to Vermejo Ranch.

Mr. FOLEY. That is the McDaniel estate property?

Mr. GALLEY. Yes, sir.

Mr. FOLEY. That one you considered to be most comparable to the Vermejo property except for the fact that it does not contain any high country or timber or water?

Mr. GALLEY. Yes, sir. It had a small portion of high country, but, in relationship it was much more proportionately low country and grassland area and it did not enjoy near the water resources enjoyed by Vermejo. It was more or less considered a ranching operation, with very little potential in the fishery and hunting resources area that Vermejo has; the property also does not have the subdivision qualities that Vermejo has.

Mr. POAGE. What is that price?

Mr. FOLEY. \$467 an acre.

Mr. POAGE. What about the minerals?

Mr. GALLEY. I was unable to determine the mineral status on the McDaniel property. In fact, for years the price was a well-kept secret.

Mr. POAGE. It cannot be secret when the deed is on record and it either received the minerals or it did not.

Mr. GALLEY. It is not quite that simple. What they will do, out in New Mexico especially, is that they will not record a deed. A sales contract will be recorded, but the deed will not be recorded until the final payment is made on the sale. Therefore, you have no way of obtaining a deed until the property is paid in full and cleared and the deed is recorded.

Mr. KYL. They do things differently out there.

Mr. POAGE. The sales contract would have to pretty much show it.

Mr. GALLEY. No, sir. The sales contract shows very little on it. No outstanding mineral rights. In fact, many times a sales contract will not even give a good legal description. So you have to do a lot of digging in order to develop the sales for appraisal. I did inquire into the potential mineral value of that property for the comparisons I did utilize. I was able to determine, according to our people and USGS, that there

is no potential for mineral value under those properties. Therefore, I considered it insignificant in my appraisal as to whether it might be outstanding or not.

Mr. KYL. Had the Geological Survey actually made studies there or did they just have an area concept?

Mr. GALLEY. They have a general mapping of the area on which they will give you an opinion. Then I have to go to our mineral examiner and get his on-the-ground opinion. In this case, I did that with our people out there in Albuquerque, had them contact the geologists in the State government and in the local area to give me the information on these sales that I was interested in.

Mr. POAGE. Off the record.

(Discussion off the record.)

Mr. GALLEY. I have run down a number of large sales in the \$1 million figure where, when I questioned the buyer, he did not even know whether he got the minerals or not. He bought the property with no consideration as to whether he even got the minerals.

Mr. POAGE. Again off the record.

(Discussion off the record.)

Mr. LUJAN. I just came in possession of a title search on this property dated March 5, 1971, made by Robertson and Robertson, attorneys in Raton, N. Mex., for the W. S. Ranch Co. There was a question as to whether there was a mortgage on it. There is one by the Connecticut Mutual Life Insurance Co.

Mr. TEAGUE. What is that?

Mr. LUJAN. The mortgage is dated November 11, 1964, for an original amount of \$3.150 million.

Mr. FOLEY. We do not know the present status of that mortgage.

Mr. LUJAN. No, but it was still there on March 5, 1971.

Mr. POAGE. It is about a 5 or 6 percent mortgage, is it not? If it was issued in 1964—

Mr. FOLEY. Probably.

Mr. POAGE. It is not going to be paid off as long as it has that kind of an interest rate.

Mr. FOLEY. It is more advantageous to keep that mortgage on it.

Mr. LUJAN. I would be happy to leave this with the committee if the committee does not have it because it is a very close examination of the title on this property.

Mr. FOLEY. Yes, I would be very happy to have that. Counsel can Xerox that and make it a part of the file without objection.

Are we clear now on what the subcommittee would like to have in the way of additional information: one, the opinion on the abstract of the property; two, including information on any outstanding oil and gas leases, their terms and conditions; three, in cooperation with counsel for the subcommittee, obtain information regarding the present status of the renegotiation dispute with the American Machinery Co. and any particular levels of claims and so on that the United States has in that regard; four, information regarding the Forest Service estimated value of the timber lands, the unharvested portion of the Pacific Lumber Co.'s interest, together I should think with any estimate of the remaining timber values that the Forest Service can get.

We realize this is difficult to acquire without an extensive cruise, but whatever your best judgment is without going to great difficulty.

Mr. KYL?

Mr. KYL. One further factor.

There is an inholding?

Dr. NELSON. Yes, sir.

Mr. KYL. Property is owned by Kaiser?

Dr. NELSON. Yes, sir.

Mr. KYL. Who paid for the construction and who pays for the maintenance of the access road to that site?

Mr. GALLEY. Kaiser Steel Corp. does, sir.

Mr. KYL. But if the Government owned the property, could we continue that arrangement and under what regulations would that be attained? In other words, are we getting in a position where Uncle Sam would have to build and maintain an access road to this inholding.

Mr. KOEN. I am quite sure we could get an easement from Kaiser to give us access.

Mr. KYL. Kaiser does not own the road site?

Mr. FOLEY. Kaiser probably has the legal right to ingress and egress from that holding.

Mr. GALLEY. Right. They established that in the condemnation proceeding with Mr. Gourley.

Mr. KYL. How long is that road?

Mr. GALLEY. The road comes out from Raton over their own ownership until it gets to the boundary of the ranch. Then it has to cross about 2 miles of the ranch before it gets to the inholding. But Kaiser also has a railroad that they received in the condemnation proceeding, to haul the coal out to California.

Mr. FOLEY. There is a right-of-way to Kaiser?

Mr. GALLEY. Yes. They had to go through the condemnation proceeding in court to get that right-of-way.

Mr. KYL. We would not own that if we purchased the ranch?

Mr. GALLEY. Not the right-of-way for that railroad; no, sir.

Mr. FOLEY. Unless there are any other questions by any of the subcommittee members, or Mr. Lujan, I will just ask the witnesses is there any other matter that you think is relevant in this area that we have not inquired about?

I do not want to put you in just a responsible situation. We are interested in your counsel and advice on the matter.

Dr. NELSON. Two things. The first one is the time frame that the committee is thinking about here in terms of the valuation of the timber and the negotiations with Kaiser. It would help us if you could give us some indication of what your reference is.

Mr. FOLEY. Congress is going to take an 18-day recess commencing this Friday, ending on the 5th of September. That is about 3 weeks from today that we will return. We would like to be able to schedule a meeting of the subcommittee perhaps the following week. That would give you about 4 weeks.

Dr. NELSON. Very well.

Mr. FOLEY. Would that in your judgment be sufficient time?

Dr. NELSON. Yes, sir.

Mr. FOLEY. I understand some of this is difficult for you to project; it depends upon other people and their willingness to provide information and so on. But that is what we would like to aim at.

Dr. NELSON. Yes, sir.

One additional thing I would like to mention: That is, that there are some rather sizable grazing values on this property. At present the owners are grazing about 8,000 head. They have grazed 10,000, and I believe 12,000, head at times. This particular property, if acquired by the United States, would be put under a grazing permit system, with allotments to present permittees on the Carson and Santa Fe National Forests probably being given first priority. There are tremendous grazing resources on this land.

Mr. FOLEY. Mr. Lujan has already mentioned his interest in that matter.

