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FEDERAL COAL LEASING

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HEARING

BEFORE THE
SUBCOMMITTEE ON MINES AND MINING
OF THE
COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

H.R. 3265

A BILL TO AMEND THE MINERAL LEASING ACT OF 1920,
AND FOR OTHER PURPOSES

HEARING HELD IN WASHINGTON, D.C.
MARCH 14, 1975

Serial No. 94-6

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Committee on Interior and Insular Affairs



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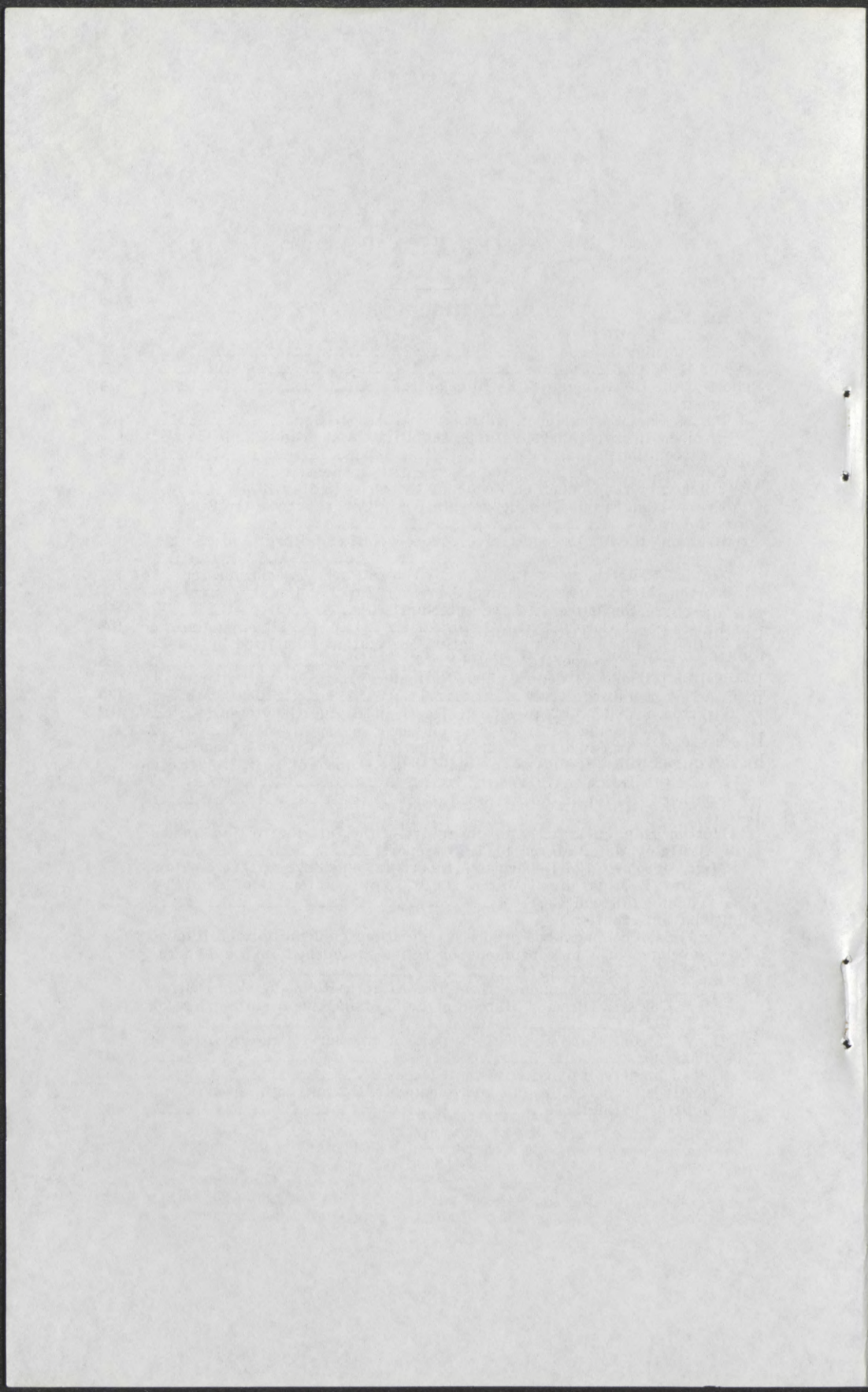
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NOTE.—The chairman of the full committee is an ex officio voting member of this subcommittee. The first listed minority member is counterpart to the subcommittee chairman.

CONTENTS

	Page
Hearing held—	
March 14, 1975:	
Morning session-----	1
Text of H.R. 3265-----	1
Report of the Department of the Interior-----	4
Statements:	
Bagge, Carl E., president, National Coal Association-----	158
Bogard, Becky, legislative representative, American Public Power Association-----	138, 143
Cannon, James, author of the study entitled, "Leased and Lost," published by the Council on Economic Priorities in May 1974-----	166
Evans, Hon. Frank E., a Representative in Congress from the State of Colorado-----	152
Graham, David B., cooperative counsel, National Rural Electric Cooperative Association-----	145
Holum, Kenneth, general manager, Western Fuels Association, Inc.--	141, 147
Horton, Hon. Jack, Assistant Secretary for Land and Water Resources, Department of the Interior-----	10
Kaiser Steel Corp-----	168
National Rural Electric Cooperative Association, submitted by David B. Graham, corporate counsel-----	128
Nelson, Thomas C., deputy chief, National Forest System, Department of Agriculture-----	150
Overton, J. Allen, Jr., president, American Mining Congress-----	162
Santa Fe Pacific Railroad Co., on need to repeal section 2(c) of Mineral Leasing Act of 1920, plus appendix, extracts from legal study of coal resources on public lands, College of Law, University of Utah December 1968-----	153
Southern California Edison Co-----	156
Letters:	
Horton, Hon. Jack, Assistant Secretary of the Interior, to Hon. James A. Haley, dated March 13, 1975 (report)-----	4
Muys, Jerome C., of Debevoise & Liberman, Washington, D.C., to Hon. Patsy T. Mink, dated March 11, 1975 (plus statement of Santa Fe Pacific Railroad Co.)-----	153
Additional information:	
Analysis of comments on proposed regulations on definitions of diligent development and continuous operations published in the Federal Register Dec. 11, 1974-----	29
Letter and comments from the Atlantic-Richfield Co., Denver, Colo., to Director, Bureau of Land Management, dated Dec. 26, 1974-----	33
Copy of coal lease U-13097 as part of answer to question 4-g on page 40-----	41
List of holders of existing Federal leases-----	53
Questions prepared by staff and sent to Mr. Horton, with answers submitted by him-----	37



FEDERAL COAL LEASING

FRIDAY, MARCH 14, 1975

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON MINES AND MINING
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:55 a.m., in room 2325, Rayburn House Office Building, Hon. Patsy T. Mink (chairwoman of the subcommittee), presiding.

Mrs. MINK. The Subcommittee on Mines and Mining will now convene.

We are here for the purpose of taking testimony on H.R. 3265, the Federal Coal Leasing Amendments Act of 1975. As you will recall, the subcommittee met on this legislation last year and had taken the bill up through the final stages of markup. So H.R. 3265 is the final product as it stood in December of 1974. It is not the intention of the Chair to prolong the hearings on this bill but we did want to give principal parties concerned an opportunity to be heard on the bill as it stood at the end of last year. And so we are delighted this morning to welcome Mr. Jack Horton, Assistant Secretary for Land and Water Resources of the Department of the Interior, and we are pleased to have your comments on the pending bill, Mr. Horton.

However, before you begin your statement, Mr. Horton, I would like to place in the record the bill H.R. 3265 and the report of the Department of the Interior dated March 13, 1975. Hearing no objection, so ordered.

[H.R. 3265 and the report of the Department of the Interior follows:]

[H.R. 3265, 94th Cong., 1st sess.]

A BILL To amend the Mineral Leasing Act of 1920, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Coal Leasing Amendments Act of 1975".

SEC. 2. The first sentence of subsection 2(a) of the Act of February 25, 1920 (41 Stat. 438) as amended (30 U.S.C. 201(a)) is hereby amended to read as follows:

"SEC. 2. (a) (1) The Secretary of the Interior is authorized to divide any of the coal lands subject to this Act or the deposits of coal, classified and unclassified, owned by the United States, into leasing tracts of forty acres each, or multiples thereof, and in such form as, in his opinion, will permit the most economical mining of the coal in such tracts, and thereafter he shall, in his discretion, upon the request of any qualified applicant or on his own motion, from time to time, offer such lands or deposits of coal for leasing, and shall award leases thereon by competitive bidding (with sealed bids) on a bonus bidding system. Such leases shall be for ten years. No less than 50 per centum of the total acreage offered for lease by the Secretary in any one year shall be leased under a system

of deferred bonus payment, with one-tenth of the accepted bid payable upon acceptance of the bid, and one-tenth payable on each anniversary date of the lease. Upon default or cancellation of any coal lease by the lessee, any unpaid remainder of the bonus bid shall be immediately payable to the United States. The Secretary shall not accept bids submitted on a royalty bidding basis. No bid shall be accepted which is less than the fair market value, as determined by the Secretary of the coal subject to the lease. Prior to issuing any lease, the Secretary shall conduct an assessment of the coal and the land proposed to be leased giving an opportunity for, and consideration to, public comments on such assessment."

SEC. 3. The last sentence of subsection 2(a) of the Act of February 25, 1920 (41 Stat. 438) as amended (30 U.S.C. 201(a)) is hereby amended to read as follows:

"(2) (A) No lease sale shall be held unless the lands containing the coal deposits have been included in a comprehensive land use plan prepared by the Secretary or in the case of lands within the National Forest System, the Secretary of Agriculture and such sale is consistent with such plan. In preparing such land use plans the Secretary or in the case of lands within the National Forest System, the Secretary of Agriculture shall consult with State and local governments and the general public and shall provide opportunity for a public hearing on proposed plans prior to their adoption, if requested by any person having an interest which is or may be adversely affected by the adoption of such plans, and shall obtain the written concurrence of the Administrator of the Environmental Protection Agency with respect to those aspects of the plan relating to air or water quality standards promulgated under the Federal Water Pollution Control Act (33 U.S.C. 1151-1175) or the Clean Air Act (42 U.S.C. 1857).

"(B) Each land use plan prepared by the Secretary or in the case of lands within the National Forest System, the Secretary of Agriculture pursuant to paragraph (A) shall include an assessment of the amount of coal deposits in such land, identifying the amount of such coal which is recoverable by deep mining operations and the amount of such coal which is recoverable by surface mining operations. Such plan shall also include an evaluation and comparison of the effects of each such method of coal mining on the recovery of the coal by other methods on the land subject to such plan.

"(C) Prior to issuance of any coal lease, the Secretary shall consider effects which mining of the proposed lease might have on a community or area, including, but not limited to, impacts on the environment, on agricultural and other economic activities, and on public services. Adequate public hearings in the area shall be held by the Secretary prior to approval of the lease.

"(3) No competitive lease of coal shall be approved or issued until after the notice of the proposed offering for lease has been given once a week for three consecutive weeks in a newspaper of general circulation in the county in which the lands are situated in accordance with regulations prescribed by the Secretary."

"(4) No coal lease shall be approved or issued after the date of enactment of this Act without satisfactory assurances that all applicable provisions of the Surface Mining Control and Reclamation Act of 1974 have been complied with."

Sec. 4. Subject to valid existing rights, section 2(b) of the Act of February 25, 1920, is amended to read as follows:

"(b) (1) The Secretary may, under such regulations as he may prescribe, issue to any person an exploration license. No person may conduct coal exploration for commercial purposes for any coal on lands subject to this Act without such an exploration license. Each exploration license shall be for a term of two year and shall be subject to a reasonable fee. A separate exploration license will be required for exploration in each State. Each exploration license shall contain such reasonable conditions as the Secretary may require, including conditions to insure the protection of the environment, and shall be subject to all applicable Federal, State, and local laws and regulations. Upon violation of any such conditions or laws the Secretary may revoke the exploration license. An exploration license shall confer no right to a lease under this Act.

"(2) A licensee may not remove any coal for sale but may remove a reasonable amount of coal from the lands subject to this Act included under his license for analysis and study. A licensee must comply with any rules and regulations of the Federal agency having jurisdiction over the surface of the lands subject to this Act.

"(3) An applicant for an exploration license shall submit to the Secretary an exploration plan. The exploration plan will set forth, in the degree of detail

established in regulations issued by the Secretary, specific work to be performed, the manner in which it will be performed and compliance with environmental, health and safety standards of all Federal, State, and local laws and regulations. As promptly as possible after submittal of the plan, the Secretary shall approve or disapprove the plan or require that it be modified. No exploration license shall be issued prior to approval of the exploration plan by the Secretary.

"(4) The licensee shall furnish to the Secretary copies of all data (including, but not limited to, geological, geophysical, and core drilling analysis) obtained during such exploration. The Secretary shall maintain the confidentiality of all data so obtained until after the areas involved have been leased or until such time as he determines that making the data available to the public would not damage the competitive position of the licensee, whichever comes first.

"(5) Any person who willfully conducts coal exploration for commercial purposes on lands subject to this Act without an exploration license issued hereunder shall be subject to a fine of not more than \$1,000 for each day of violation. All data collected by said person on any Federal lands as a result of such violation shall be made immediately available to the Secretary, who shall make the data available to the public as soon as it is practicable."

SEC. 5. Section 7 of this Act of February 25, 1920 (41 Stat. 439; 30 U.S.C. 207), is hereby amended to read as follows:

"SEC. 7. (a) (1) A coal lease shall be for a term of ten years and for so long thereafter as coal is produced annually in paying quantities from that lease. Any lease which is not producing in paying quantities at the end of the primary ten-year term shall be terminated. A lease shall require payment of a royalty in such amount as the Secretary shall determine of not less than 10 per centum of the sale price as defined by regulation of the products produced, except the Secretary may determine a lesser amount in the case of coal recovered by deep mining operations. The lease shall include such other terms and conditions as the Secretary shall determine. Such royalties and other terms and conditions of the lease will be subject to readjustment at the end of its primary term of ten years and at the end of each five-year period thereafter if the lease is extended.

"(2) For the purposes of this subsection the term 'paying quantities' means that quantity of coal which would pay a profit to the lessee, if he operated the mine and marketed the coal.

"(b) Leases shall be subject to the conditions of diligent development and continued operation of the mine or mines. With respect to all new leases and existing leases in effect at the time of the enactment of this Act, the condition of diligent development and continued operation cannot be satisfied by advance royalties in lieu thereof: *Provided however*, That where production is prevented by strikes, elements, or casualties not attributable to the lessee, the Secretary may, if in his judgment the public interest will be served thereby, provided for payment in advance of a minimum royalty in lieu of continuous production."