Very frankly, just speaking for myself, I am not particularly interested in voting to acquire this property at a cost of \$26 million to provide grazing for local landowners. I am a stout believer in the grazing permit system. I do not want to imply that I am not. Where we have existing Federal lands, that is one thing; going out and acquiring them for additional grazing rights is another thing.

As a matter of fact, if the United States were to acquire this property and you were to turn around and give the grazing permits to the present owners of the property who are running 8,000 head of cattle we might have some criticism there, which I think is obvious to anybody.

What I am just saying is, in my own judgment, and speaking for myself, the property has to be judged on the basis of the recreational use and multiple use values. We are talking about acquiring a very expensive piece of property. It does not have those higher values of recreational and enjoyment that this particular ranch property apparently shows to some degree, then I would have some question about acquiring it.

Are there any other matters you would like to bring to the attention of the subcommittee?

Mr. KYL. Mr. Chairman, off the record.

(Discussion off the record.)

Mr. KYL. Thank you.

Mr. FOLEY. Perhaps we ought to set a time right now, Tuesday, the 12th of September. I do not want to inconvenience all you gentlemen, but perhaps at least one of you could return at that time with this information, one or more as you deem appropriate.

Thank you very much, gentlemen.

The subcommittee will stand adjourned to meet on September 12 at 10 a.m.

(Whereupon, at 11:40 a.m., the subcommittee adjourned, to reconvene Tuesday, September 12, 1972, at 10 a.m.)



STATEMENT OF JOHN EDWARD LOTT, PRESIDENT, RICHARD U.  
SIMON, VICE PRESIDENT, AMERICAN MANUFACTURING CO., DR.  
THOMAS C. NELSON, DEPUTY CHIEF, FOREST SERVICE, DEPART.  
MENT OF AGRICULTURE AND FOREST SERVICE, WASHINGTON, D.C.

## ACQUISITION OF LANDS WITHIN THE VERMEJO RANCH, NEW MEXICO AND COLORADO

TUESDAY, SEPTEMBER 12, 1972

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON FORESTS,  
OF THE COMMITTEE ON AGRICULTURE,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 1301, Longworth House Office Building, Hon. Thomas S. Foley presiding.

Present: Representatives Foley, Burlison, Vigorito, Dow, and Teague of California.

Also present: Mrs. Christine S. Gallagher, chief clerk; and Lacey C. Sharp, general counsel.

Mr. FOLEY. The Subcommittee on Forests will come to order.

The committee meets this morning for further consideration of S. 2699 and H.R. 11182, to authorize the acquisition of lands within the Vermejo Ranch in New Mexico and Colorado for addition to the national forest system and for other purposes.

We are pleased this morning to have in the hearing room Mr. John Edward Lott, the president of the American Manufacturing Co., and Mr. Richard U. Simon, vice president—are you general counsel, also, Mr. Simon?

Mr. SIMON. Yes, sir.

Mr. FOLEY. (continuing). Of the American Manufacturing Co.; Dr. Thomas C. Nelson, Deputy Chief of the Forest Service; and Mr. Fred W. Galley, branch chief, Land Acquisition and Exchange, Southwest Region, Forest Service, Albuquerque, N. Mex.

Gentlemen, I think it might be convenient if you would all like to move up to the witness table, if you would, since this is a rather informal hearing in which we will attempt to provide the full Committee on Agriculture with some additional information relating to the acquisition of these lands.

The question has been raised concerning the transfer of timber cutting rights on the ranch and the transfer to the Kaiser Steel Corp. of mineral rights.

Is our understanding correct, Mr. Lott and Mr. Simon, that the timber cutting has been transferred for a one-time cut in certain acreage on the property.

STATEMENT OF JOHN EDWARD LOTT, PRESIDENT, RICHARD U. SIMON, VICE PRESIDENT, AMERICAN MANUFACTURING CO., DR. THOMAS C. NELSON, DEPUTY CHIEF, FOREST SERVICE, DEPARTMENT OF AGRICULTURE, AND FRED W. GALLEY, BRANCH CHIEF, LAND ACQUISITION AND EXCHANGE, SOUTHWEST REGION, FOREST SERVICE, DEPARTMENT OF AGRICULTURE, N. MEX.

Mr. SIMON. That is correct. There was a consideration paid in cash for the timber in place subject to its being removed when cut and there are no royalties, future royalties, that can be derived from the timber. This contract has an expiration period and then I would imagine that the Forestry people have analyzed it for you. It has certain restrictions in it as to the method of cutting.

Mr. FOLEY. The expiration date of the rights acquired by the timber company in question is 1980, is that correct?

Mr. SIMON. On one part of the ranch, sir, it is 1981. On another part of the—I said “ranch.” It is on the part of the ranch that is covered by the contract itself. On one portion of it, it expires in the year 1981. On another portion of it, counting the option period, that expires in the year 2000. There has been a release already of one part of what was originally in the timber contract by virtue of the timber operations there in about 1962 and 1963.

Mr. FOLEY. Was this timber contract negotiated and consummated at one time?

Mr. SIMON. The timber contract was executed in the year 1960.

Mr. FOLEY. And what was the total acreage involved, do you recall?

Mr. SIMON. I do not really know. I have said it is all of the timbered acreage, I would think—everything on the ranch that would be timbered to the extent of being commercial timber is covered by this. I imagine the Forest Service may have more accurate information than I do on the number of acres.

Mr. FOLEY. Dr. Nelson, do you know offhand?

Dr. NELSON. No, sir; I do not know the exact acreage that is covered by this particular contract.

Mr. FOLEY. How much then do we know in general terms of the amount of acreage actually subject to timber cut?

Mr. SIMON. It is shown on a plat, and I have not tried to scale it accurately, because it is not to the same scale as the original plat was that was attached to the timber contract itself. I really do not know. I would rather have that information come from the Department.

Mr. FOLEY. Just to refresh my memory, what is the total acreage of the ranch which would be involved in any Government acquisition?

Dr. NELSON. About 480,000 acres.

Mr. FOLEY. That is what I thought.

Mr. SIMON. I would like to be accurate. I would prefer to use 479,000, Mr. Foley.

Mr. FOLEY. Of 479,000 acres, very roughly, Dr. Nelson or Mr. Lott or Mr. Simon, how much of it is timberland?

Dr. NELSON. Congressman, from the information that we received, and which we are basing our timber estimate, we estimate that about 152,000 acres may be involved in the contract. Now, the timbered acreage is greater than that, sir. Approximately 320,000 acres of the ranch are in some type of tree cover.

Mr. FOLEY. But the timber agreement specified timber of a certain size, and that is what you are alluding to when you say——

Dr. NELSON. Yes, sir. The information that we received from the Pacific Lumber Co. gave the acreages, and the acres that we have are the total operable acres. There is a small acreage that is considered inoperable. I cannot say definitely, sir, if this was the area under contract or not, but these are the figures that we received from them.

Mr. FOLEY. Are the differing expiration dates of this agreement on parcels of land that are described in the agreement?

Mr. SIMON. Yes, sir; they are shown on a plat.

Mr. FOLEY. What portion of the acreage is subject to an expiration date of 1981?

Mr. SIMON. I think the best way would be to pass this to you, Mr. Foley.

Mr. FOLEY. Would you pass that up here, please?

Now, you mentioned an option. We have had some testimony on this. There is an option in 1990 on a portion of the land to extend it for 10 years?

Mr. SIMON. I said on the part where it goes to the year 2000, this is covered by an option. The option would have to be exercised in order for it to go to the year 2000. The portion there where it says "expires," I think in 2000, would be——

Mr. FOLEY. This is an option exclusively at the discretion of the Pacific Lumber Co.?

Mr. SIMON. Yes, sir.

Mr. FOLEY. And does not require the concurrence of the owner of the land?

Mr. SIMON. No, sir.

Mr. FOLEY. May the committee have this copy?

Mr. SIMON. Yes.

Mr. FOLEY. Without objection, I am going to ask that this be included in the file.

(The document referred to may be found in the files of the committee.)

Mr. SIMON. May I call attention, Mr. Chairman, that part of this has been released and it is shown on a released plat. The area where the operations were conducted, I think in about 1962 or 1963, which have been the only operations, the only timber operations at all, has been released from the plat that you are looking at now.

Mr. FOLEY. Yes, thank you.

Is it a matter of record what payment was made for these timberland rights to the ranchers?

Mr. SIMON. I don't think there is anything confidential about it. It is embodied in the contract. It was \$3,300,000. This was in the year 1960.

Mr. FOLEY. And relating to the mineral rights that were transferred when was that agreement consummated with the Kaiser Steel Co.?

Mr. SIMON. The present ranch owner, meaning the W. S. Ranch Co. and Mr. Gorley, who owned the stock in it, had never made any kind of agreements with Kaiser relating to coal. The Kaiser coal reservations go back to the year 1910 and had been reserved long before the present owner came into any kind of ownership.

Mr. FOLEY. I see.

Do those reservations extend to all the mineral rights in certain areas of the ranch property?

Mr. SIMON. The coal, and I would like for the minute to confine it only to coal, the Kaiser rights are strictly in the coal itself and not in any other minerals.

Mr. FOLEY. Are there any other mineral reservations on the property?

Mr. SIMON. In the Taos County area, which is the far western portion, being approximately 70,000 acres, there again, there is a very old reservation, long before the present owner had anything to do with the ranch, that reserves all of the minerals. It is just a blanket reservation. It was made, I guess, back near the turn of the century, perhaps, and it is rather unsophisticated. But from a title point of view, it reserves all the minerals in Taos County.

Mr. FOLEY. To whom does that reservation run?

Mr. SIMON. Well, actually, we did not know, and your very alert Forest Service has dug up information on that that we did not know a thing about. I want to compliment them for doing it and they can answer your question.

Dr. NELSON. Mr. Chairman, the present owner of the mineral rights on approximately 70,468 acres in Taos County, N. Mex., within this holding is the Taos County Minerals, Inc.

Mr. FOLEY. It is a private corporation?

Dr. NELSON. Yes, sir.

Mr. TEAGUE. How many acres does that cover?

Dr. NELSON. 70,468, Congressman Teague.

Mr. FOLEY. Is that a subsidiary of any other corporation?

Dr. NELSON. I can't answer that, sir; I do not know.

Mr. FOLEY. Do you know who the principal stockholders are?

Dr. NELSON. I know the name of the president, sir.

Mr. FOLEY. Is it a locally held company, to your knowledge?

Dr. NELSON. The president of the corporation, I understand, is from Denver, Colo., and a number of the principal stockholders are from Boston, Mass.

Mr. FOLEY. Mr. Teague?

Mr. TEAGUE. Is it not possible that by the year 2000, some of the timber which is not now commercially harvestable under the terms of the agreement will have grown to sufficient size so that you will have more timber to be harvested than would be the case today and more total acreage, coverage, from that standpoint?

Mr. SIMON. I would prefer that they answer it. I am not an expert. I would think so, but that is strictly a layman's guess.

Dr. NELSON. Congressman Teague, in the event that the holder of the timber rights has not cut any particular area, your statement is entirely correct, that there would be timber acreage in the size classes that are covered by the contract.

Mr. TEAGUE. Well, is there under the terms of the timber reservation, do they have to continue on some regular course of cutting, or can they just sit back and exercise their option and wait until the year 2000 and then harvest large sections of the ranch?

Dr. NELSON. I think that as far as the actual contract is concerned, sir, I will pass that question to the gentleman from the corporation. I

would say this, though, that in our judgment, there are not sufficient manufacturing facilities for a marketing situation in this area at this time would allow such an alternative. It just is not there.

Mr. TEAGUE. Well, are they—has any of this land that has been cut been replanted?

Dr. NELSON. To my knowledge, sir; none has been replanted. There is a diameter limit in the contract which limits harvesting to trees 8 inches in diameter. From what I have seen of the cutting there, the people that have been doing the cutting have, for merchantability purposes, only gone down to about a 12-inch diameter. So in essence, there is still a good stand of timber on the ground where cutting has been completed and these cutting rights have been released.

Mr. TEAGUE. So you do not have large areas of bare land?

Dr. NELSON. Not within the timber area, sir. Of course, there are lands that are grazing lands that are the—

Mr. TEAGUE. Yes, I understand that, but in the forest section?

Dr. NELSON. That is correct.

Mr. FOLEY. Mr. Vigorito?

Mr. VIGORITO. No questions, Mr. Chairman.

Mr. FOLEY. Mr. Dow?

Mr. Dow. Just a couple of questions, Mr. Chairman.

As it stands, then, there can be no cutting on any of this property below the diameter of 8 inches, is that correct?

Mr. SIMON. That is correct, under the contract.

Mr. Dow. I see.

Well, now, is there any point in time where these options to cut timber will expire and the forest land, assuming the government takes it over, will then be the property of the Government to dispose of completely if it so chooses? Is there any time, whether it is the year 2010 or 20 or 30, when all of this would revert to the public domain?

Mr. SIMON. The answer is yes, I think that drawing that I handed to the chairman will show the places and the expiration dates. And it does finally expire; yes, sir.

Mr. Dow. So the options, all of them will end.

Mr. SIMON. Part of them will be over in 1981 and the other part of it in the year 2000.

Mr. Dow. I did have another question and that is somewhere in the testimony of the past, I vaguely recall that a Japanese firm was mentioned in this situation. Is there a Japanese firm that holds an option or any rights in the area?

Mr. SIMON. No, sir; none, and there never has been that have held any kind of rights in reference to the ranch that I know of.

Mr. Dow. That is odd, because I can't remember how that came in.

Mr. FOLEY. If the gentleman will yield, I think there was some testimony about the possible interest of Japanese firm or firms acquiring property.

Mr. SIMON. It could have been. There were numerous newspaper stories about the ranch with the mention of possible interested purchasers, prospective purchasers, including those that might have been interested in the coal and I do think, in one of the newspaper stories,

and I do not remember which one, that some Japanese interests were mentioned. But nothing was ever completed from the owner's point of view, no kind of commitments or anything given to any Japanese firm.

Mr. DOW. As to the mineral rights, which include the 70,000 acres that are owned by the Taos County Co., and any other mineral rights, for coal, for example, are those in perpetuity, or is there any reverter provision, such that they may come back into the public domain, or are those perpetual rights?

Mr. SIMON. They are perpetual. There is no royalty involved and there is no term made of dates. They are not for any particular term of time.