SEC. 6. Section 35 of the Act of February 25, 1920 (41 Stat. 450), as amended (30 U.S.C. 191), is further amended by striking the period at the end of the proviso and inserting in lieu thereof the language as follows: "*And provided further*, That all moneys paid to any State from sales, bonuses, royalties, and rentals of coal deposits and oil shale in public lands may be used by such State and its subdivisions for planning, construction and maintenance of public facilities, and provision of public services, as the legislature of the State may direct, giving priority to those subdivisions of the State socially or economically impacted by the development of the resource involved."

SEC. 7. The Director of the Office of Technology Assessment is authorized and directed to conduct a complete study of coal leases entered into by the United States under section 2 of the Act of February 25, 1920. Such study shall include an analysis of all mining activities, present and potential value of said coal leases, receipts of the Federal Government from said leases and recommendations as to the feasibility of the use of deep mining technology in said leased area. The Director shall submit the results of his study to the Congress within one year after the date of enactment of this Act.

SEC. 8. Section 27(a) (1) of the Act of February 25, 1920 (30 U.S.C. 184(a) (1)), is amended as follows:

"SEC. 27. (a) (1) No person, association, corporation, or any subsidiary, affiliate, or persons controlled by or under common control with such person, association, or corporation shall take, hold, own or control at one time, whether acquired directly from the Secretary under this Act or otherwise, coal leases, or permits on an aggregate or more than forty-six thousand and eighty acres in any one

State, but in no case greater than an aggregate of one hundred thousand acres in the United States: *Provided*, That any person, association, or corporation currently holding, owning, or controlling more than an aggregate of one hundred thousand acres in the United States on the date of enactment of this Act shall not be required on account of this subsection to relinquish said leases or permits: *Provided, however*, That in no case shall such person, association, or corporation be permitted to take, hold, own, or control any further Federal coal leases or permits until such time as their holdings, ownership, or control of Federal leases or permits has been reduced below an aggregate of one hundred thousand acres within the United States.

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., March 13, 1975.

HON. JAMES A. HALEY,
Chairman, Committee on Interior and Insular Affairs, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your request for this Department's views on H.R. 3265, a bill "To amend the Mineral Leasing Act of 1920, and for other purposes."

H.R. 3265 is similar to the Committee Print of S. 3528 in the 93rd Congress as issued by the House Committee on Interior and Insular Affairs, Subcommittee on Mines and Mining. It would amend the Mineral Leasing Act of 1920 (30 U.S.C. §§ 181-287) to require that coal leases be issued by competitive bidding with limited exceptions, repeal authority to issue prospecting permits and provide for issuance of exploration licenses after approval of an exploration plan, prohibit leasing of lands unless they are included in a land use plan, limit lease terms to 10 years and so long thereafter as coal is produced annually in paying quantities, require a minimum royalty, and allow States greater discretion in spending their shares of Federal coal leasing revenues.

In the previous Congress it was the position of this Department that total revision of the Mineral Leasing Act was preferable to the piecemeal approach of coal leasing amendments. However, we stated that the Department would not object to such coal leasing provisions if amended to conform to the general approach of the Department's proposed "Mineral Leasing Act of 1973". While we still prefer adoption of a comprehensive revision of the mineral leasing law to include all presently leasable mineral resources, and intend to submit such legislation on this matter in the future, we would not object to the subject bill if amended in accordance with the following comments:

(1) *Forty-Acre Leasing Tracts*. Sec. 2(a) (1) on page 1. The requirement that leasing units be in tracts of 40 acres or multiples thereof was established during a period when average leaseholds and leasing operations were relatively small and 40 acres was a meaningful size for a lease. There is no special significance to tracts of 40 acres or multiples thereof. Indeed, there may be tracts of leasable lands which are not in multiples of 40. More leeway should be given to the Secretary to offer leases in tracts that he deems appropriate in the public interest. We recommend, therefore, that section 2(a) (1) be amended so that the first sentence reads:

"The Secretary of the Interior is authorized to divide any lands subject to this Act into leasing tracts of such size as he deems appropriate and in the public interest, and thereafter he shall, in his discretion, upon the request of any qualified applicant or on his own motion, from time to time, offer such lands or deposits of coal for leasing, and shall award leases thereon by competitive bidding."

(2) *Bidding Restrictions*. On page 2, the italicized words beginning on line 8 and ending with the word "basis" on line 18, would seriously constrain the Department's flexibility in holding competitive coal lease sales. They would require sealed bidding, they would prohibit royalty bidding, and they would impose a 10 year bonus payback system for at least 50 percent of the acres covered by each lease. We recommend that these restrictions be deleted.

Our experience is that sealed bidding does not always attract the highest bids. Generally, when there is little competition, sealed bidding is preferable since it introduces a degree of uncertainty and induces higher bids. However, when there is significant competition, sealed bidding followed by oral bidding has proven to be more satisfactory since bidders are then influenced by other

bidders and the competitive spirit of the sale. The success of each auction therefore depends largely on the Secretary's ability to call for sealed or oral bids.

As we reported to you earlier, the Department of the Interior is presently studying whether bonus bidding is preferable to royalty bidding. Under the authority granted the Secretary in the Outer Continental Shelf Lands Act on October 1974, the Department auctioned leases for land on the Outer Continental Shelf for oil and gas development. Several of the leases were awarded through bonus bidding and a few through royalty bidding. We expect a thorough examination of operations under these leases will help us determine whether a system of royalty bidding or bonus bidding will assure the highest monetary return to the public and maximum mineral recovery, while assuring that qualified bidders are not restricted from bidding because of large "front-end" costs. Data is now available to help us make this determination and to implement the best bidding methods, we urge that H.R. 3265 permit the Secretary the same flexibility for determining bidding methods as he has under the Outer Continental Shelf Lands Act.

Finally, we know of no information indicating that a 10 year bonus payback system for collecting bonus payments on all or part of a lease is the most satisfactory method for collecting such payments.

In short, these restrictions seem to be arbitrary. It is not in the public interest to impose a single, rigid method in legislation for auctioning leases and collecting royalties until there is firm evidence to indicate that the method is and will continue to be the best one.

(3) *Public Comments.* H.R. 3265 contains three provisions pertaining to public comments. On page 2, the sentence beginning on line 21 and ending on line 24 would require public comments on the assessment of coal lands before leasing lands; on page 3, line 12, the words beginning with "and the general public" and ending on line 16 with "such plans", provide for consultation with the public and public hearings before the implementation of land use plans; and on page 4, the sentence beginning on line 12 and ending on line 14 would require "adequate" public hearings before issuing coal leases.

Public involvement is very important in the development of land use plans. Any future leasing of Federal coal lands in the West will be based on the vast amount of information in land use plans presently being prepared. The plans include an assessment of the coal in the land. The public is invited to comment throughout the planning process.

While public participation is important, H.R. 3265 does not establish clear and coordinated procedures for allowing people to express their views. We therefore recommend that the three provisions for public participation be deleted and that the following single subsection providing for public involvement be included in the bill by adding a new paragraph (3) on page 4 and by renumbering the subsequent paragraphs accordingly:

"(3) During the preparation of land use plans and before a planning unit is opened to leasing under this section, the Secretary of the Interior, or in the case of lands within the National Forest the Secretary of Agriculture, shall provide opportunity for public comment."

(4) *Land Use Planning on National Forest Lands.* on page 3. As subsection (2) (A) lines 4 through 9 on page 3 is drafted, the Secretary of Agriculture is given the authority to develop comprehensive land use plans for the land within the National Forest System and to determine whether lease sales within the National Forest System are consistent with such plans. This provision would divide the authority between the Secretary of Agriculture and the Secretary of the Interior who handles lease sales in nearly all other areas to be considered for mining. We therefore suggest that subsection (2) (A) be amended to read:

"(2) (A) (1). After identifying the areas where there is substantial development interest in coal leasing, the Secretary of the Interior shall prepare comprehensive land-use plans on lands under his responsibility where this has not already been done. The Secretary of the Interior shall inform the Secretary of Agriculture of substantial development interest in coal leasing on lands within the National Forest System. Upon receipt of such notification from the Secretary of the Interior, the Secretary of Agriculture shall prepare a comprehensive land-use plan for such areas which takes into consideration the proposed mineral resource development interest in these lands where they have not done so. In preparing such land-use plans, the Secretary of the Interior, or in the case of lands within the National Forest System, the Secretary of Agriculture, shall consult with State and local governments and with the general public."

To provide that the issuance of leases on National Forest System lands would be subject to the consent of the Department of Agriculture and subject to such conditions as that Department might prescribe with respect to the use and protection of nonmineral interests, we suggest adding new subsection (2) (A) (2) as follows:

"(2) (A) (2). Leases covering lands the surface of which is under the jurisdiction of any Federal agency other than the Department of the Interior may be issued only upon consent of the other Federal agency and upon such conditions as it may prescribe with respect to the use and protection of the nonmineral interests in those lands."

(5) *Concurrence of EPA.* On page 3, the phrase beginning "and shall obtain" on line 16 and ending on line 21, requires the Secretary, before adopting land use plans for areas to be leased, to obtain the written concurrence of the Administrator of the Environmental Protection Agency with respect to air or water quality standards promulgated under the Federal Water Pollution Control Act or the Clean Air Act. We recommend that the phrase be deleted since the Secretary is already bound by the requirements of both laws. The written concurrence from the Administrator for each plan would only serve to add an unnecessary administrative step and to delay leasing programs.

(6) *Land Use Plans.* The sentence beginning on page 4, line 4 and ending on page 4, line 7, appears to provide that the Secretary shall include in land use plans a statement of the effects of one method of mining on the recovery of other beds of coal in the land by other mining methods. As a matter of course the Secretary already makes this determination, but he does not include this information in land use plans. Land use plans are diagrams for management of the resources in lands and it is not appropriate to indicate mining methods in the plans. The Secretary makes a determination of the proper mining methods after land use plans are completed and before leases are issued. In order that the provision identified above does not complicate our present procedures, we recommend that it be deleted from its present position in the bill, that it be inserted after the word "services" on page 4, line 12, and that it be amended to read as follows: "The Secretary shall also consider the effects of each method of mining on the recovery of any other beds of coal in the land by other mining methods."

(7) *Surface Mining Legislation.* Paragraph (4) on page 4, lines 21 through 24, would require "satisfactory assurances" of compliance with the Surface Mining Control and Reclamation Act of 1974 before a lease is issued. We recommend that the paragraph be deleted. The surface mining legislation was not enacted. If surface mining legislation is enacted, it will naturally control activities under leases pursuant to H.R. 3265. In the event the Committee finds it necessary to make reference to the surface mining legislation if it is enacted, it would suffice simply to specify in H.R. 3265 that leases shall be in accordance with the requirements of that Act.

(8) *Logical Mining Units.* H.R. 3265 does not contain specific authority for the Secretary to consolidate leases into logical mining units so that production within a unit rather than on a single lease would satisfy the renewal and diligence requirements. Authority to unitize leases would give the Secretary and lessees greater flexibility in planning the development of leases so that there is a maximum recovery of coal with a minimum impact on the environment. The authority would be particularly valuable in planning for the development of lands where some tracts are federally owned and some privately owned. Mining units could then be designated to encompass private lands, thus ensuring the development of isolated Federal tracts which ordinarily might not be developed.

We therefore recommend that in order to authorize unitization, the following new section 4 be added on page 5 to read as follows and that the subsequent sections be renumbered accordingly:

"Subject to valid existing rights, subsection 2 (c) and (d) of the Act of August 31, 1964, 78 Stat. 710, 30 U.S.C. § 201-1, is amended to read as follows:

"(c) At the discretion of the Secretary, leases issued under this section may, in the interest of conservation or in the public interest, be consolidated into logical mining units. The Secretary may require among other things that (1) production on any lease in a logical mining unit will be construed as production on all leases in that unit, (2) the rentals and royalties for all Federal leases in a logical mining unit may be combined, and advanced royalties paid for any lease within

a logical mining unit may be credited against such combined royalties, and (3) leases issued before the date of enactment of this Act may be included with the consent of all lessees in such logical mining unit, and, if so included, shall be subject to the provisions of this section.

"(d) By regulation the Secretary may require a lessee under this Act to form a logical mining unit, and may provide for the determination of participating acreage within a unit."

(9) *Exploration and License Plan*, on page 5. We favor the concept of exploration licenses set out in H.R. 3265 with the specific requirement for submission to the Secretary of an exploration plan. In order to assure the Government has the right to initiate the leasing process and to lease at any time, section 4 of H.R. 3265 should be amended. On page 5, delete the sentence beginning on line 8 and ending on line 9, and insert instead: "Each exploration license shall be for a term of not more than two years. The issuance of exploration licenses shall not preclude the Secretary from issuing coal leases at such times and locations as he deems appropriate. No exploration license will be issued for any land on which a coal lease has been issued."

We also recommend adding the following language to the end of proposed section 4(b) (2), page 5, line 24, to conform to present practices on National Forest System's lands.

"Exploration licenses covering lands the surface of which is under the jurisdiction of any Federal agency other than the Department of the Interior may be issued only upon such conditions as it may prescribe with respect to the use and protection of the nonmineral interests in those lands."

(10) *Discovery of New Deposits*. The Department is analyzing alternative means of stimulating private exploration for leasable minerals other than coal, and intends to deal with these issues in the Administration's proposal for a total revision of the Mineral Leasing Act.

(11) *Penalties*. On page 5 and 6. We believe that the language in H.R. 3265 dealing with the assessment of fines, section 4, page 5 lines 24-25 and page 6 lines 1 and 2, should be amended. As presently drafted the language is worded in terms of what appears essentially to be a criminal violation subject to payment of a fine. Confusion and litigation may result over the provisions dealing with data collected by a violator. We would recommend that lines 24-25 on page 6 and lines 1-2 on page 7 of the existing bill be revised to read:

"Any person convicted of violating this section shall be required to make available immediately to the Secretary all data collected by said person on any Federal lands as a result of such violation. The Secretary shall make any such data available to the public as soon as it is practicable."

(12) *Length of Lease Terms*. Section 5 of H.R. 3265 would require a primary term of 10 years for each lease with readjustments of lease terms every 5 years thereafter. If after 10 years coal is not produced from lands under a lease, the lease would be terminated. There is also a reference to the 10-year primary term on page 2, line 10. We strongly recommend that the primary term be increased to 20 years.

All available information indicates that 10-year primary terms would not increase coal development. On the contrary, they would discourage development in many instances and could cause waste of coal reserves. Ownership patterns of land and coal geology often necessitate the leasing of land that will not be developed for over 10 years because it is only profitable for a lessee if he can develop the adjacent lands first. If primary terms are too short, coal development on Federal lands in these cases would be discouraged and recoverable reserves may be lost forever.