Mr. DOW. Thank you very much.

Mr. TEAGUE. May I ask one more question?

Mr. FOLEY. Mr. Teague.

Mr. TEAGUE. In that 70,000 acres we were just talking about, is that all timber land, or is part of that grazing land and part of it timber? Perhaps the gentleman from the Forest Service can answer that.

Mr. FOLEY. The 70,000 acres in Taos County?

Dr. NELSON. It is my understanding, sir, that part of that high country is timber and part of it is grazing land.

Mr. FOLEY. Mr. Lott, is there anything you want to say?

Mr. LOTT. Mr. Chairman, there is one thing I interpreted from the conversation a few moments ago that might have been misunderstood. Was it your understanding that up to 1981 or in certain sections up to the year 2000, they could, in effect, exercise their option in the year 2000 and then begin to cut? Is that the way you were directing your question?

Mr. FOLEY. My personal understanding was that all rights terminated at the year 2000 on December 21, and that any cutting after that time would no longer be authorized. That was my understanding. Is that your interpretation, sir?

Mr. LOTT. Yes, sir. I thought maybe you had misunderstood. OK.

Mr. TEAGUE. If you will yield, Mr. Chairman.

Mr. FOLEY. Yes.

Mr. TEAGUE. Yes, I asked the question. I understood that. But I was just trying to make the point, could the holders of the rights wait until almost the year 2000 and then go in here with massive cuttings and leave huge areas of bare land where formerly we had forests? I will ask, that is technically and legally possible, is it not?

Mr. LOTT. Perhaps Forest Service could best answer the time frame on how long it would take them to cut, but their rights would end as of that date. Now to do it massively and rapidly, knowing nothing of timber, perhaps the Forest Service could say how many years they would have to start in advance to accomplish that.

Mr. TEAGUE. Mr. Nelson?

Dr. NELSON. I would say, Congressman, technically and legally, you are correct. I think, however, practically, it would not be possible. The type of timber stands that are present there would not lend themselves to denudation under the terms of the contract. This is to say, there is sufficient material under the contract diameter limit so that you would not have a bare piece of land when their cutting was completed.

Mr. TEAGUE. Well, is it not true that under terms of the timber contracts, the holders have no obligation or, really, interest in doing any replanting or reforesting, because it is a onetime proposition under their leases, is it not?

Mr. SIMON. They do not have any replanting obligations, the way I read the contract.

Mr. TEAGUE. Yes.

Mr. FOLEY. Will you yield?

Mr. TEAGUE. Yes.

Mr. FOLEY. Dr. Nelson, has the Forest Service had an opportunity to see the agreement which was consummated in 1960 with the Pacific Lumber Co.?

Dr. NELSON. Yes, we have.

Mr. FOLEY. Does that agreement specify any particular timber cutting practices other than limitation of 8-inch diameter and above?

Mr. GALLEY. Yes, sir; the contract calls for logging under good accepted logging practices. It provides for scenic leave trees that can be marked by the landowner in certain scenic areas, around lakes and roads and streams. We, in studying the contract over, feel that it is probably one of the better private timber contracts that has been executed in our area.

Mr. FOLEY. Does it require slash removal or anything of that nature?

Mr. GALLEY. No, sir.

Mr. Dow. Mr. Chairman, could I ask a question?

Mr. FOLEY. Of course.

Mr. Dow. Just to refresh my memory, Mr. Chairman, could the counsel tell us what was the unresolved question that we had about this legislation at the last meeting that has caused us to have this session today? My memory is fuzzy on that. I just wondered what was the point we were trying to resolve when we adjourned the last time on this issue.

Mr. FOLEY. I am going to attempt to answer that for the counsel. I think there were a number of questions, one related to the question of mineral rights of the property and possible interest of the Kaiser Steel Co. transferring and selling the rights. One question involved the possible objections that might be made to the transfer by the Renegotiation Board, which has the case pending with the American Manufacturing Co. For the record, we have, and I will ask to have it included in the record, a letter from Mr. Howard W. Fensterstock, General Counsel of the Renegotiation Board, stating their lack of any objections to the proposed acquisition, stating that if the acquisition were consummated, it would not prejudice any renegotiation proceeding pending before the Board.

Without objection, that will be included in the record.

(The letter referred to follows:)

THE RENEGOTIATION BOARD,  
Washington, D.C., August 23, 1972.

LACEY C. SHARP, Esq.,  
General Counsel, Committee on Agriculture, Longworth House Office Building,  
Washington, D.C.

DEAR MR. SHARP: Further reference is made to your letter of August 16, 1972 relating to H.R. 11182 and the possible acquisition of the Vermejo Ranch by the Government.

As you have pointed out in your letter the Vermejo Ranch is owned by W. S. Ranch Company, and all the stock of that company is owned by American Manufacturing Company of Texas.

Having completed our examination of the files of American Manufacturing Company of Texas, we conclude that the sale of the Vermejo Ranch under the authority of H.R. 11182, if enacted, would not prejudice any renegotiation proceeding pending in this Board.

Sincerely yours,

HOWARD W. FENSTERSTOCK,  
*General Counsel.*

Mr. Dow. What was the matter pending with the Renegotiation Board?

Mr. FOLEY. Well, Mr. Lott might be the best witness on that matter. It relates to other contracts of the American Manufacturing Co. not related to the ranch.

Mr. Lott, perhaps you can answer.

Mr. SIMON. Mr. Dow, American Manufacturing Co. of Texas is a manufacturing company that manufactures oilfield equipment, but it also has ordnance contracts with the Government. These contracts and all of such contracts contain a renegotiation clause in them.

Now, American Manufacturing Co. owns all of the stock of the W. S. Ranch Co., which is the record owner of the ranch we are talking about. So the renegotiation relates, and it is built into all contracts, it is the procedure that all parties holding defense contracts are subject to, and that strictly deals with the American Manufacturing Co. as a company having contracts with the Government.

Mr. Dow. Thank you.

Mr. TEAGUE. I have one more question, Mr. Chairman.

Mr. FOLEY. Yes, Mr. Teague.

Mr. TEAGUE. We are kind of hopping around, but it is a little hard to avoid that.

I will ask the Forestry witnesses this: Are there areas where, let us say by 1980 or 1990, all of the timber in the area will be 8 inches or larger, and, therefore, under the terms of the timber contracts, could be subject to clear-cutting?

Dr. NELSON. I think the answer to that question, Congressman Teague, would be that if there are any areas such as you describe, they would indeed be limited, because primarily, these stands of timber on the Vermejo Ranch appear to us to be of uneven age. That is to say, you have a distribution of many age and size classes in the stand and although there might be some small areas where such denudation, complete cutting, could take place, we feel that they would be very limited because of the amount of material and the size classes below that called for in the contract.

Mr. TEAGUE. By "very limited" could you give us just a guess on how many acres might be subject to clear-cutting?

Dr. NELSON. I would guess, sir, and this is strictly a guess from my observation—

Mr. TEAGUE. I understand.

Dr. NELSON (continuing). That it is something in the neighborhood of approximately 10,000 acres out of the total that might be involved. This might be a high estimate. There might be some of this in the spruce type.

Mr. TEAGUE. But you are confident it would not be more than 10,000 acres?

Dr. NELSON. I am confident that there would be a small acreage, Congressman Teague. I feel in my own mind that it would be a very small acreage, 10,000 is an estimate.

Mr. TEAGUE. Well, do you think that situation will still prevail 20 years from now?

Dr. NELSON. Yes, sir; from my knowledge of forestry, I believe that situation essentially will prevail, knowing the types of forests involved and the growing conditions involved in that part of northern New Mexico and Colorado.

Mr. TEAGUE. Thank you.

Mr. Dow. Could I ask a question? The question raised by Mr. Teague about clear-cutting, I think, is a legitimate concern. Supposing we were to write in this bill that there was to be no clear-cutting of these lands. Would that be violative of existing contracts? Is it something that we cannot handle by legislation, or is it a possibility? And if it is a possibility, would it compromise the terms of the sale?

Would any of you gentlemen care to comment on that?

Dr. NELSON. May I ask a clarifying question, Congressman?

Mr. Dow. Surely.

Dr. NELSON. You are now dealing in the period between now and the year 2000; is that correct?

Mr. Dow. I think so.

Dr. NELSON. Under the terms of the contract.

Mr. Dow. Yes, that is right.

Mr. TEAGUE. Mr. Dow, will you yield?

Mr. Dow. Yes; surely.

Mr. TEAGUE. It seems to me that we cannot put anything in a bill we write which is going to change in any way any existing contracts with the owners of these lands.

Mr. Dow. That was my question.

Mr. TEAGUE. Would you gentlemen agree?

Dr. NELSON. Yes, sir, a conveyance to the Government or any private purchaser would have to be subject to the terms of this existing timber company.

Mr. FOLEY. I might hazard a legal opinion for the gentleman from New York that unless it were framed in terms of a general law, there is some authority that indicates that you can violate private contractual agreements through a general public law, but not a specific law relating to these particular areas or this particular contract. So I will agree that any attempt to limit clear-cutting on the property by acquisition statutes would be in violation of the constitutional contractual rights of the parties.

Mr. Dow. Thank you.

Mr. FOLEY. I might just say for the gentleman's information that, going back to the question he asked about the reasons for today's hearing, there were several specific items that were discussed at our last meeting on August 14. One was an effort to obtain information on the amounts due the United States under the Renegotiation Act and various Internal Revenue sections and the impact that it might have on the U.S. proposed purchase. I think the questions of the renegotiation

controversy, if any, are resolved at least for our purposes by the Renegotiation Board's letter.

We also have a letter which, without objection, I would like to have included in the record from Mr. Wolf, Director of the Audit Division of the Internal Revenue Service, stating in effect that the Internal Revenue Service sees no disadvantage to the Treasury or any unusual tax advantages to the Gorley estate from the proposed acquisition.

In the absence of objection, that will be included in the record.  
(The letter referred to follows:)

INTERNAL REVENUE SERVICE,  
Washington, D.C. August 9, 1972.

MR. LACEY C. SHARP,  
General Counsel, Committee on Agriculture,  
House of Representatives, Washington, D.C.

DEAR MR. SHARP: Since it appeared from your letter of July 19 that an ongoing audit might be involved in the situation you described, Commissioner Walters asked us to look into the matter and respond to you.

As you know, the disclosure statutes generally limit the type and amount of tax case information we may divulge. Without becoming involved in those limitations however, we can tell you that unless the bill authorizing the government's acquisition of lands within the Vermejo Ranch specifically provides some special tax treatment, we do not see how the Gourley Estate would obtain a tax advantage. Direct ownership of the lands, as indicated in your letter, is twice removed from the Estate. Thus for the proceeds of sale to reach the Estate, there would have to be distributions by the intervening corporations and these would produce the usual tax consequences.

The price paid for the land could be a factor in arriving at the value of the Gourley Estate but again this is not a different result than would occur in other cases involving similar factual situations.

Just prior to passage the Senate bill (S. 2699) was amended to provide that the transaction would be taxable under the 1954 Code as though the property were transferred to a taxpaying individual or corporation. If the House adopts such a provision, this would seem to effectively rule out any special tax advantage accruing to the Estate or other entities involved.

Sincerely yours,

S. B. WOLFE,  
Director, Audit Division.

MR. FOLEY. The second matter to be discussed was a request on the part of the committee for the obtaining of a legal opinion on the abstract of title prepared by Mr. Robertson, an attorney of Raton, N. Mex., on the Vermejo Ranch property.

I will ask the counsel if the legal opinion on the abstract of title will be obtained?

MR. SHARP. Dr. Nelson can tell you that.

DR. NELSON. Mr. Chairman, I have with me and will present to the committee for the files a preliminary title opinion by the Office of General Counsel of the Department of Agriculture. In essence, it says that in their judgment, the title to the land in question is vested in the W. S. Ranch Co., subject, of course, to the exceptions, rights, and reservations that we have been discussing and some other ones such as roads, powerlines, rights of way, et cetera—all in all a total of approximately 59 exceptions, rights, or reservations.

MR. FOLEY. Without objection, the committee will receive that opinion by the General Counsel's office for the file.

(The document referred to will be found in the files of the committee.)

Dr. NELSON. Mr. Chairman, if I might, sir, we also have backup information for this title opinion if the counsel would like it for his files.

Mr. FOLEY. Thank you, we would like to receive that as well.

The third item was to provide information on the present oil and gas lease and how the Vermejo Ranch oil and gas, coal and mineral rights might be affected by the proposed sale. We have already discussed briefly the coal and mineral rights.

Mr. SIMON, how many acres of the Vermejo Ranch does the coal reservation to the Kaiser interests encompass?

Mr. SIMON. Roughly 250,000.

Mr. FOLEY. That is exclusive of the 70,000 held by the Taos County interests?

Mr. SIMON. That is exclusive of the 70,000.

Mr. FOLEY. To what extent have those coal rights been exercised in recent years?

Mr. SIMON. You may or may not be familiar that Kaiser actually has a coal mine within the periphery of the ranch on a little 4,000 acre enclave that is shown on all of the drawings that have been submitted, and this coal mine is owned by Kaiser and operated by Kaiser. I think your forestry people and others who have been there can tell you the small amount of surface acreage that it uses. It is a shaft mine. It is a very clean mine and a very good operation. That acreage is owned by Kaiser.

Other than that, I am winding up, maybe too much, but on your question, Kaiser has done no mining, as far as I know, outside of this actual 4,000 or 4,100 acres that it owns the title to. It has done coring where it does hold core rights, but has done no mining, as far as I know, on any other part of it.

Mr. FOLEY. This inholding is totally owned by the Kaiser Co., including the surface rights?

Mr. SIMON. Except that the owner has a surface lease, has the right to use the surface over this roughly 4,100 acres to the extent that it does not interfere with the mining operations.

Mr. FOLEY. The W. S. Ranch Co?

Mr. SIMON. Yes, sir; they have a separate surface lease over this part of it.

Mr. FOLEY. There is, to your knowledge, no surface mining operation being conducted now by the Kaiser Co?

Mr. SIMON. Not on any part of it that belongs to the ranch; no, sir.