There are other problems with 10-year primary terms. First, manufacturers of mining equipment cannot meet orders within 6 years. Steel shortages are causing increasing delays. These unavoidable delays would seriously impede the ability of lessees to meet production requirements within 10 years. Second, periods between the time when decisions to build coal consuming plants are made and the time when coal deliveries are needed are at least 8 to 10 years, and delivery commitments are necessary before the construction of plants can begin. The lead times are longer for gasification plants. Third, 80 percent of all coal is sold pursuant to long-term contracts which do not call for deliveries for 10 to 15 years. Finally, a very significant advantage to long-term reserves is that they minimize demand-supply lags and thus improve our resource allocation and our ability to avoid fuel shortages.

In addition, we feel that readjustment of lease terms should be every 10 years. More frequent readjustment would only create an unnecessary administrative burden.

We therefore urge that primary terms for coal leases be increased to 20 years and readjustment of lease terms be increased to 10 years. We favor provisions which reasonably encourage production, but we do not favor attempts to encourage production by imposing primary terms of 10 years. All indications are that 10-year terms would only serve to reduce production.

(13) *Royalty and Rental Payments.* On page 7, the language in lines 12 through 15 would impose a minimum royalty based on a percent of the sale price of coal. We recommend deletion of this provision. Royalties are usually based on a percent of the "value" of the coal rather than the "sale price" of the coal because coal that is produced is often not actually sold and because the sale price, for one reason or another, may be less than fair market value. The bill should give the Secretary authority to set a minimum royalty rate, rather than setting a minimum royalty.

The provision on page 7 and the failure to include in line 17 the word "rents" before "royalties" appears to eliminate the Secretary's authority to charge rentals. We oppose eliminating that authority, and we recommend that subsection 7 (a) (1) be amended to include (a) prior to the sentence beginning at line 10, the following new sentence: "The Secretary shall by regulation prescribe annual rentals on leases of not less than \$1 per acre or fraction thereof." and (b) the addition of "rents," prior to the word "royalties" in line 17.

(14) *Paying Quantities,* on page 7. We recommend that the term "paying quantities" in subsection 7 (a) (1), lines 8 and 9, and its definition in subsection 7 (a) (2), lines 21 through 24, be deleted and that the following language be adopted in place of the first two sentences of 7 (a) (1) :

"A coal lease shall be for a term of twenty years and for so long thereafter as coal is continuously produced in quantities which, in the judgment of the Secretary, would justify the continued operation of the mine or mines."

The use of profitability as the yardstick for continuation of a lease is administratively cumbersome and ultimately may be more costly. Based on our experiences with the term "paying quantities" in oil and gas leasing, we now foresee great difficulty in applying this term to non-oil and gas leasing. The purpose of the provision is to ensure sufficient development of Federal coal leases to justify continuation. Contrary to this intent, however, the definition as stated in H.R. 3265 may have the effect of terminating leases which are temporarily shut down, in the early nonprofitable stages of production, or are producing at levels which cover only part of production costs, or are being developed as part of a larger mining unit containing several Federal or non-Federal lease units.

There may well be times in the production of coal from a particular lease or leases where continued production would be in the public interest in satisfying economic and energy needs, even though not paying a profit to the lessee.

(15) *Advance Royalty Payments,* on page 8. The language of the proviso beginning with "that" on line 6 and ending with "lessee," on line 8, in subsection 7(b) would appear to limit the Secretary's authority to seek or require advance royalty payments to limited circumstances outside of the control of the leasees. While it would be in the public interest for the Secretary to permit advance royalties under these limited circumstances, it is also in the public interest to allow the Secretary discretion to accept advance royalties in lieu of continuous production. The inclusion of this concept is critical.

(16) *Restriction in State Spending of Coal Revenue.* Section 6 of H.R. 3265 would give States greater flexibility in using their share of moneys received under section 35 of the Mineral Leasing Act of 1920 (30 U.S.C. 191). We view the restrictions in section 35 of the Act as no longer necessary. The Department has strongly endorsed the concept of complete relaxation of the restrictions on State use of its share of funds from mineral leasing activities and has objected to previous proposals which were unnecessarily restrictive. Consistent with this position, we therefore recommend that the spending restrictions on the States be repealed by deleting from section 35 of the Act the words "for the construction and maintenance of public roads or for the support of public schools or other public educational institutions." This would give States complete discretion as

to the expenditure of coal and other mineral leasing receipts from Federal lands.

(17) *Noncompetitive Modifications of Leases.* Section 3 and 4 of the Mineral Leasing Act (30 U.S.C. §§ 203, 204) provide for modification and additions to leases without competition of not more than 2,560 acres. H.R. 3265 would not affect these sections. As a general rule most modifications or additions do not warrant competitive authorization. However, such authorized modifications or additions to leaseholds should not be used to circumvent the intention of a competitive system. Therefore, we recommend that sections 3 and 4 be repealed, and H.R. 3265 be amended to add, as section 9, the following language:

"(b) Any person, association, or corporation holding a lease of coal lands on coal deposits under the provisions of this Act may with the approval of the Secretary of the Interior, upon a finding by him that it would be in the interest of the United States, secure modifications of the original coal lease by including additional coal lands or coal deposits contiguous to those embraced in such lease, but in no event shall the total area added by such modifications to an existing coal lease exceed one hundred and sixty acres (160), or add acreage larger than that in the original lease upon such terms and conditions as the Secretary may prescribe."

(18) As an added incentive to produce, provisions should be included to allow annual rentals to be credited against royalties. We recommend that H.R. 3265 be amended to add a section 10 as follows: "10. All leases may be conditioned upon payment each year of an annual rental in advance. Rentals paid for any one year shall be credited against royalties accruing for that year."

(19) Although H.R. 3265 requires an exploration plan it does not require an operation and reclamation plan. There is a real need for such a plan before the commencement of any activities under a lease if those activities will significantly affect the environment. We recommend that another subsection be added to section 7 of the Act of February 25, 1920, as it would be amended by section 5 of H.R. 3265. The new subsection should be placed on page 8 of H.R. 3265 before line 12, and should read as follows:

"(c) Prior to taking any action on a leasehold which might cause a significant disturbance of the environment, and not later than three years after a lease is issued, the lessee shall submit for the Secretary's approval an operation and reclamation plan describing the manner in which his activity will be conducted in a manner consistent with environmental regulations issued by the Secretary. As promptly as possible after the lessee submits a plan, the Secretary shall approve or disapprove the plan or require that it be modified. Where the land involved is under the surface jurisdiction of another Federal agency, that other agency must consent to the terms of such approval. No action that would significantly disturb the environment shall be taken by the lessee until he has received appropriate Secretarial approval of the operation and reclamation plan."

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

JACK HORTON,
Assistant Secretary of the Interior.

Mr. HORTON. Madam Chairman, it is a personal honor for me to appear before you once again on the amendments to the Mineral Leasing Act of 1920 with respect to coal. I am accompanied by various officials of the Department. To my immediate left, Dr. John Morgan, the Associate Director of the Bureau of Mines. On my immediate right Mr. Frank Edwards, the Assistant Director of the Bureau of Land Management. And to the far right, Dr. Russ Wayland, Chief of the Conservation Division of the U.S. Geological Survey. Also behind us are staff members of the Department that have been closely involved with the legislation: Gary Bennethum of my staff, Eleanor Schwartz of the Bureau of Land Management, and Mr. Spinner Findley of the Solicitors Office.

STATEMENT OF JACK HORTON, ASSISTANT SECRETARY FOR LAND AND WATER RESOURCES, DEPARTMENT OF INTERIOR, ACCOMPANIED BY DR. JOHN MORGAN, ASSOCIATE DIRECTOR, BUREAU OF MINES; FRANK EDWARDS, ASSISTANT DIRECTOR, MINE MANAGEMENT, BUREAU OF LAND MANAGEMENT; DR. RUSSELL G. WAYLAND, CHIEF, CONSERVATION DIVISION, U.S. GEOLOGICAL SURVEY; GARY BENNETHUM, STAFF MEMBER; ELEANOR SCHWARTZ, BUREAU OF LAND MANAGEMENT; AND SPINNER FINDLEY, SOLICITORS OFFICE

Mr. HORTON. H.R. 3265 would amend the Mineral Leasing Act of 1920 in several respects. It would require the coal leases be issued by competitive bidding, repeal authority to issue prospecting permits and provide for issuance of exploration licenses after approval of an exploration plan, prohibit leasing of lands unless they are included in a land use plan, limit lease terms to 10 years and so long thereafter as coal is produced annually in paying quantities, require a minimum royalty, and allow States greater discretion in spending their shares of Federal coal leasing revenues.

When we testified on a similar bill in the last Congress, it was the position of this Department that total revision of the Mineral Leasing Act was preferable to the piecemeal approach of coal leasing amendments. However, we stated that the Department would not object to such coal leasing provisions if amended to conform to the general approach of the Department's proposed Mineral Leasing Act of 1973. We still prefer adoption of a comprehensive revision of the mineral leasing laws, and intend to submit legislation on this matter in the future. However, we would not object to H.R. 3265 if it is amended along these lines:

The first of which is 40-acre leasing tracts. The requirement that leasing units be in tracts of 40 acres or multiples thereof was established during a period when average leaseholds and leasing operations were relatively small and 40 acres was a meaningful size for a lease. There is no special significance to tracts of 40 acres or multiples thereof. Indeed, there may be tracts of leasable lands which are not in multiples of 40. More leeway should be given to the Secretary to offer leases in tracts that he deems appropriate in the public interest.

In our report we suggest language of amendments which would accomplish that.

Second, under bidding restrictions, the provisions of the proposed section 2 would seriously constrain the Department's flexibility in holding competitive coal lease sales. They would require sealed bidding, they would prohibit royalty bidding, and they would impose a 10-year bonus payback system for at least 50 percent of the acres covered by each lease. We recommend that these restrictions be deleted.

Our experience is that sealed bidding does not always attract the highest bids. Generally, when there is little competition, sealed bidding is preferable since it introduces a degree of uncertainty and induces higher bids. However, when there is significant competition, sealed bidding followed by oral bidding has proven to be more satisfactory since bidders are then influenced by other bidders and the competitive

spirit of the sale. The success of each auction, therefore, depends largely on the Secretary's ability to call for sealed or oral bids.

As we have reported to you on other occasions, the Department of the Interior is presently studying whether bonus bidding is preferable to royalty bidding. Under the authority granted the Secretary in the Outer Continental Shelf Lands Act the Department in October 1974 auctioned leases for land on the Outer Continental Shelf for oil and gas development. Several of the leases were awarded through bonus bidding and a few through royalty bidding. We expect a thorough examination of operations under these leases will help us determine whether royalty bidding or bonus bidding will assure the highest monetary return to the public and maximum mineral recovery, while assuring that qualified bidders are not restricted from bidding because of large front-end costs. Data is now available to help us make this determination and to implement the best bidding methods. We urge that H.R. 3265 be amended to permit the Secretary the same flexibility for determining bidding methods as he has under the Outer Continental Shelf Lands Act.

Finally, we know of no information indicating that a 10-year bonus payback system for collecting bonus payments on all or part of a lease is the most satisfactory method for collecting such payments.

In short, these restrictions seem to us to be arbitrary. It is not in the public interest to impose by legislation a single, rigid method for auctioning leases and collecting royalties until there is firm evidence to indicate that the method is and will continue to be the best one.

Under the third category, public comments, public involvement is very important in the development of land use plans. Any future leasing of Federal coal lands in the West, and I should expand that to indicate the Nation, will be based on the vast amount of information in land use plans presently being prepared. The plans include an assessment of the coal in the land. The public is invited to comment through the planning process.

H.R. 3265 contains three different provisions pertaining to public involvement but does not establish clear and coordinated procedures for allowing people to express their views. We therefore recommend that the three provisions for public participation be deleted and that a single subsection providing for public involvement be included in the bill. Our report contains suggested language of amendment.

Fourth, under the category of land use planning on national forest lands, in H.R. 3265 the Secretary of Agriculture is given the authority to develop comprehensive land use plans for the land within the National Forest System and to determine whether lease sales within the National Forest System are consistent with such plans. This provision would divide authority between the Secretary of Agriculture and the Secretary of the Interior who handles mineral lease sales in nearly all other areas. We have suggested an amendment to remedy this and also to provide that the issuance of leases on national forest lands be subject to the consent of the Department of Agriculture and to such conditions as the Department may prescribe with respect to the use and protection of nonmineral interests.

Fifth, under the category of concurrence of EPA, H.R. 3265 requires the Secretary, before adopting land use plans for areas to be leased, to obtain the written concurrence of the Administrator of the

Environmental Protection Agency with respect to air or water quality standards promulgated under the Federal Water Pollution Control Act or the Clean Air Act. We recommend that the provision be deleted because the Secretary is already bound by the requirement of both laws. The written concurrence from the Administrator of the Environmental Protection Agency for each plan would only add an unnecessary administrative step and delay leasing programs.

Sixth, under the category of land use plans, H.R. 3265 appears to prohibit that the Secretary shall include in land use plans a statement of the effects of one method of mining on the recovery of other beds of coal in the land by other mining methods. As a matter of course the Secretary already makes this determination, but he does not include this information in land use plans. Land use plans are diagrams for management of the resources of the lands. It is not appropriate to indicate mining methods in the plans. The Secretary makes a determination of the proper mining methods after land use plans are completed and before leases are issued. We recommend that it be deleted from the planning provisions and included rather among the matters the Secretary must consider before issuing a coal lease.

Under the seventh category, surface mining legislation, we recommend deletion of the provision that would require "satisfactory assurances" of compliance with the Surface Mining Control and Reclamation Act of 1974 before a lease is issued. That surface mining legislation has not been enacted. If surface mining legislation is enacted, it will naturally control activities under leases issued pursuant to H.R. 3265. In the event the committee finds it necessary to make reference to the surface mining legislation if it is enacted, it would suffice simply to specify in H.R. 3265 that the leases shall be in accordance with the requirements of that act.

In the eighth category, logical mining units, H.R. 3265 does not contain specific authority for the Secretary to consolidate leases into logical mining units so that the production within a unit rather than on a single lease would satisfy the renewal and diligence requirements. Authority to unitize leases would give the Secretary and lessees greater flexibility in planning the development of leases to permit maximum recovery of coal with minimum impact on the environment. The authority would be particularly valuable in planning for the development of lands where some tracts are federally owned and some privately owned. Mining units could then be designed to encompass private lands, thus insuring the development of isolated Federal tracts which ordinarily might not be developed. Again, language of amendment is included in our report.

Under the ninth category, exploration license and plan, we favor the concept in H.R. 3265 of exploration licenses with the specific requirement for submission to the Secretary of an exploration plan. However, in order to assure that the Government has the right to initiate the leasing process and to lease at any time we have suggested in our report an amendment to this provision.

Tenth, Discovery of New Deposits, the Department is analyzing alternative means of stimulating private exploration for leaseable minerals other than coal and intends to deal with these issues in the administration's proposal and for a total revision of the Mineral Leasing Act.

Eleventh, in the category of penalties, as presently drafted the penalties provision in H.R. 3265 is worded in terms of what appears essentially to be a criminal violation subject to payment of a fine. Confusion and litigation may result over the provisions dealing with data collected by a violator. We offer language in our report of a proposed amendment.

Twelfth, the length of lease terms, section 5 of H.R. 3265 would require a primary term of 10 years for each lease with readjustment of lease terms every 5 years thereafter. If after 10 years coal is not produced from lands under a lease, a lease would be terminated. We strongly recommend that the primary term be increased to 20 years, with readjustments at the end of each 10-year period thereafter if the lease is extended. More frequent readjustment would only create in our opinion an unnecessary burden.

All available information indicates that the ten-year primary terms would not increase coal development. On the contrary, they would discourage development in many instances and could cause waste of coal reserves. Ownership patterns of land and coal geology often necessitate the leasing of land that will not be developed for over 10 years because it is only profitable for a lessee if he can develop the adjacent lands first. If primary terms are too short, coal development on Federal lands in these cases would be discouraged and recoverable reserves may be lost forever.

There are other problems with 10-year primary terms. First, manufacturers of mining equipment cannot meet orders within 6 years. Steel shortages are causing increasing delays that may seriously impede the ability of lessees to meet production requirements within 10 years. Second, 8 to 10 years may elapse between the time when decisions to build coal consuming plants are made and the time when coal deliveries are needed. Delivery commitments are necessary before the construction of plants can begin. The leadtimes are longer for gasification plants. Third, 80 percent of all coal is sold pursuant to long-term contracts which do not call for deliveries for 10 to 30 years, thus requiring the holding of long-term reserves.

Finally, a very significant advantage to long-term reserves is that they minimize demand-supply lags and thus improve our resources allocation and our ability to avoid fuel shortages.

For all these reasons we urge that primary terms for coal leases be increased to 20 years and readjustment of lease terms be increased to 20 years and readjustment of lease terms be increased to 10 years. We favor provisions which reasonably encourage production, but we do not favor attempts to encourage production by imposing primary terms of 10 years. All indications are that 10-year terms would only serve to reduce production.

Under the 13th category, royalty and rental payments, H.R. 3265 would impose a minimum royalty based on a percent of the sale price of the coal. We recommend deletion of this provision. Royalties are usually based on a percent of the value of the coal rather than the sale price of the coal because coal that is produced is often not actually sold and because the sale price, for one reason or another, may be less than the fair market value. The bill should give the Secretary authority to set a minimum royalty rate, rather than setting a minimum royalty.

The proposed amendment of section 7 appears to eliminate the Secretary's authority to charge rentals. We oppose eliminating that authority, and we recommend that the bill be amended to include it.

Under the 14th category, paying quantities, we recommend that the term paying quantities be deleted from the bill and suggest substitute language and criteria for continuation of a lease.

The use of profitability as the yardstick for continuation of a lease is administratively cumbersome and ultimately may be more costly. Based on our experience with the term paying quantities in oil and gas leasing, we now foresee great difficulty in applying this term to nonoil and gas leasing. The purpose of the provision is to insure sufficient development of Federal coal leases to justify continuation. Contrary to this intent, however, the definition of the term in H.R. 3265 may have the effect of terminating leases of mines which are temporarily shut down, in early nonprofitable stages of production, or are producing at levels which cover only part of production costs, or are being developed as part of a larger mining unit containing several Federal or non-Federal lease units.

There may be times in the production of coal from a particular lease or leases when continued production would be in the public interest in satisfying economic and energy needs, even though not paying a profit to the lessee.

Under the 15th category, advance royalty payments H.R. 3265 would appear to limit the Secretary's authority to seek or require advance royalty payments to limited circumstances outside of the control of the lessee. It would be in the public interest for the Secretary to permit advance royalties under these limited circumstances. It may also be in the public interest for the Secretary to require advance royalties in lieu of continued operation under other circumstances. Therefore, we recommend amending the bill to give the Secretary this authority.

Under the 16th category, restriction in the State spending of coal revenue, section 6 of H.R. 3265 would give States greater flexibility in using their share of moneys received under section 35 of the Mineral Leasing Act of 1920. We view the restrictions in section 35 of the specified act as no longer necessary. The Department has strongly endorsed the concept of complete relaxation of the restrictions on State use of its share of funds from mineral leasing activities and has objected to previous proposals which were unnecessarily restrictive. Consistent with this position, we therefore recommend that the spending restrictions on the States be repealed by deleting all limitation from section 35 of the Mineral Leasing Act. This would give States complete discretion as to the expenditures of coal receipts from Federal lands.

Under the 17th category, "Noncompetitive modifications of leases," sections 3 and 4 of the Mineral Leasing Act provide for modification and additions to leases, without competition, of not more than 2,560 acres. H.R. 3265 would not affect these sections. As a general rule most modifications or additions do not warrant competitive authorization. However, such authorized modifications or additions to leaseholds should not be used to circumvent the intention of a competitive leasing system. Therefore, we recommend that sections 3 and 4 be repealed, and H.R. 3265 be amended to add a new provision allowing addition of

limited acreage to leases without competitive bidding under certain controlled conditions.

As an added incentive to produce, provision should be included in H.R. 3265 to allow annual rentals to be credited against royalties along the lines suggested in our report.

Although H.R. 3265 requires an exploration plan it does not require an operation and reclamation plan. There is a real need for such a plan before the commencement of any activities under a lease if those activities will significantly affect the environment. Our report suggests language that will accomplish this.

Madam Chairman and members of the committee, that completes the prepared statement of the Department of the Interior and we are prepared to answer whatever questions you might have.

Mrs. MINK. Thank you very much for your statement.

Mr. Eckhardt, do you have any questions?

Mr. ECKHARDT. Yes, Mr. Horton. Suppose a company obtains, makes a successful bid on the basis of a relatively high royalty but with a rather long-term as you suggest, about 20 years.

What will compel that firm to explore? What will prevent that firm utilizing its position merely to speculate; that is, perhaps not to develop, whereas someone else would have entered into contracts and developed the plans?

Mr. HORTON. Mr. Eckhardt, I think that is a very good question. The Department spent some time last year analyzing that and we proposed, and indeed, inserted in the Federal Register in December of last year, December 5, a requirement for diligent development on coal leases. The Department in the past, as you know, has accepted advanced royalties which, in fact, were a minimal royalty based on the rental value of the lease, a very minimal figure. It is provided that payment in lieu of diligent development, this has resulted in the leasing of approximately 16 billion tons of Federal coal which is now under lease, 90 percent of which is not being developed.

We believe that is in the Federal interest, the public interest, to require diligent development and this is the reason that we provided the notice in the Federal Register in December.

Mr. ECKHARDT. Well, then, you would provide some provision for cancellation of the lease in case of a failure to diligently develop.

Mr. HORTON. That is the intent of the regulation that we inserted in the Federal Register.

Mr. ECKHARDT. Well, I may say that I do think particularly with respect to oil lands—and frankly, I do not know too much about coal—that bidding on the basis of flexible royalty and perhaps no bonus or relatively small bonus was in the long term much better for the United States with respect to oil lands because after all we are operating in perpetuity, and it would seem to me better to permit more business without too much front-end loan.

Mr. HORTON. That was an objective in the Department's recent experiment under the Outer Continental Shelf Lease Act. We actually went out and experimented with both bonus bidding and with royalty bidding. And what we are finding is that in terms of reducing front-end payment, it has been successful. But in terms of preventing early or premature abandonment of the lease, it perhaps carries greater risk to the optimum recovery of the Federal resource.

We have no optimum method for leasing right now. As our statement indicates, we are still examining the results of the royalty bidding experiment on the OCS, and if and when the Department, the Secretary determines that further coal leasing should happen, it will be in our intention if not otherwise precluded by law to experiment on coal leasing the same way we are now experimenting on OCS oil and gas leasing. The problem of early abandonment is a very real one and it could leave vast tons of Federal resources, coal resources, simply not developed because you have a very high royalty, and then after further exploration and development you found that you were not receiving the profitability factor that you thought you would and you would simply abandon the lease, whereas you would not do so if you had a bonus bidding schedule.

Mr. ECKHARDT. I would hardly think, though, that that would be true with respect to oil under present circumstances.

Mr. HORTON. I think I would agree with that.

Mr. ECKHARDT. Let me ask you one other question. With respect to royalty bidding why not place the royalty on the basis of sale price or value, whichever is the greater?

Mr. HORTON. That is an option that certainly should be considered. The problem with coal is that we do not have any record, we do not have any experience other than in the systems which we have employed in the past. So we have sort of no pragmatic data on which to advise the Congress which is the best system. And we feel that the Secretary should be given the discretion, certainly, over a reasonable period of time to go out and experiment with different leasing programs to see which in fact is in the public interest.

Mr. ECKHARDT. I would think it would be somewhat difficult at times to separate what is assumed to be the sale price and the cost of transportation in the case of coal, particularly in barging operations.

How do you actually establish sale price when it is different from value? Do you have provisions in the lease for arbitration of that issue or what?

Mr. HORTON. Mr. Russ Wayland of the Geological Survey.

Dr. WAYLAND. Mr. Congressman, the rule with respect to the other minerals of the Leasing Act is the value established at the point of shipment, and point of shipment is seldom far from the lease. It could be a processing plant right near the lease. And there is the question of transportation allowances if the point of shipment is remote, and this means an allowance back to the lease.

In our normal practice when we went to percentage of value on coal recently from the older practice of cents per ton, we went to the concept of value at the point of shipment, which is the established way of handling this problem with respect to other commodities.

Mr. HORTON. The reason that we object to sales price as the determining factor is that if you have a vertically oriented company, one subsidiary of the company could sell it to another at a very low price, therefore reducing the royalty very considerably.

So the sales price is, in our judgment, not the fact to consider.

Mr. ECKHARDT. The sales price at point of shipment may be entirely artificial, may it not, in a vertical operation, particularly where, for instance, the company that produces coal also perhaps owns certain

transportation facilities and perhaps also the company which purchases the coal.

Mr. EDWARDS. That is correct, Congressman. That is the reason we say we ought to use the value at the point of shipment rather than the sale price because the sale price might be an artificial price.

Mr. ECKHARDT. Thank you.

Mrs. MINK. The time for the gentleman has expired.

Mr. Steiger.

Mr. STEIGER. Thank you, Madam Chairman. I am sorry I missed your statement, Mr. Horton, but I had a chance to read it. I am sure you have a copy of the bill there. If you would refer to page 8 of the bill, we have some language starting on line 6, it is the proviso that deals with the conditions under which the Secretary may require advanced royalties in lieu of production.

It is page 8 in the printed bill. I do not know—I do not know what version you have.

Mr. EDWARDS. Yes, it is page 9 of the Department report.

Mr. STEIGER. At any rate, the language there refers to the limiting factors under which conditions the Secretary may require advanced royalties.

It has occurred, apparently, to both the staff and the Department that this might be unduly restrictive on the Secretary and there may be other circumstances under which an advanced royalty might be appropriate.

If that is the situation, do you have any specific language that could broaden without destroying the intent?

Mr. HORTON. Congressman Steiger, yes; we do and we could read that into the record now or give it to the reporter. It might be valuable because it is a very brief paragraph for me just to read that.

Mr. STEIGER. Since I have it before me, I agree it is brief enough and I think it would be appropriate to read it.

Mr. HORTON. The proposed specific language is as follows:

Each lease shall be subject to the conditions of diligent development and continued operation of the mine or mines, except when lease operations shall be interrupted by strikes, the elements or casualties not attributable to the lessee, the Secretary of the Interior may, if he determines that that is in the public interest, provide in each lease for the payment of an advanced royalty based on approved production schedules in lieu of the requirement of continued operation of the mine or mines.

Mr. STEIGER. I gather, Mr. Horton, that the significance of the change is that along with the advanced royalty there would be a requirement that an approval of a proposed production schedule—would you mind explaining what the rationale is for that, or one of your people can?

Dr. WYLAND. Mr. Congressman, in our technical advice to the Bureau of Land Management from the Geological Survey, at the time a lease is to be issued or extended, our current practice is to make an estimate of the recoverable reserves and to make our best judgment as to the rate of production of those reserves over a 40-year period. This provides a means of determining what the advance royalty would be on the assumption that the lease is going to be produced and at those rates. And the payment would then be for the royalty on such an assumed production rate based on the reserve.

Mr. STEIGER. Madam Chairman, if I might continue, I am interested in the 40-year projection, and obviously, that is an agency judgment or is that a matter of statute?

Dr. WAYLAND. That is an agency judgment. We started out with a 60-year projection and we came on review within the Department, to a 40-year projection.

Mr. STEIGER. It occurs to me, as I am sure it does to the chairperson and the rest of the committee, that, although we would hope that there would be a little more flexibility on that, both in light of the immediate needs and the potential, to the possibility that some specific reserves might be more available or have a strategic location economically in distribution. And perhaps one method of accelerating or relieving our energy problems would be in those instances to compute them on a shorter period of time, obviously.

So if that is realistic, is that possible under your present procedure? Are you flexible enough to do that?

Dr. WAYLAND. Yes, sir. We have complete flexibility at present under policy direction from the Secretary.

Mr. STEIGER. Do you, as a matter of fact, consider reserves in shorter than 40-year periods? I can understand why it would be very unfair for a shorter period to reply arbitrarily. But do you in fact apply shorter periods where they are appropriate?

Dr. WAYLAND. Sir, we have not had very much experience with this. We are applying it to coal, and as you know, there has been very little coal leasing recently. So it is part of the coal leasing policy package that the Department has under review right now, and it is not really set. They may choose to give us guidelines for shorter term types of situations, but the basic situation is that a mine, a modern mine, is keyed to long-term delivery contracts to a major facility like a big powerplant or some other plant.

Mr. STEIGER. I understand.

Dr. WAYLAND. So that the long term seems to be justified.

Mr. STEIGER. Madam Chairman, I would hope that we can both consider the specific language which the Department has recommended, but also that we—and I do not wish to put anything in the statute with regard to the length of time the reserves ought to be computed on—but I would hope, however, the report could reflect the committee's concern that it not be so arbitrary as not to permit potentially less time to be used, and perhaps at the appropriate time we could discuss that when it comes to doing the report.

Mrs. MINK. Thank you. The time of the gentleman has expired.

Mr. Howe.

Mr. HOWE. Thank you, Madam Chairman.

The statement, Mr. Horton, I think is excellent. I appreciate your views and I have a few questions that I wanted to ask, particularly with reference to the deferred bonus bidding proposal that is in the bill.

I have a concern that the Government ought to be moving in a direction of trying to limit the concentrations existing within the basic energy industries and I am wondering—

Mr. HORTON. We agree, Mr. Howe, with that point of view.

Mr. HOWE. And if you had that view, and I gather from your statement that you might have, if you do not think that this may be a step

in that direction, I am sure that I see it as, maybe, a step in that direction.