Mr. Dow. Mr. Chairman? Just to extend your question, is it likely or possible that surface coal mining might extend to any of these 250,000 acres to which Kaiser has all the rights, or is all the coal at such a level that it could not be mined by surface operations? I am thinking of strip mining.

Mr. SIMON. The Forestry may be more expert in that than I am, Mr. Dow. I can tell you that on the basis of reports and analyses that I have seen, there would be a small amount of acreage in relation to the total that might be susceptible to strip mining operations. I think less than 20,000 acres.

Now, that is the best information I can give you.

Mr. Dow. Would the Forest Service have any information on that point?

Dr. NELSON. Yes, Congressman Dow. The figure we have heard quoted to us is in the neighborhood of that which has been given by the ranch people. Something around 25,000 acres might be the absolute maximum that could be handled by surface mining techniques.

I think further, sir, if I might point out, we do have a letter—in fact, the letter was addressed to Congressman Lujan from the president of Kaiser Steel Corp., in which he states that in the event that the U.S. Government acquires this ranch, the company believes that plans will be developed to mine the coal reserves entirely compatible with the Government's interest. Our plans would involve a minimum disruption of surface lands and all necessary reclamation steps would be taken.

He further states that at any one time, surface areas to be disrupted would be small in relation to the entire ranch acreage.

Mr. Dow. Thank you.

Mr. FOLEY. Dr. Nelson, I am not aware that we have that letter. I would like to have a copy of it for the file. Without objection, it will be included in the record.

(The letter referred to follows:)

KAISER STEEL CORP.,  
OAKLAND, CALIF., August 25, 1972.

HON. MANUEL LUJAN,  
*House of Representatives,*  
*House Office Building, Washington, D.C.*

DEAR MR. LUJAN: The following is in response to questions which were raised in the House Agriculture Subcommittee on Forests with respect to H.R. 11182. In view of our long-range requirements for high grade metallurgical coal, and also in view of the increasing shortage of natural gas and oil energy in the United States with the resultant anticipated increase in demand and value of coal in future years, Kaiser Steel does not wish to dispose of coal rights underlying the Vermejo Ranch.

In the event that the United States Government acquires this ranch, we believe that plans can be developed to mine the coal reserves entirely compatible with the government's interest. Our plans would involve a minimum disruption of surface lands and all necessary reclamation steps would be taken. At any one time, surface areas to be disrupted would be small in relation to the entire ranch acreage.

Sincerely,

JACK J. CARLSON, *President.*

Mr. FOLEY. Just to continue the fourth item on the list of matters discussed today was a request by the committee to the region Forest Service to provide the best estimates of timber volume and values under the agreement between the Pacific Lumber Co. and the Vermejo Ranch, W. S. Ranch Co., relating to the value of these rights and any possible interest on the part of the Pacific Lumber Co. in selling those rights to the Government. Does the Forest Service have any information?

Dr. NELSON. Yes, sir; we do.

The Pacific Lumber Co. very generously turned over their cruise information on approximately 3,600 plots on the Vermejo Ranch. Our people went in and field checked the volumes of timber on approximately 10 percent of these and based on this, sir, we are satisfied that the volumes indicated by the Pacific Lumber Co are valid. I do have a copy of the volumes of timber present on the ranch under this contract that I would be glad to provide the committee.

Mr. FOLEY. Without objection, it will be received.  
(The information referred to follows:)

PACIFIC LUMBER CO. TIMBER ESTIMATE, W. S. RANCH, NEW MEXICO, AS OF JULY 1, 1966

[Net volumes in millions of board feet 8-in. CBH and larger to a 6-in. top d.i.b.]

Unit	Timbered acres	Ponderosa pine	Spruce	Douglas-fir	True fir	Other	Total	Aspen	Grand total
<b>Operable:</b>									
<b>Spruce-fir:</b>									
Colorado	2,500		20.0	2.3	0.7	0.8	23.8	2.5	26.3
East Castilla	9,610	0.3	79.9	9.1	2.7	3.3	95.3	8.2	103.5
West Castilla	9,756		54.7	2.3	3.1	.8	60.9	15.3	76.2
Comanche	10,216	.3	19.5	23.1	2.5	.9	46.3	4.6	50.9
Underwood Lakes	9,730	3.0	27.8	5.2	2.5	3.0	41.5	19.3	60.8
Leandro	5,404	.1	20.5	2.1	1.4	1.0	25.1	9.0	34.1
Total spruce-fir	47,216	3.7	222.4	44.1	12.9	9.8	292.9	58.9	351.8
Greenwood	22,404	23.3	20.7	46.3	10.2	3.4	103.9	13.8	117.7
Pine (virgin)	22,313	57.2		6.3	.4		63.9		63.9
Pine (cutover)	50,000	93.4		9.3	1.1		103.8		103.8
Total pine	72,313	150.6		15.6	1.5		167.7		167.7
Total operable	141,933	177.6	243.1	106.0	24.6	13.2	564.5	72.7	637.2
<b>Nonoperable:</b>									
East Castilla	1,681		1.5	.1	.2	.1	1.9	1.2	3.6
West Castilla	1,577		1.6			.1	1.7	.3	2.0
Comanche	2,324		.1	1.0		1.1	2.2	2.2	4.4
Underwood lakes	578		.1			.9	1.0	.1	1.1
Leandro	196					.2	.2		.2
Greenwood	1,632	1.1	.3	.7	.1	.1	2.3	2.5	4.8
Pine	2,328	1.6		.2			1.8		1.8
Total nonoperable	10,316	2.7	3.6	2.0	.3	2.5	11.1	6.8	17.9
Grand Total	152,249	180.3	246.7	108.0	24.9	15.7	575.6	79.5	655.1

Dr. NELSON. I would also point out that in observing the instructions of the committee, we placed a value on the timber under this contract and corresponded with the Pacific Lumber Co. as to their willingness to sell the timber contract. I have before me a letter from the president of the Pacific Lumber Co. in which he states that they will accept the Forest Service appraisal of \$7,400,000 for their Vermejo Ranch timber rights if Congress determines that they should be acquired. I would be happy to put this letter in the record also.

Mr. FOLEY. Without objection, that will be received as well.  
(The letter referred to follows:)

THE PACIFIC LUMBER CO.,  
Scotia, Calif., September 6, 1972.

Mr. FRED W. GALLEY,  
Land Acquisition Department,  
U.S. Forest Service, Albuquerque, N. Mex.

DEAR MR. GALLEY: This will confirm the discussion with you yesterday that Pacific will accept the Forest Service appraisal of \$7,400,000 for our Vermejo Ranch timber rights, if Congress determines that they should be acquired.

You are aware that we have been making plans to harvest this timber. This entails not only preliminary and detailed engineering, but the acquisition of plant sites and the construction of roads and plant facilities.

Since there is some uncertainty that legislation to purchase our timber will be enacted, we must proceed with our planning. We understand that an early decision will be reached—probably within 60 days. We hope that this determination will be made, one way or the other, prior to our becoming involved in substantial financial commitments.

Rather than set a deadline to our acceptance, it would seem more practical for you to keep us fully informed as to developments and we, likewise, will inform you as to the stage of our planning.

Yours very truly,

E. M. CARPENTER,  
*President.*

Mr. FOLEY. Dr. Nelson, does that cruise estimate by the Forest Service relate to the existing timber values, those not yet exercised by the Pacific Lumber Co.?

Dr. NELSON. Yes, it does.

Mr. FOLEY. Thank you.

The fifth item on the agenda related to the possibility of purchasing all or any portion of the Kaiser coal interests, Mr. Dow, and to report the results. The region was to look into that matter, Dr. Nelson. Do you have any information on that?

Dr. NELSON. Yes, sir; we do. In the letter that the committee has for the record, the President of Kaiser Steel Corp. states that in view of their long-range requirements of high-grade metallurgical coal and also in view of the increasing shortage of natural gas and oil energy in the United States, with the resultant anticipated increase in demand and value of coal in future years, Kaiser Steel does not wish to dispose of coal rights underlying the Vermejo Ranch.

I would also say, sir, that in an attempt to meet the instructions of the committee, we have dealt with the Taos County Minerals Co. on those 70,468 acres of mineral rights in Taos County. The President of the company has indicated that it would be available at a price of \$1 per acre, or \$70,468, subject to his obtaining approval from his board of directors—and it is my understanding that he has not as yet been able to convene his board on that offer.

Mr. FOLEY. To extinguish their mineral rights on those acres?

Dr. NELSON. Yes, sir.

Mr. FOLEY. I might ask Mr. Simon or Mr. Lott, are there any other mineral reservations than the Kaiser coal reservation and the 70,000 acre Taos County mineral reservation?

Mr. SIMON. Mr. Chairman, I think we started to talk about the oil and gas lease and were diverted from that. That would be that it is not exactly a reservation, but there is an oil and gas lease, a copy of which we have forwarded to the Forest Service. We have excluded certain references to the money that is involved, because we did not think it is material. This oil and gas lease is presently in existence and it covers roughly 103,000 acres.

Mr. FOLEY. Who is the holder of that lease?

Mr. SIMON. The holder is Odessa Natural Corp. of Odessa, Tex.

Mr. FOLEY. Does that have a termination period?

Mr. SIMON. It does not have a term as such. The term of it depends entirely on a continuous drilling probe. When drilling stops and then after a grace period for resumption, the lease will terminate. We furnished a fully copy of it.

Mr. FOLEY. Without objection, a copy of that lease will be included in the committee files.

Mr. Simon, up to this time, Odessa Natural Corp. has been conducting drilling operations within the terms of the lease?

Mr. SIMON. They have conducted drilling operations and we anticipate that they will resume in the very near future in order to keep their lease in effect. It is in effect now.

Mr. FOLEY. It is in effect on all 130,000 acres?

Mr. SIMON. About 103,000.

Mr. FOLEY. 103,000?

Mr. SIMON. It is in effect, yes. But it is subject—

Mr. FOLEY. Are there any producing operations by Odessa?

Mr. SIMON. Sir?

Mr. FOLEY. Are there any actual producing operations, other than exploratory operations, being conducted by Odessa at this time?

Mr. SIMON. Mr. Lott has a little better knowledge than I do of that.

Mr. LOTT. The way the terms of the lease are constructed, they were required to drill so many obligation holes, which was four. These holes were drilled. They did engage gas, but they have not determined sufficient volume.

Now, if the gas, after they make further tests, which they do have the privilege of doing, proves to have insufficient volume, and if they discontinue their drilling, then the lease ceases. If it encourages them well enough, they may, of course, continue to drill.

It is obvious, of course, since they are spending their money, that they must be encouraged to continue drilling, else they will cease.

Mr. FOLEY. On the areas covered by the oil and gas lease—of course, we have a copy of that to examine, but can you tell us generally, is that more or less a standard oil and gas lease, with royalties payable to W. S. Ranch Co. in the event of any production?

Mr. SIMON. It is not standard in the sense that the 103,000 acres is in a checkerboard pattern. Within a basin area that their geologists had outlined, that contains about 206,000 acres. The checkerboard means that by sections, if they drill a well on one section, then the owner owns the sections that adjoin it, either to the east, west, north, or south. And they continue just like a checkerboard in an ownership pattern.

You asked me some other question.

Mr. FOLEY. In the event that the production operations begin, either for oil or gas, under the lease, I assume that there is a royalty payable to the ranch company?

Mr. SIMON. There is a very good royalty provision that generally follows the producer's 88 form, but it has some unusual provisions that are available to the owner with reference to prepayments, also with reference to beginning royalty payments if they shut in the wells.

Mr. FOLEY. The sixth item I might refer to the gentleman's earlier question, Mr. Dow's question, for discussion today was to determine the status of the main access road from Raton to Vermejo Park is presently maintained by the Kaiser Steel Co. We have a letter from the president of the Kaiser Steel Corp., Mr. Jack J. Carlson, indicating—I am sorry, it is not a letter, it is a Telex, from Mr. J. R. Walker of the Kaiser Steel Corp. in Oakland, stating that in the event of the acquisition of the ranch by the Government, the Kaiser Steel Co. would not be opposed to the use of the road for public access subject to details

being worked out such as maintenance expense, consideration of sharing in the original construction cost of the road.

Without objection, that will be included in the record.  
(The document referred to follows:)

[Telegram]

OAKLAND, CALIF., *September 11, 1972.*

WALLY PHAIR,  
*Kaiser Industries Corp.*

Re question from Lujan and Galley re Government use of our road at Raton for access to Vermejo Ranch.

In principle we would not be opposed to use of this road by public for access to government-owned Vermejo Ranch subject to certain details, which could be worked out, such as maintenance, fencing and consideration of sharing in original construction costs.

J. R. WALKER,  
*Kaiser Steel Corp.*

Mr. FOLEY. Mr. Dow.

Mr. Dow. I take note that there are 152,000 acres of timberland under contract and 250,000 acres of coal rights held by Kaiser; 103,000 acres of oil and gas under lease to Odessa Natural Corp. Now, the aggregate of all these is more than the 479,000 acres of the whole ranch. I would like to have an assurance from the Forest Service that there would be quite a substantial area in the ranch that would be preserved in a natural setting and contain, you might say, the qualities of a park and a reservation, which is the main thinking behind the Government's consideration of purchase of this ranch. In other words, I would not like to think we bought a ranch for noble purposes and then it turned out that all of it was cut up into timberland and coal operations and oil operations so that there is little there that is recreational or attractive. I would like to have the comment of the Forest Service on that point, please.

Dr. NELSON. Yes, sir, Congressman Dow.

I would reply to your question in this manner.

First, of course, some of the acreages that you are discussing are overlapping, but I am sure that the Congressman realizes this.

I think further, sir, that the type of land within this holding is a type of land which is eminently well suited for multipurpose use. I am saying here that some of the most valuable resources within the Vermejo Ranch are its lakes, its streams, its scenic beauty, as well as a production of goods and services for the benefit of the people of that section of New Mexico and the country as a whole. I can assure the Congressman that it is with this multipurpose type of management in mind that the Forest Service would operate and manage this tract if the Congress decided to have the title pass to the United States.

Mr. Dow. Thank you.

Mr. FOLEY. I think it is included in the record, at least on the Senate side, but perhaps we could just briefly have Mr. Simon or Mr. Lott give a brief history of the acquisition of the ranch property by the American Manufacturing Corp.