Mr. HORTON. Well, we feel that that is a very worthy concept for experimentation. We do not think we know enough about it now pragmatically to advise the Congress that it should be legislated. And one viewpoint is that if you have a deferred bonus bidding system, what in effect you are doing is discounting the present value of the bid dollar. This means that the major companies would probably elevate their bids, therefore, intending to detract from the principle we are trying to achieve, which is, in fact, less front end money.

So we are not sure what is going to happen in practice. I would certainly support the proposal that this be the subject of an experimentation for coal in the future. And I think the Congress and the administration should be guided by the results of these types of experiments rather than attempting in advance to predetermine the most optimum leasing system.

Mr. HOWE. So something like this as an experiment might be possible and the Department might support it with some revisions.

Mr. HORTON. I think we could well support that if we had some pragmatic data on which to base a long-term judgment.

Mr. HOWE. I have another concern about the section in the bill treating the comprehensive land use planning aspect. I think on page 3 of the bill, granting the need for some land use planning, if it ought to be a condition precedent to the granting of coal leases and I say that because—and you might comment on this as well—how it ties in with the required environmental impact statements that have to be made, EPA requirements, how that interfaces with what this bill would require be done by way of land use planning.

Mr. HORTON. By land use planning, specific reference to planning process in the Bureau of Land Management. These constitute the preparation of what are called MFP's, or management framework plans.

I think we would share your concern more specifically if we did not know that something on the order of 70 to 75 percent of all the lands under which coal exists have already had MFP's or management framework plans prepared at some level of accomplishment to some degree. So that we are not looking at all of this enormous acreage sort of de novo. We are looking at it as a series of land use plans that have already been prepared.

Mr. HOWE. So that is really in-house and you have that information already.

Mr. HORTON. But going back to the principle of the thing, and that is that the BLM is a multiple-use agency, and in principle it should be required to identify other uses of the incompatibility between the protection of some resources and the development of others. And if you look at a single use concept of coal development in coal areas, you would place that first in a planning process. It may be only subsequent to that as you determine some impacts that could have been mitigated or avoided.

So since we have these plans well under preparation now, it is our feeling that they should be part of the overall planning system.

Mr. HOWE. I have just finished some hearings in the Public Works Committee on the problems involving public works projects, and the question has been asked in that committee, why we cannot get some

of those projects moving, and the people in the agencies involved tell us that we cannot because we have laid on so many requirements for review, long timetables for procedural requirements to be met. I would not like to see that happen in the coal leasing area, although we want it to be done in an orderly manner. But that is the reason I raise that question about whether or not that would be an unbearable burden as a prerequisite to issuing coal leases.

Mr. HORTON. It is really a process of making better decisions earlier on in a leasing proposal. I would not refer to this as an obstacle, although I would think that it is true that the requirements of other laws do impose time delays.

This one, I think, should be viewed not as an obstacle or a hurdle but, indeed, as a process to make better decisions on where coal should be leased and where it should not be.

Mr. HOWE. Madam Chairman, I have one other question, if I have time. On page 8, Mr. Horton, line 21 of the bill, the language of the bill directs that the royalties, let's see:

All moneys paid to any State from sales, bonuses, royalties, and rentals of coal deposits and oil shale in public lands, may be used by such State and its subdivisions for planning, construction, and maintenance of public facilities, and provision of public services, as the legislature of the State may direct giving priority to those subdivisions of the state, socially or economically impacted by the developments of the resource involved.

Do you see that as a directive to the States in that you consider it to be binding on them or just advisory? I am wondering what effect that would really have, in your opinion.

Mr. HORTON. Let me respond with three points. The first, we totally support the funds being unencumbered, of going to the States without the restrictions that now exist.

Second, with respect to the legislature of the State, it is our practice now to direct that to the Governor of the State, and he should, of course, be conditioned by whatever laws the State itself has. The bonus money, for example, on the oil shale leases, very significant, which will total \$82 million, go directly to the Governors of Colorado and Utah.

The third point, and I would think that the committee and the committee staff may desire to examine the language so that it would simply be to state whatever would be the appropriate executive or legislative authority.

With respect to giving priority to subdivisions of the State, that appears to me to be a very sensible condition, but whether it should be binding or advisory I do not know. I think that might be left to the discretion of either the State legislature or the State Governor, but certainly, it is the impacted areas that everyone has the concern over.

I, for one, would favor leaving that determination to the Governor of the State or to the legislature.

Mr. HOWE. Thank you.

Mrs. MINK. The time of the gentleman has expired.

Mr. Vigorito.

Mr. VIGORITO. No questions, Madam Chairman.

Mrs. MINK. Mr. Seiberling.

Mr. SEIBERLING. Thank you, Madam Chairman.

Mr. Horton, the aim of achieving the maximum return to the Government for mineral leases, of course, is a desirable aim, but there are

other Government policies which, it seems to me, are of at least equal and probably greater importance, one of which is a policy of long standing ever since the adoption of the Sherman Act in 1890 for the preservation and fostering of competition. And I am wondering to what extent the Department is giving attention to that in developing its position with respect to bonus payments versus periodic payments.

Mr. HORTON. I think that we are giving a great deal of attention to that.

Mr. SEIBERLING. You do think.

Mr. HORTON. Very much so. We are requesting now, and in fact, we are asking Congress to leave flexibility and discretion in the Secretary's hands so that we can determine a leasing system that does maximize the competitive principle. And on the OCS, we mentioned earlier we have experimented with a royalty leasing sale, a royalty bidding sale. We do not know enough, once again, to say whether that is the best one. We are not sure, for example, that a deferred bonus system would maximize competition or might, in fact, limit it.

Mr. SEIBERLING. Well, do you favor writing into this bill a requirement that whatever system is adopted, one of its primary aims should be to foster competition and to maximize the possibility to independent coal companies bidding on the coal?

Mr. HORTON. I think in our response we should point out that there are, of course, a number of objectives that we want to obtain. Environmental protection is one, fair market value is another, optimum resource development and protection of the Federal resource. The competitive principle is one that we strongly support, but it must be placed in a context of the other objectives of what it is we are trying to do.

Mr. SEIBERLING. Well, should we write in some of these key objectives into the legislation?

Mr. HORTON. We would have no objection to that.

Mr. SEIBERLING. Now, what is the policy of the Department with respect to the rate of development of Federal coal? Are you going to go all out and try to lease everything in sight, or is there a phase aspect to your policy, or is there any policy at all?

Mr. HORTON. At this point in time, we are adhering to the policy established by the Secretary in February 1973, which was to establish a de facto moratorium with some relief conditions for what essentially were emergency actions to keep a mine going or to provide reserves for the near future. So he has not made a determination to change that, but both he and the President have pointed out in various energy messages that we believe that coal must play an increasingly larger share in providing the Nation's energy formula, and we expect both on private lands and on State lands and on Federal lands for additional leasing to occur some time in the future.

What we are concentrating on now is reforming and updating the process by which coal is leased.

In our opinion, with the strip mining legislation that the Congress is now looking at with the reform to the BLM's planning system with the legislation now before your committee, that you could expect a very deliberate and cautious coal leasing program to occur sometime in the future.

Mr. SEIBERLING. Is there a so-called western strategy to produce a shift in the balance of coal production between the East and West?

Mr. HORTON. No, sir, there is no western strategy whatsoever; though it is our expectation, with the enormous reserves in the West under Indian lands, State lands, private lands, and Federal lands, that the production of coal certainly will expand in those States. There is, however, no western strategy, nor no southern strategy or eastern strategy.

Mr. SEIBERLING. Well, there were some actions taken several years ago with respect to the granting of water rights to utility companies which have resulted in corporations in effect taking over all of the balance of water that is available in States like Wyoming and Montana for power generation and coal gasification and the like, using western coal. Now, are those still viable?

Mr. HORTON. I would point out, Mr. Congressman, that those rights, as a result of very extensive studies conducted by the Department—are mostly options.

Mr. SEIBERLING. Ten year options.

Mr. HORTON. Conducted by energy-oriented companies. We have completed two studies and we would be happy to provide them for the committee. One is water for energy in the upper Colorado. The second is water for energy in Yellowstone and the upper Missouri, and we have determined the amount of water that is available now, the crisis point, at which time the demands on any river system might be more than the supply of water, to the year 2000; and we have determined the ways to ease the problem. It would be incorrect, though, to say that all the available water in either Wyoming, Colorado or Montana has been bought up by utility companies.

Mr. SEIBERLING. Well that charge has been made in the newspapers, as you probably know; and it seems to me that it is time we had some definition of priorities on that type of industrial development versus agricultural activities. Are there any priorities that have been adopted by the Department on this?

Mr. HORTON. There have been no priorities, and I will say, because we have said this publicly on many occasions, that we would strive very diligently not to establish a priority of water for energy over water for agriculture. It is a matter of looking at the total supply available, now and in the future; looking at the total demands on this system, and attempting to come out with an equitable balance. Now, both for the Yellowstone and the Missouri, and indeed for the upper Colorado, there is some maneuvering room for the next 20 to 25 years. With respect to the Missouri, there are ample waters. It is a matter of using them intelligently now.

The point over which we have, and rightfully so, no control whatsoever, is the purchase of State water rights by energy companies, and this is a private transaction that goes on either by buying out the ranchers or by buying out the water rights, if the two are separable. And the only control that can be exercised there is that vested in the State water commissioner through the Governor's office. But with respect to the exercise of Federal controls, which is to base his decisions essentially on State ownership of the water, but to apply its contracting authority, we are giving the whole concept sort of a land-use planning set of priorities, so that we do not bias one resource use water for energy over another water for agriculture.

Mr. SEIBERLING. But what you are telling me does indicate that you have a plan for the industrial development of those states, using coal and water as a base.

Mr. HORTON. No, sir. Nothing could be further from the truth. We have no plan for industrial development—these plans, essentially, should be guided by the State Governor, if there are plans. The system that we are suggesting to the committee is one in which the industry would nominate areas of coal they would like to see leased and developed, and it would invite, of course, the Governor's recommendations, and that of all public citizens in that State, to this set of nominations. It would be put through the Bureau's MFP—management framework planning—system, so that the negative environmental impacts, the areas not to be leased, would be given as much analysis as those which someday might be leased. So there is no developmental strategy now for the Western States.

Mr. SEIBERLING. So the initiative is up to industry?

Mr. HORTON. In part.

Mrs. MINK. The time of the gentleman has expired.

The Chair has a few questions. To set the proper stage for my inquiry, I would like to say at the outset that my principal interest in this legislation is to help develop a policy on the part of the Federal Government that encourages a development and production of coal, particularly of the lands which have already been leased, and not to set up a procedure by which either the public or private initiative is impaired; and also, to make absolutely sure that the Federal Government receives the highest possible remuneration for these resources, which in my view belong to all of the people of the United States. For this reason, I have considerable difficulty with four points, and that is the concept of diligence, the concept of continued production, the concept that you stated with reference to advance royalties, and lastly, the logical mining unit.

The statement which you have presented this morning, Mr. Secretary, you seem to be giving the impression that your interests, or the interests of the Department, and mine, are not similar at all; and I would like to take each of these points one by one, if I may. Let us begin with the logical mining unit but before we get to that, perhaps you could just lay before the record exactly how many leases have already been issued, and what the estimated recoverable coal is, with respect to these leases that have been issued, and what the current production is; and how many of these leases have not yet produced a single ton of coal.

Mr. HORTON. Madam Chairman, the Department now has in existence 533 Federal leases in the United States, most of which as you know are in the six Western States. This involves a total acreage of 782,356 acres, of which 350,245 are under private ownership—the service of which are under private ownership. Of the 533 leases, 59 are considered by the Bureau of Land Management and the U.S. Geological Survey as being active leases, leases on which development is now occurring.

Mrs. MINK. Would you repeat that number, Mr. Secretary?

Mr. HORTON. Of the 533 Federal leases now in existence, 59 are considered active leases. Now, under those leases, the total of 533, there are 16.1 billion tons of coal reserves, and we presently view 2½ billion of the 16.1 billions of tons to be undesirable for development for environmental reasons. That is the projection by the professionals in the Department—approximately seven—

Mr. STEIGER. Excuse me. Undesirable because of the difficulty in mining it, or because of the quality of the coal?

Mr. HORTON. The difficulty in the mining, and the new sort of environmental requirements and concerns; not addressing the new legislation in strip mining, but at present the environmental concerns that would be expressed by the public. 2½ billion of those tons, we feel, probably should not be developed. It would not be in the national interest.

Mr. STEIGER. Because of the environmental concerns with the mining process, not with the—thank you.

Mr. HORTON. Yes, sir.

The production figures in 1974 totalled 23.6 million tons, and this was up from 14 million tons in 1973. In 1971, it was 10 million tons. So, we have gone from 1971 to 1974, we have approximately doubled the production of coal from Federal leases.

Mrs. MINK. Do you have any estimates of what the production will be with respect to the current leases in 10 years? That is the period covered in Project Independence.

Mr. HORTON. I think that we could expect a continuation of the acceleration. I do not have a specified projected figure for the year 1985. I will ask Dr. Wayland or others—Dr. Morgan—if we have that.

Dr. WAYLAND. I could say what our projections are for what they may be worth, based on our knowledge of company plans, which is not complete—we project for 1985, from the existing leases, 146 million tons.

Mr. HORTON. We must differentiate though, between coal—

Mrs. MINK. Excuse me. That estimate is based upon the current leases in existence, or as a result of new leasing initiatives on the part of the Government?

Dr. WAYLAND. Current leases.

Mr. HORTON. The figure that we have is a result of an interagency study in the Department for all Federal coal, by the year 1985, is 207 million tons.

Mrs. MINK. Of the 59 leases that you stated were considered active, this means actively producing coal, what of the balance 400-plus leases? What leases now produce revenues to the Government under your advance royalty provisions where royalty is paid in lieu of continuous production?

Mr. HORTON. It would be my understanding that they all must produce revenues. We must provide an advanced royalty, which is equivalent to the annual rental, but if you would like the specific figures—

Mrs. MINK. So every lease now, including the 474 inactive leases, pays into the Treasury certain specified amounts in lieu of production?

Mr. HORTON. That is correct, Madam Chairman.

Mrs. MINK. Now, how is this amount determined? How do you determine on each lease what this in lieu of production payment is? Is it standard across the board, or is it based upon each lease term which you negotiate?

Mr. HORTON. Dr. Wayland?

Dr. WAYLAND. In the existing leases, most of which were let before we did this advanced royalty based on reserves, we collect the advance royalty, which is actually minimum royalty under the old law—\$1 an acre.

Mr. HORTON. Which is a rental figure, \$1 an acre. It is a standard figure.

Mrs. MINK. How many of these leases pay this \$1? How many leases are we talking about that have this provision? All 474?

Mr. EDWARDS. It is essentially the balance, because we have only issued four leases since 1971; all prior to 1971 would have been under a standard minimum royalty.

Mrs. MINK. Now, as I understand it, the continued production requirement is not a substitute for diligent development. Is that correct? Is my understanding of the law correct?

Mr. HORTON. You are absolutely correct.

Mrs. MINK. So that even though there may be provisions in the leases, which say that you can pay an advance royalty of \$1 an acre for in lieu of continuous production, that this does not waive the requirement of diligent development?

Mr. HORTON. That is correct.

Mrs. MINK. So with respect to the balance of the 474 leases, what is the degree of compliance with respect to diligent development? Are they really in compliance? Are there really diligent development plans in effect with respect to the 474 leases?

Mr. HORTON. Madam Chairman, I mentioned earlier that the diligent development requirement in the Federal Register, which we published in December of last year, and in that Federal Register notice, we provide a definition of continuous operations and diligent development. Essentially, we are requiring the holders of existing leases to provide to the Department a mining plan within 2 years, and when approved, to mine according to that plan, both in terms of development and operation.

Mr. STEIGER. Would you yield? I am sorry, Mr. Secretary, if you said so. What was the date of publication in the Federal Register?

Mr. HORTON. December 5, 1974.

Mr. STEIGER. Have you had time to see, since that publication, if your criteria are being adhered to? Have you had a chance to review it?

Mr. EDWARDS. That was published as a proposed rulemaking, and we are presently accepting comments on that proposed rulemaking, analyzing those comments to determine what a final rulemaking might look like.

Mr. STEIGER. How long have you had the mandate of diligence in the leases?

Mr. HORTON. Since 1920, but—

Mr. STEIGER. To your knowledge, do you know if any action has ever been taken against any company since 1920 for their lack of diligence?

Mr. HORTON. I do not go back that far, Mr. Congressman. But Dr. Wayland may. [General laughter.]

Mr. STEIGER. I would estimate, with our penchant for recordkeeping, that somewhere, if such an action were taken, there would be a record of it. Doctor, do you know of any action?

Dr. WAYLAND. The teeth in the existing law, to take strong action on diligence in the existing leases, are negligible. The leases are indefinite. There is no problem of terminating them for nonpayment. There is a provision in law for payment of minimum royalty in lieu, and therefore—

Mrs. MINK. Not for diligent development—in lieu of continued operation, yes.

Mr. HORTON. We are talking now about the wording of the bill.

Mrs. MINK. I am talking about the law. The existing law, as I understand it, does give the Department authority to terminate leases, if there has not been due, diligent development. However, the Department has chosen not to terminate any leases, and has relied upon the in lieu provision with respect to continuous operations for compliance. In this regard, I believe it has been counterproductive to the purposes of seeking an adequate return on the lands, and I believe has contributed to the situation where we have only 59 active leases.

But I will not go into that. My real question is that, if we are in pursuit of a concept of development in the future because of our energy problems, and the need to at least make sure that the returns to the Government are adequate, and that we are not just simply tying up our lands under these leases without insisting upon adequate planning, how do you justify now adding to the new law, or to the existing law, this new concept of the logical mining unit? Is that not going to be another impediment to the development? Because, as I understand your logical mining unit concept, you are going to permit a user or producer, or someone who is successful in bidding, to tie up enormous acreages of land, simply because they can prove to the Department that they need these tens of thousands of acres later in order to feed some processing plant that they still have on the drawing board. In this sense, you are not really pursuing what I consider to be the major goal of any leasing policy with respect to public reserves.

Mr. HORTON. Madam Chairman, I think the Department shares your concern that it was not the intent, in our drafting the definition of a logical mining unit, to attempt to subvert the concept of diligent development. But we are going ahead under what I think is the well-respected principle that the geological deposition of coal resources does not respect the arbitrary boundaries imposed by man on a 40-acre lease, or a 160-acre lease, or a much larger lease; and if one of our objectives is the optimum utilization of a Federal resource such as coal, then simply to do so by arbitrary lines of a lease, 40 acres or to what extent, is not a step in the right direction. We think the professionals in the BLM, the Geological Survey, should look at a proposal as to how a certain deposit could be optimally mined.

Mrs. MINK. Well, if that is true, Mr. Secretary—and I am no expert on it—how is it that you defined logical mining unit to be a compact area rather than a contiguous area in your proposed regulations. It seems to me if we are talking about geologic configurations, then I can see the logical unit is not going to fall into 40-acre categories. But surely, it is going to be contiguous. Why not add that word?

Mr. HORTON. I am not so sure that is not an excellent proposal. But before we come down finally on that, let me ask Frank Edwards of the BLM to show to you and the committee the difficulties that we have in the ownership pattern of land and resources. It is a very complex hodgepodge of ownership patterns, both surface and subsurface, and in some instances it occurs to me that the coal and the logical mining unit might not always be contiguous, if it were separated by State leases, private leases, or lands under different ownership.

Mrs. MINK. What are the red dots on this map?

Mr. EDWARDS. This is a map of the eastern half of Montana, and the red shows the surface ownership of Federal lands.

Mrs. MINK. How is that relevant to our discussion of logical mining units, Mr. Secretary?

Mr. HORTON. As you look at the different colors there, it could be that the determination of a logical mining unit and the proposal to add another unit into that LMU, would be separate from the remaining Federal coal by State coal. So that, if you had the insertion of the word contiguous, in terms of land ownership, there would be a departure. In other words, we would go from Federal to State back to Federal.

Mr. EDWARDS. For instance, the gray on here shows those areas where the Federal Government owns only the coal. You can see from the checkerboard pattern that some of these areas are even more complicated, where only every other section or small sections, small tracts of land, are owned by the Federal Government, where the coal is reserved. The mining company would have to mine intermittently on the private land. When you say contiguous, in many cases in here we do not have contiguous ownership. We have every other section.

Mrs. MINK. The corners of which are contiguous?

Mr. STEIGER. Not necessarily.

Mr. EDWARDS. Not necessarily; by legal definition, cornering is not contiguous.

Mr. HORTON. If you were to apply the criteria for contiguous or continuity to the extent of the coal resource, that certainly would be acceptable. But if the contiguity refers to landownership, you can see the difficulties on this chart.

Mrs. MINK. As I understand your comments, you would accept contiguous coal deposit?

Mr. HORTON. Yes; in one logical mining unit.

Mr. STEIGER. Madam Chairman, excuse me.

Mrs. MINK. I yield.

Mr. STEIGER. You are not suggesting that if there is a real problem with the specific language—I do not think there is any problem with it, as I get it. But the intent is to provide for maximum efficiency and protection of the Government now. I think that I understand exactly what you are driving at. It seems to me that we arrived at your solution if we refer to the continuity of the coal body, and we still recognize the landownership problem, and I gather that would solve your problem, Mr. Secretary.

Mr. HORTON. Yes, sir.

Mr. STEIGER. So I think that is very reconcilable, Madam Chairman.

Madam Chairman, the staff has furnished us with the actual language of the 1920 act with regard to diligence and continuous operation; and it is clear that all that was meant there was some kind of an intent; and there is no—actually, no penalty, but there is a proviso that they can stop everything if the market is bad. So I guess it would be a fair assessment that the—it is not that the Department has been negligent in not pursuing due diligence, but that they would be operating out of the law if they tried to exert any other pressure except the remedies which are listed in the act, and those are nonexistent. Is that—

Mr. HORTON. That is correct, and that is the reason we have attempted to define what diligent development is, or should be; what

continuous operation is, or should be, and what a logical mining unit is in the Federal Register, because they have been ambiguous concepts in the past.

Mrs. MINK. Mr. Secretary, what would you think of the idea of adding those definitions to this bill?

Mr. HORTON. I think we would be very pleased. I think that we would like——

Mrs. MINK. As amended, as indicated, with respect to the logical mining.

Mr. HORTON. I think we would like it, on the basis of our analysis of the contents, because this only went into proposed fashion. To give you the benefit of the comments on our final recommendations——

Mrs. MINK. Could you summarize, just generally, what the comments have been with respect to these issues that I have raised? Do you have any idea if someone has been following that? Is the period for comment closed?

Mr. EDWARDS. Madam Chairman, apparently we do not have anyone with us who is fully familiar with those comments. But we would be glad to provide you with a quick analysis and insert it in the record.

[The analysis follows:]

ANALYSIS OF COMMENTS RECEIVED ON PROPOSED REGULATIONS ON DEFINITIONS OF DILIGENT DEVELOPMENT AND CONTINUOUS OPERATIONS (43 CFR PARTS 3500, 3520) PUBLISHED IN THE FEDERAL REGISTER ON DECEMBER 11, 1974

Pacific Power & Light Co.

No objections to concept of proposed amendments.

They find misinterpretation possible on definition of mining plan. They suggest mining plan be changed to development plan, since it appears to be synonymous with mining plan.

Continuous operations—It is not clear if this refers to non-sales transactions of which marketing could be considered a part of. They suggest expanding definition to include these non-sales transactions as part of continuous operations.

Powder River Basin Resource Council

It needs to be made clear that these regulations on Diligent Development and continuous operations apply to existing leases.

More definition on what constitutes "Diligent Development" needs to be spelled out.

See no reason to delay 2 years before defining a "logical mining unit." Wants regulations tightened.

Salt River project

Object to word "Concept" in line 2 of definition of "Logical Mining Unit" says this need not be the case, but LMU could extend in seems for some distance. In line 6 following the word "resources" insert "and the energy requirement of the end state that end users requirements for coal should be considered in determining scope of LMU by the Mining Supervisor."

On line seven (3522.1-2 (d) (2) Following word "must" insert "apply to." Since government red tape may delay actions by Mining Supervisor.

Thus, purpose of change is to allow application for LMU to be filed within a 2 year period.

Mining Supervisor may not have time to act on the request for an LMU.

Sierra Club

State proposed definitions are too vague.

Definition of LMU is not clear and should have been defined 10 years ago.

They believe a larger view of LMU should be included in definition of LMU.

Diligent Development—Appears to have 2 meanings:

1. applying to present leases
2. applying to future leases.

Regarding 3522.1-2 Terms (d) (2) coal.

Time periods are confusing. It appears that lessee has to report to government only after 2 years has passed.

The Pittsburgh & Midway Coal Mining Co.

Suggests BLM and applicant be compelled to show that the lands to be subject to prospecting permit will be incorporated into a "logical mining unit." This could give insurance that diligent development will commence, and would be better than change to regulations. Two years is too difficult for some operators to include his lease in a LMU within 2 years or have his lease hold right terminated. Propose regulations not be adopted.

Arch Mining Corp.

Agree with definitions, etc.

National Coal Association

Requested a 30 day extension of time in which to comment on proposed changes on Coal leasing (definition of terms).

Utah International, Inc.

Opposed to definitions. Definition of LMU is not clear. Considerable time may be used in developing a LMU. They feel 2 years required for a mining plan and environmental studies to be unreasonable after obtaining a Federal Coal Lease.

Involved in forming LMU is considerable negotiating with the other corporate owners.

Suggest time period (2 years) be lengthened and coal leases be exempt if Federal Actions cause delays in forming an LMU.

Wyoming Environmental Institute

Suggest cancellation penalties for failure to comply with the revised regulations.

They feel 2 years is too long and period should be shortened to form LMU. Propose 1 year to form LMU.

Western Coal Co.

Confusing as to operator with several Federal leases. Must he mine all leases for 6 months of a calendar year if they are not part of a LMU. LMU needs more definition as to how it will be applied to mining operators and its affect on the operators that have several leases.

U.S. Environmental Protection Agency

EPA supports in concept the revisions proposed. "Diligent development" should be revised to require actual commercial scale production within a period of 10 years, with provisions for one or two extensions (e.x. 5 years) granted in unusual circumstances.

Two year period to include lease within LMU or have lease cancelled. They favor only 1 year and alternative be first anniversary date. It states now, "A lessee must have his lease included within a LMU within two years after the effective date of the regulation or by the second anniversary date of the lease, whichever is later."

They see no justification for leaving the "continuous operation" requirement up to the complete discretion of the Mining Supervisor. These provisions should be incorporated into the lease and resulting non-compliance would be forfeiture of the lease.

Phillips Petroleum Co.

Find 2 year period rather tight to meet. Should be more time to form LMU. Much work is involved before a mining plan can be filed with Mining Supervisor. Too much work is involved to meet 2 year restriction. They feel the lease should not be subject to cancellation nor included in LMU if it is proceeding in a diligent manner toward meeting the requirements for preparing a mining plan. Obligations for diligent development or continuous operations should be suspended while approvals are being obtained to LMU.

America Public Power Association

APPA sees definitions not precise enough. More criteria that determines diligent development is required.

Continuous Operation—May not be a complete definition since Sect. 207 allows for exceptions such as strikes, casualties not attributable to the lessee. Suggest this requirement be on a case by case basis.

Economic consideration as to why it could be determined by Secretary of Interior that public interest would be served by refraining from production in coal lease. They question whether Mining Supervisor has authority to determine continuous operation or merely diligent development.

American Mining Congress

Mining Company invests a lot in a mining operation. Thus they shouldn't be rushed for time in LMU. They suggest it is unwise to attempt to define by regulation the meaning of "diligent development" and "continued operation."

Secretary of the Interior had the minimum royalty system in the past. Definition requiring LMU inclusion within 2 years is not realistic since mining plan will require and depend on market or sale of coal mined. Not clear what activities constitute "diligent development."

Continuous operations for 6 months of calendar year appears unnecessary since Secretary of Interior is permitted by 30 U.S.C. 207 to permit suspensions of 6 month periods with no limitations as to how they are included into calendar years. Question whether Secretary of Interior could cancel existing leases for failure to comply with these regulations.

Kaiser Steel Corp.

Agree with letter by American Mining Congress. Says that leases existing prior to new regulations should be exempt from them.

See that operator mining many tons per year on one logical mining unit would be better off than operator mining token tonnages from 4 LMU. They state adoption of proposed regulations is not appropriate at this time.

Kerr-McGee Coal Corp.

Regulation so complex that independent operator faces economic/regulation interpretation problems. Think that time limits in the regulations should be more flexible.

Also the regulations have effect of making Mining Supervisor responsible for operating decisions. Regulations should be worded to (a) encourage lessee-operator to take initiative in establishing an optimum LMU, (b) have approved mining plan to be basis of whether or not development is diligent and operation is continuous.

Feel that all of the proposed regulations should be added to 30 CFR (Operating Regulations) rather than to 43 CFR (Public Lands of Interior).

Shell Oil Co.

Proposed regulations are too stringent. Had other list of activities that should be included as diligent development.

List of items which should allow extension of 6 months continuous operation provisions.

Two year limitation in which to have a lease included in an LMU is too restrictive.

Request that Mining Supervisor be judge and given authority to require diligent pursuit of activities leading to the establishment of an LMU rather than have a specific time interval.

Lessee should have every two years instead of anniversary date to show diligent development operation to Mining Supervisor.