Mr. SIMON. The acquisition, begun in either the year 1945 or 1956, and the first acquisition was the southern part of the ranch. I do not know whether—have you given to the committee the peripheral drawings of the ranch?

Dr. NELSON. We have had the drawings of the ranch before the committee and I believe, Mr. Sharp, that they are part of the record.

Mr. SIMON. If you look at a peripheral, you can follow what I am going to say, although it is not very complicated. On the peripheral, you will see a reference that will say "W. S. Ranch Purchase." That may be the whole drawing, Mr. Sharp. Do you find another one?

Mr. FOLEY. There is one here that says "Original W. S. Purchase, 103,515 acres."

Mr. SIMON. Well, that was the first purchase that was made. Then the Bartlett purchase, which is the northern part, excluding the Taos County—it is in the northern part there—is something over 200,000 acres.

Subsequent to that, and I think all of this would have been maybe within a span of not more than 10 years, they purchased the Taos County part and also that little extension into Colorado, if you will notice. There is about 4,000 acres that punch into Colorado. This was then followed up with a purchase of what is called the Ponil Ranch, the Heck Ranch, which is the satellite off of the southwest corner, which is the only part that is not completely contiguous.

Then there were some minor purchases that are identified as the Crews and Dennis purchase and the Fred Rici Heirs purchases.

Mr. FOLEY. Was this done over a period of 10 years?

Mr. SIMON. I think it was all completed, perhaps, in that time. I would rather be sure about it and give you the exact dates. I do not have with me an exact reference. But it was completed fairly quickly after 1945 and 1946. Maybe with the exception only of these little bitty areas that we call Crews and Dennis and Fred Rici Heirs.

Dr. NELSON. Mr. Chairman, I believe that in the testimony that Mr. Barker gave that is in the hearing record on the Vermejo Ranch purchase, on page 28, there is a history, sir, which covers a great deal and gives the exact dates that these gentlemen are attempting to recall.

Mr. FOLEY. In the Senate testimony?

Dr. NELSON. No, sir, this was in the House hearings.

Mr. SIMON. The information is available and I would be glad to follow it up.

Mr. FOLEY. Apparently, we have it in the earlier hearings.

Mr. TEAGUE. Mr. Chairman, I have one more question.

What, roughly, is the amount of local property taxes on the entire ranch?

Mr. SIMON. About \$60,000 a year.

Mr. TEAGUE. About \$60,000 a year?

Mr. SIMON. Yes.

In your investigations, Mr. Galley, is that about the same amount you have?

Mr. GALLEY. Yes, sir; it is slightly under that, about \$50,000 total.

Mr. TEAGUE. I don't expect you to answer this, but I would expect the local counties involved might have some reservations about losing that amount of income, but perhaps they think they will make it up by tourist trade.

Dr. NELSON. As I recall, Congressman, there was, among the county commissioners involved, I think it is three counties here, there was a difference of opinion on Federal purchase; that is to say that some of

them did object to it for the reason that you stated. I do not recall, sir, how large a number or proportion that this was.

Mr. FOLEY. Any other questions?

(No response.)

Mr. FOLEY. Dr. Nelson, are there any other submissions that you or Mr. Galley would like to make to the committee at this time, or any matters that we have not covered that you are prepared to give us?

Dr. NELSON. I think, sir, we have just about completed the material that we prepared.

Mr. FOLEY. Mr. Lott, Mr. Simon, is there anything else you would like to submit?

Mr. SIMON. Could I have a minute with Mr. Lott, sir?

Mr. FOLEY. Surely.

Dr. NELSON. Mr. Chairman, I believe in answer to the last question by Mr. Teague, we may have a more complete answer than we can give at this time.

Mr. FOLEY. You would be able to submit a more complete answer?

Dr. NELSON. We have a more complete answer. I believe Mr. Galley has some additional information that may be of help to the committee.

Mr. GALLEY. We did contact all three county commissions involved with the three counties. Costilla County in Colorado was overwhelmingly in favor of the acquisition, and in fact, wrote their congressional delegation a letter confirming it. Taos County, N. Mex., did the same thing. They have actively pushed for the acquisition. The Colfax County commissioners have some reservations regarding the offsetting of this taxload on the county, of which, in Colfax County, these taxes are approximately \$42,000 a year. We did make a study which indicated that should the Government acquire the property, the 25-percent fund would offset a portion of this loss in taxes; in fact, almost half, the first year of acquisition, and would build up to completely cover it in approximately 1985. That is without acquisition of the timber rights. Should the timber rights be acquired, it would be considerably more in the county's favor.

Mr. TEAGUE. Thank you.

Mr. FOLEY. Mr. Simon?

Mr. SIMON. The subject I was talking to Mr. Lott about, I had some apprehension that it might be misinterpreted, but we think in order that we have been fair and that everything has come out here, we ought to mention this. In all of the letters that have been written to the Congress and to the Congressmen and to all of the Government people about it, we have called attention that the owner has tried or has offered the ranch for sale to private parties and that negotiations have been going on with these private parties and that whatever the Government's action may be—and we hope it is favorable—but we must, and I speak now on behalf of the owner, we must say that it is subject to the prior sale of the ranch or portions of the ranch, the things on the ranch that the present owner owns.

I think I should follow up by saying that there are no commitments at the present time on that. But I wanted all of the members to understand that and I think particularly, Mr. Sharp, when he called me once over the phone. That is why we thought we ought to be very cautious about bringing it out at this hearing.

Mr. FOLEY. Thank you very much, Mr. Simon. That, at least on the part of the Chair, was the understanding that we had, that there was no commitment involved. There were other possible offers for future consideration of private sales of the ranch property and any legislation would be subject to prior sale.

If there are no other questions by any of the subcommittee members, the Chair would like to express its appreciation to Mr. Lott, Mr. Simon, and Dr. Nelson and Mr. Galley for attendance at the hearing. We will be making a report to the full Agriculture Committee and subject to the decision of the chairman of the full committee, the matter will be taken up by the Agriculture Committee for consideration and decision.

Again, we appreciate your coming, particularly the gentlemen from New Mexico. You have come a very long distance, but it is extremely helpful to the committee to have firsthand information on these rather complicated matters on this ranch.

Thank you again.

The subcommittee will stand adjourned to meet at the call of the Chair.

(Whereupon, at 11:15 a.m., the subcommittee was adjourned subject to the call of the Chair.)



Mr. Tolson, I think you very much Mr. Simon. That in fact, on the part of the Chair, was the understanding that we had that there was no commitment involved. There were other possible offers for future consideration of private sales of the ranch property and any details that would be subject to prior sale.

If there are no other questions by any of the above named members, the Chair would like to express appreciation to Mr. Low, Mr. Simon and Mr. Nelson and his father for attendance at the hearing. We will be making a report to the Fish and Wildlife Committee and will refer the action of the committee of the full committee. The matter will be taken up by the Agricultural Committee for consideration and decision.

Again, we appreciate your coming, particularly the conditions from New Mexico. You have come a very long distance, but it is extremely helpful to the committee to have firsthand information on these rather complicated matters on this ranch.

Thank you very much.

The subcommittee will stand adjourned to meet at the call of the Chair.

(The subcommittee was adjourned subject to the call of the Chair.)