National Coal Association

Many small leases would be adversely effected and face loss of these leases if they couldn't find a ready market or a mining plan was not approved since it is a prerequisite to the establishment of an LMU.

National Coal believes 2 years limitation to form LMU is impracticable. Operators require more time in getting approval of a mining plan and qualifying for diligent development activities. A ready market is required first.

Definition of "diligent development" should be broadened to include all good-faith activities undertaken to develop leases.

National Rural Electric Cooperative Association

The idea of a LMU might diminish competition. However, they don't object to concept of LMU. They believe greater flexibility should be allowed in formation of LMU.

In diligent development they suggest we have a "compliance schedule" which must be maintained. This would tell lessee just what he must do so he doesn't lose leasehold.

Continuous Operations—They suggest that we make it more than 6 months a year. They favor 9 or 10 months.

Western Fuels Association, Inc.

New leases receive harsh treatment in that if they aren't in LMU within 2 years than forfeiture is the result.

While existing leases continue in existence and can become an LMU by itself, regulations appear to discriminate against leaseholder who doesn't control neighboring Federal leases, and does not control a formation of LMU.

Prefer to give leaseholder 2 years after effective date of this regulation before LMU has to be formed or by the second anniversary date of the lease, whichever is later.

If good faith is shown and lessee is unable to form LMU then the lease will be treated as an LMU to satisfy this regulation. Continuous Operation they understand (and question) means that 6 months would be suspended for delays or exceptions listed in 30 U.S.C. 207.

El Paso Natural Gas Co.

Confusing as to whether an LMU could be formed after negotiations for adjacent non-Federal lands were completed.

Diligent Development—Suggest language change to include activities other than approval of a mining plan could constitute diligent development.

Environmental impact assessment project

Prefer to maximize what constitutes diligent development. Minimize term allowed lessees for formation of a LMU (2 years too long).

Knife River Coal Mining Co.

Diligent Development suggests it might be difficult to comply with the definition.

Request that other alternatives be sought rather than making Mining Supervisor judge on what constitutes an LMU.

They feel the regulations will only encourage further speculation in government coal leasing.

Peabody Coal Co.

Believe LMU concept is good one.

Object to word "compact".

Object to making LMU dependent on approval of Mining Plan. They suggest that a lessee be required to submit a Development Plan to the Mining Supervisor. This would form the basis of what should constitute an LMU. Diligent Development should occur in accordance with a Development Plan instead of a mining plan. Many other activities should be used to state what constitutes diligent development. (Trying to obtain markets, financing, etc.)

Requirement of Continuous operation should become effective after a mining plan is approved. It is not realistic to require that lessee have his lease included within an LMU within two years after the effective date of this regulation. They suggest that requirement should be that the lessee submit an application to Mining Supervisor to have his lease included in an LMU within two years of effective date of the regulation or the second anniversary date of the lease. (Whichever is later).

Sun Oil Co.

Endorse principle of "Diligent Development".

Lessee has no control on getting mining plan *approved* within 2 year period only control over getting it *filed* within 2 years.

Substitute "An LMU is a compact area of coal land that can be developed and mined in accordance with a filed mining plan."

Continuous Operation—6 months is too restrictive, maybe lessee has trouble later finding a market.

They recommend that 6 month provision in (f) be changed to two years.

Natural Resources Defense Council, Inc.

It is not clear how diligent development will apply to existing Federal leases. *Federal Register* merely states it will apply to the extent possible. Department should move 2 year requirement forward on LMU formation.

It is unclear whether a mining plan must be approved before the Mining Supervisor approves or establishes a LMU, or determines whether the lease will be diligently developed. Mining Supervisor has too much discretion in approving mining plans or determining approval for LMU or whether coal lease is being diligently developed.

Diligent Development—should have certain pre-defined limits placed on this. Otherwise, it becomes a loose meaningless term.

National Coal Association

Feel that this 2 years to develop a LMU is not practical and more time is required.

Mining plan should not be used in reference to LMU or diligent development. First, must have definite market before mining plan can be submitted. Want 6 months continuous operation deleted from proposed regulations. Regulations should recognize "good-faith activities" associated with "Diligent Development" and exceptions to "continuous operations".

[The following statement was not included in the analysis of comments submitted by the Department:]

ATLANTIC-RICHFIELD Co.,
SYNTHETIC CRUDE AND MINERALS DIVISION,
Denver, Colo., December 26, 1974.

DIRECTOR, BUREAU OF LAND MANAGEMENT,
Department of the Interior, Washington, D.C.

Dear Sir: Attached please find our comments on the United States Department of the Interior, Bureau of Land Management, proposed language changes in parts 3500 and 3520 of 43 CFR. We believe our proposed changes in your language will clarify the definition of a "logical mining unit" and provide more realistic "diligent development" and "continuous operation" requirements.

Yours truly,

HUGH W. EVANS, *Manager.*

PROPOSED CHANGES IN BLM PROPOSED COAL LEASE LANGUAGE
(43 CFR 3500, 3520)

1. On Page 2 under paragraph 1. (d) *Logical Mining Unit* (LMU). Revise the first sentence to read as follows:
"A LMU is [a compact] an area of coal of sufficient size and in a suitable configuration so that it can be developed in an efficient, economical and orderly manner with due regard to conservation of coal reserves and other resources and in accordance with an approved mining plan."
2. On Page 3 under paragraph 1 (e) *Diligent Development*. At the end of the second sentence add the following:
"and marketing and sales activities directly related to the LMU in question."
3. On Page 3 under paragraph 1 (f) *Continuous Operation*. Insert the following words in the fourth line after "Calendar year," and before "subject to":
"except for extenuating circumstances reasonably beyond the control of the lessee."
4. On Page 4 under paragraph 2 (d) (2) *Coal*. Insert in the first line on the top of this page the following words after "continuous operation" and before "of the":
"and/or development."
5. Then on the same page and in the same paragraph, change the last sentence to read as follows:
"In addition on every third such anniversary date, the lessee shall advise the mining supervisor in advance of how he plans to diligently develop the LMU for the coming six years."

Mrs. MINK. Your comments, Mr. Secretary, on page 5 with respect to EPA where we provide for written concurrence on the air-water quality, you indicate that you are already bound by the requirements of the law with respect to these standards, and therefore you see no point in making this additional provision.

How would this additional provision constitute a burden on your Department if you have to do it anyway?

Mr. HORTON. Well, here is an example. Using the National Environmental Policy Act to which we are bound in complying with on a daily basis in terms of the preparation of impact statements, that we would not recommend to the Congress that we have imposed upon us a further requirement that, in addition to doing the impact statements and completing them according to need, that we have to get the written concurrence on each single event from the Chairman of the Council of Environmental Qualities would just be another administrative step.

We are saying we have to comply anyway, so since we have to do that it does not make any sense to us to have to go over and just get an administrative signature.

Mrs. MINK. In essence you are saying that you have to provide an environmental impact statement prior to the issuance of leases any-

way, and that this impact statement is forwarded in any case to EPA for review and comment?

Mr. HORTON. I was just addressing a general requirement in the preparation of impact statements which we do. They, of course, are challengeable on the basis of being deficient or not inclusive enough, or some cases too inclusive. But we do not get back from the Chairman of CEQ a written notification that this has been done. We have to do it or, of course, we are in the courts.

Mrs. MINK. Well we are talking about EPA in this case.

Mr. HORTON. I was just using that as an example.

Mrs. MINK. Just for clarification, before the issuance of any coal lease, is it the current law that you must prepare an environmental impact statement with respect to that specific lease?

Mr. HORTON. No; we have to comply with the requirements of the National Environmental Policy Act, and as a matter of practice we provide an environmental assessment. In some cases, an environmental assessment indicates that the impacts are small enough so that the statement is not necessary. So it depends upon a site specific instance.

Mr. STEIGER. I wonder, Mr. Secretary, if the bill's specific public involvement sections and your own suggestions which call for focusing of the public involvement, if that, coupled with NEPA and the other appropriate environmental acts, would serve the purpose of protection as well as administrative process that is only going to require somebody justifying its existence by asking some questions. It does seem to me that the public process is a valid one, and clearly one of the major features of the public process is environmental concern. I wonder if that would not be a valid defense of the abandoning of the administrative process.

Mr. HORTON. We think that would be a much more preferable way of proceeding. Particularly because the impact statements must stress the impacts in the mitigation effects under the Federal Water Pollution Control Act or the Clean Air Act.

Mr. STEIGER. Thank you.

Mrs. MINK. Mr. Secretary, just one final point. Going back to the logical mining unit, is it the position of the Department now that we are moving away from the traditional concept of what a coal lease is designed to accomplish? As I understand it, a coal lease is designed, in the past, to accomplish the putting together a tract of land for the purpose of producing coal to the particular bidder in question.

As I see the logical mining unit concept is to provide a particular user with an adequate supply, and if this is so then are we not making a major departure in terms of the overall policy with respect to coal leases?

Mr. HORTON. No; I think that that would be a substantial misinterpretation of our position. The concept of a logical mining unit is to attempt to achieve an optimum resource recovery, along with other objectives of a Federal resource. The intent—

Mrs. MINK. Optimum for whom?

Mr. HORTON. For the public. But we do not believe the public is best served by restricting the development of a coal resource to 40-acre units. I think we have to look at the inherent characteristics of the resource and base the optimum mining plan on the analysis of the resource and not simply on an arbitrary lease size imposed as we have in the past.

Mrs. MINK. As I understand your reply then, logical mining units simply are a response to a 40-acre limitation and not really the adopting of a new policy or a new approach?

Mr. HORTON. Well the approach is based on the objective of more optimum ways to develop the Federal resource in the public interest, and, obviously, the state of the national interest has changed since 1920 in which we, of course, were looking at 40-acre limitations. But the need for coal—

Mrs. MINK. What criteria would you use in establishing a logical mining unit? Perhaps the best way to approach a full understanding of the impact of this definition—

Mr. HORTON. The committee, Madame Chairman, has been provided with a copy of the Federal Register notice which defines the logical mining unit, and I would think that it would be unwise to attempt to legislate what a logical mining unit should be for a site specific area. I think that judgment can only be made by professionals in the Bureau of Land Management and the U.S. Geological Survey after analyzing—

Mrs. MINK. Would those professionals just inform the committee as to what they consider to be the essential criteria in deciding whether a certain particular deposit ought to be 100 acres or 1,000 acres or 5,000 acres? What are those ingredients that make up the criteria for determining what a unit is?

Mr. HORTON. Dr. Wayland?

Dr. WAYLAND. We have ourselves made such determinations. Of the 530-plus units that are under lease now—533 leases—we have concluded that we have something like 400 of these leases involved now in logical mining units. Half of those logical mining units are in production or committed now, of the ones that have multiple leases in them. Then of the remaining leases, some 130, we can see no logic to saying that these particular leases are involved with other Federal leases although they are involved with non-Federal coal lands. And we note that in those cases, about one-fourth of the mining units involving one Federal lease are already in production or committed.

Obviously, we are relying on the judgment of our mining supervisors in the field to take into account ownership patterns, physical contiguity, and compactness on mining plans which are submitted to us which we must approve. Typically we are getting about four Federal leases plus packages of private and State and railroad lands mixed into a mining plan which will involve the equivalent of maybe six or seven or eight Federal leases. And this is the trend; to have very large units designed to meet very large consumptive needs of very large powerplants. This is why the old 40-acre truck mine is no longer here, really.

Mr. STEIGER. Will the young lady yield now?

Under the Leasing Act, which I have here before me and I confess to my first reading of it, I notice that the acreage upper limitation is a consistent 2,560 acres. Are these aggregate leases that you have described for us? Do they exceed that 2,000—they do? How do you rationalize the granting of them under this act?

Dr. WAYLAND. Well I was speaking of logical mining units. The granting of rights would still be on a per-lease basis. That is something separate.

Mr. STEIGER. I misunderstood then, Doctor. I thought you were describing for us sort of an average of the 533 existing leases and they appear to be as you say, made up of Federal and is a conglomerate situation. And my question was, does this average exceed the 2,560 acres unless you are all subject to the heinous penalties herein which are nonexistent?

Dr. WAYLAND. Sir, I was using this as an illustration.

Mr. STEIGER. Do you know any acreage numbers, Doctor? I really am not trying to embarrass you. I think I will tell you that in my opinion, Mr. Secretary, I am greatly in sympathy with not having any arbitrary numbers. I think arbitrary numbers inevitably lead to problems that we cannot possibly foresee, and I wonder if that is happening in this situation.

Do these large holdings tend to exceed the 2,560-acre limitation?

Mr. HORTON. Let me provide two points of reference. First, in terms of total acreages, any company can hold 46,080 acres per State. The second figure for reference is that leases may not be granted for areas larger than 2,560 acres.

Mr. STEIGER. So no one company may hold more than 46,080 acres worth of these 2,560-acre leases?

Mr. HORTON. Per State.

Mr. STEIGER. OK, but that still does not answer our question. What I am just trying to establish is an arbitrary limitation that was set in 1920 might not be applicable to today's technology. That is my purpose, that is all.

Mr. HORTON. And another concept, of course, is that the times have changed radically since 1920. The average tons per acre, Dr. Morgan informs me, in the West, is 50,000 tons of coal; thus a 40-acre tract would contain about 2 million tons. And many of the operating concerns—certainly in the West today—are producing between 5 and 10 million tons a year, which would mean that a 40-acre tract would last for something considerably less than a half year.

Mrs. MINK. Could you explain, Mr. Secretary, why you keep referring back to the 40-acre tract? Is there, either in our bill or current law, any requirement that they be leased out in 40 acres?

Mr. HORTON. That is correct. The 1920 act requires it.

Mrs. MINK. So the multiple has no limit except the 2,000?

Mr. HORTON. Correct.

Mrs. MINK. So that is really just a basis of reference rather than a limitation?

Mr. HORTON. That is right. From the 1920 act.

Mrs. MINK. So that, in itself, I really cannot see as being the big culprit in this picture. Is this a matter of referring to groups of blocks of land, so that you would look at it in smaller units to give a small individual a better crack at it, and because you are forced to think in small units, we might be able to come up with a lease for a bid that could be attractive to a small developer. It would seem to me that that is the justification for continuing it.

Do you care to comment on that?

Mr. HORTON. I think we would agree that we are not referring to the 40-acre tract simply in terms of its limitations. What we are trying to impress upon the committee—that is, the professional analysis that the resource on which the decision for a logical mining unit should be

based, it should not be the limitations of any size of lease which is a main termination of a plot of land. It should be based on the analysis of the resources.

Mrs. MINK. Well, the question I have, I guess—and I will not pursue it—is, is logical for whom? I guess that is the real problem.

Staff has prepared a list of questions which I will not be able to get to. Without objection, I would like to request that written responses to those questions that have not been covered in the process of this hearing, be prepared and submitted to the committee for the record. And if there is no objection, these responses, together with the questions, will be inserted at this point.

[The information referred to follows:]

1. Tonnage

Question. What is the tonnage of Federal coal currently under lease or preference right lease application?

Answer. There are approximately 16.1 billion tons of Federal coal under lease and about 12.0 billion tons under preference right lease application on Federal lands.

2. Sealed Bidding

Question 2a. What is the current practice with respect to sealed vs. oral auction bidding for coal? Oil shale? Oil and gas on the Outer Continental Shelf?

Answer 2a. Coal.—Under the short term lease criteria the Department is using qualified sealed bidding followed by oral auction for sale of coal leases. To qualify one must meet the minimum acceptable bid established by the Geological Survey. For most other mineral leases under the Mineral Leasing Act of 1920, sealed bidding is used.

Oil shale.—Sealed bidding was used for the sale of the phototype leases to curb speculation which oral auction bidding might have encouraged.

OCS.—The statute prescribes the use of sealed bidding only.

Question 2b. Why did the DOI opt for a system of sealed bidding with respect to oil shale and yet now recommend that oral auction bids be used for coal?

Answer 2b. With respect to oil shale, sealed bidding was used because of the greater uncertainty with respect to the level of competition, resources values and geology. On coal leasing, qualified sealed bidding followed by oral auction is used to give the applicant for competitive lease a chance to meet the high bid, as well as for the government to take advantage of competitive interest where it exists. The level of competition cannot always be determined prior to the sale.

Question 2c. Would you recommend the use of oral auction bidding for oil and gas leases on the OCS? Why?

Answer 2c. The Department of the Interior would not recommend the use of oral auction bidding for oil and gas leases on the OCS for this reason:

Oral auction methods are most effective where competition is very strong and the resource being offered for sale is well identified. In OCS sales, the existence of oil and gas is usually not known until exploration on the tract is undertaken and competition varies considerably for individual tracts. Generally, under oral auctions, bids would be higher for tracts where considerable competition exists and lower for tracts where little competition exists compared to sealed bidding.

Question 2d. In light of the wide discrepancy in the sealed bids for oil shale leases, under the Department's prototype program (e.g., between \$16.4 and \$210.3 million for tract C-a in Colorado), and taking into consideration the DOI's estimate of the minimum acceptable bid for this tract (in the \$5 million range), don't you think that it is likely that if oral bidding were practiced, companies whose estimates of the value of a lease may be high would begin bidding at a lower figure. Furthermore, is it not likely that others may not place as high a valuation on the lease, perhaps due to their limited knowledge of the reserves, and that the oral bidding might never reach the maximum which the successful bidder might have been willing to pay under sealed bidding? Wouldn't oral bidding give the competitors the opportunity to determine the extent of the knowledge of their competition, whereas if they had only one shot at the lease, wouldn't they be more likely to offer what they really thought it was worth?

Answer 2d. A six-volume environmental impact statement was prepared prior to oil shale leasing. This statement was available to the public. It included an

assessment of the production levels of the various oil shale tracts. Sealed bidding was used to insure maximum return to the public as well as maximum mineral recovery. Oral bidding would undoubtedly have driven down the amounts bid (e.g., second highest bid for tract C-a in Colorado was \$170 million as opposed to the highest bid of \$210 million). Furthermore, in all oral bidding the government reserves the right to reject all bids and no bids are announced before the sale.

While it is true that oral bidding would give the competitors the opportunity to determine the extent of the knowledge of their competition, they have to meet the minimum acceptable bid to qualify for the oral auction. Where considerable risk is produced by geologic uncertainty, it is difficult to assess which method of bidding would produce the highest value for the resource. Oral auction may lower the fair market value since competitors could determine the extent of their competitors' knowledge. However, sealed bidding which presents a greater risk due to a lack of competitors' information might also result in lower bids to compensate for this risk. In those cases where the DOI has used oral bidding, the bid has to qualify in meeting the minimum acceptable bid.

3. *Deferred Bonus Bidding System*

Question 3a. The outstanding benefits of a deferred bonus bidding system are that it permits smaller companies to enter the competition by limiting the amount of "front-end" capital necessary to compete. At the same time it commits a sufficient amount of capital to encourage rapid development of the lease. A royalty system, while not requiring any front end capital, would provide no incentive for development and further would discourage recovery of all of the coal within a leasehold. Given these facts, why does the Department object to a system of deferred bonus bidding?

Answer 3a. The Department does not object to deferred bonus bidding in certain types of leasing. We have been studying deferred bonus bidding as well as other bidding systems to see which method brings maximum monetary return to the public and maximum mineral recovery. These studies are now being updated and evaluated by the Department.

Question 3b. What is the DOI's opinion with respect to royalty bidding for coal? Do you view it positively?

Answer 3b. The Department believes that bonus bidding should be used for coal leasing. Royalty bidding could result in royalty rates so high that total mining costs would be excessive for a lease. Under such conditions, economic mining methods might not be possible and early abandonment of the lease for that reason could be likely with attendant waste of mineral resources.

Question 3c. What has been your experience with the experiment with royalty bidding for oil and gas tracts on the Outer Continental Shelf? Would you term this experiment as success?

Answer 3c. Ten tracts were offered as an experiment on a royalty bid basis at the October 16, 1974, OCS sale offshore Louisiana. Analysis of the experiment revealed that royalty bidding attracts more bidders, including more new bidders.

To the extent that this results in a broader distribution of OCS reserves among companies, royalty bidding could have a positive impact on the future structure of the oil industry. In addition, bringing increased numbers of companies into the action may decrease the chances that potentially valuable tracts will be ignored in the bidding—although one would expect this phenomenon to involve only very marginal tracts.

However, it is also evident that competition has perverse effects under the royalty bidding system. Competitive bidding drives royalty rates to levels that seriously erode the potential commercial value of a tract. With the introduction of royalty bidding there appears to be:

- a marked increase in the probability that tracts will not yield commercial finds;
- an expected decrease in the ultimate recovery from any given commercial find.

On balance, royalty bidding could introduce broader industry participation on the OCS, perhaps even on a wider range of tracts. However, the risks involved are substantial in terms of the potential loss, or at least delay, of ultimate recovery from the OCS.

We believe this experiment was a success because we were able to test several results mentioned above from the use of royalty bidding. Of course, we will continue to evaluate the experiment through the exploration and development stages of the leases.

Question 3d. Aside from royalty, cash bonus and deferred bonus systems of bidding what other systems might be used under the existing law? Does the Department have any plans for experimenting with any alternative systems? Couldn't experimentation be carried out under the language of H.R. 3265 on those lands (50% of the total) not offered under a deferred bonus system.

Answer 3d. The cash bonus and royalty bidding systems are the traditional systems for determining market interest or value of a commodity. Most of the proposed systems, such as deferred bonus bidding and declining royalty rates, are just modifications of the basic systems.

Evaluations have been made of other types of systems such as percentage of profits or percentage of production. These systems have the same general results as bonus and royalty bidding, but they are more difficult to administer.

Experimentation could be carried out under H.R. 3265, but the Department feels that the Secretary should have the discretion to determine what type of system should be used on all the land and not on merely 50% of the land.

4. Logical Mining Unit

Question 4a. What is a logical mining unit?

Answer 4a. Logical Mining Unit (LMU) is an area of coal land that can be developed and mined in an efficient, economical and orderly manner with due regard to conservation of coal reserves and other resources. An LMU may consist of one or more Federal leaseholds, and may include intervening or adjacent non-Federal lands insofar as all lands are under the effective control of a single operator. It may also consist of lands committed to a contract for collective prospecting, development or operations approved by the Secretary pursuant to the Mineral Leasing Act (30 U.S.C. 201-1).

Question 4b. What is the status of the DOI's proposed rules with respect to logical mining units diligent development and continuous operation? What is the nature of the comments you have received on these regulations?

Answer 4b. We anticipate that the regulations will be published as final rule-making within 4-6 weeks. Most comments on the proposed rules related to establishment of an LMU within 2 years, and to the requirement for 6 months of continuous operation. Others considered the definition of "diligent development" to be too vague.

Question 4c. What will be the effect of these new regulations on existing coal leases?

Answer 4c. The new regulations will be applicable to existing leases as well as leases issued in the future. Also the existing leases will be required to comply with the provisions for diligent development and continuous operations.

Question 4d. Why is an LMU defined as a "compact" area of coal land, rather than a "contiguous" area of land?

Answer 4d. The term "compact" area was intended to include adjacent tracts of coal land, whether Federal, private, or State.

Question 4e. Under the proposed rule, the Mining Supervisor determines whether an area can be mined in an efficient, orderly and economic manner consistent with the goal of conservation of resources. Is it incumbent upon the mining supervisor to designate the smallest unit which qualifies as an LMU under these criteria or could one unit which can be mined in an efficient, orderly and economic manner be included in a larger unit which could also be mined in accordance with these criteria? If the second is the case, wouldn't this in effect encourage speculative holding of coal leases?

Answer 4e. This would be handled on a case-by-case basis. The Mining Supervisor would have the discretion to approve to deny a proposed LMU on the basis of criteria to be established. Regardless of the size of an LMU, the Federal lands within the LMU must be mined in a reasonable length of time, perhaps 40 years.

Question 4f. If an LMU is designated under 30 U.S.C. 201-1, would it be necessary for this unit to be under the control of a single lessee? If not, would this mean that one lessee might be completely exempted from requirements of diligent development and continuous operation if another lessee were developing his lease within the LMU?

Answer 4f. It is essential that the unit be under the control of a single lessee to provide for uniformity in mining decision-making.

Question 4g. In the case when a LMU includes two or more Federal leases or a Federal lease in addition to other lands, such as State, private or Indian lands, and a lessee is exempted from immediately developing his Federal lease because he is operating on another section of the LMU, would the lessee be required to pay any minimum royalty to maintain the rights to the Federal lease which was not under production? Would he pay only the annual rental?

Answer 4g. Lessee will be required to pay an advance royalty based on projected annual production. Attached copy of coal lease U-13097 brings out this point.¹ Actual production under the LMU will be allocated to all leases committed to the LMU.

Question 4h. Under your interpretation of the proposed rules, when would it be necessary to actually be in production within an LMU? Is it correct that since continuous production cannot take place from an LMU immediately, the condition of diligent development alone would satisfy the requirements of the law for some time period and the initiation of the continuous production requirement would hinge on the Mining Supervisor's approval and enforcement of the mining plan.

Answer 4h. This would vary. There would have to be continuous operation of the mine at least six months of each calendar year after the mining plan is approved. Lessee is given three years to form an LMU.

The answer to the second part of the question is yes, the condition of diligent development alone would satisfy the requirements of the law for some time period.

Question 4i. Why is continuous production defined as production for six months in one calendar year? Why not twelve months?

Answer 4i. "Continuous operation" is defined as production for not less than six months for any one calendar year. Thus, the continuous operation can be eight, ten, or twelve months but not less than six months. This definition is meant to allow for normal operating procedures which are necessary to support production but which in themselves do not produce coal, such as, stripping a pit, rehabilitation, equipment replacement and repair time, and shaft installation or tunnel driving. Also, where short term contracts provide for intermittent shipments or where adverse operating conditions are encountered, a twelve-month period is simply unrealistic and unworkable.

Question 4j. When the proposed regulations indicate that a lease will be "maintained" upon condition of diligent development and continuous operation, does this mean that a lease will be cancelled if these criteria are not met? What procedures are necessary for cancellation of a lease in the event that conditions of diligent development and continuous operation are not met?

Answer 4j. A reasonable time will be given to comply with the terms of the lease. If, after a reasonable time period has been allowed, the requirements of diligent development and continuous operation are not met, then legal action will be initiated by the Secretary to cancel the lease as provided by the Mineral Leasing Act of 1920.

Question 4k. How does the concept of logical mining unit relate to the concept of "lease"? Presumably the intent of the Mineral Leasing Act of 1920 was to allow the Federal government to permit access to public lands for extraction of certain minerals. The means through which access to the minerals was to be permitted was through a leasing system. Since the purpose of a lease is to permit production, the fact that a lease tract is offered seems to mean implicitly that, in the judgment of the Secretary, the coal can be recovered in an efficient economical and orderly manner. It now appears the Department has taken the position that the concept of a "lease" as productive unit is no longer useful. The lease seems about to be replaced by the LMU. If leases are not logical units for mining, what then is the logic behind their issuance? What effect will this new concept in the regulations have upon the system of competitive bidding for leases?

Answer 4k. The Logical Mining Unit is not a substitution for a lease but rather a consolidation of several leases into a unit. The LMU would allow the leasing and development of small isolated tracts situated within the unit area. The concept of the LMU does not interfere with the concept of the lease as contemplated in the Mineral Leasing Act of 1920 nor does the LMU replace the lease. The new regulations will have no effect on competitive bidding in such a way that the lands included can be established as LMU's.

5. Royalty

Question 5q. Has the Department conducted any studies regarding coal royalties? What are your conclusions, based on these studies, as to a reasonable royalty for coal produced by surface mining techniques on the Federal lands?

Answer 5q. The Geological Survey has conducted studies on coal royalties. Its report concludes that a reasonable royalty for coal produced by surface mining techniques should be about 8 percent of the coal value at point of shipment.

¹ See lease on p. 41.

Geological Survey has used this rate in making recent adjustments on coal royalties.

6. Length of Lease Terms

Question 6a. According to information from the dragline construction industry, deliver time on orders for draglines is about 4.5 years. Does this figure coincide with your estimates?

Answer 6a. Our estimate on dragline availability, from all three manufacturers of this type of equipment, is presently $4\frac{3}{4}$ to 5 years for 18 to 185 cubic yard capacity. Delays for smaller electric shovels in the 18 to 25 cubic yard capacity range from $2\frac{1}{2}$ to 3 years. In addition, 6 to 18 month delays may be experienced for replacement of defective parts on existing machines.

Question 6b. If the Committee adopts the notion of logical mining unit with respect to the requirement that any lease be producing at the end of ten years, would this alter your recommendation for lengthening the primary term of the lease?

Answer 6b. No. We do not believe that the ten-year primary term would increase coal development. Besides possibly discouraging development, we believe that it would cause a waste of coal reserves. Because of the delays in obtaining mining equipment a lessee may not be able to meet coal production requirements within a primary term of ten years. Also eight to ten years may elapse between the time when decisions to build coal consuming plants are made and the time when deliveries are required. Approximately 80 percent of all coal is sold based on long term contracts. Furthermore, the long term reserves help to minimize demand/supply backlogs and improve resource allocation and avoidance of fuel shortages.

U.S. DEPARTMENT OF THE INTERIOR, BUREAU OF LAND MANAGEMENT

COAL LEASE, LAND OFFICE SERIAL NO. U-13097, SALT LAKE CITY, UTAH

This lease, entered into on May 1, 1974, by the United States of America, the lessor, through the Bureau of Land Management, and Plateau Mining Co., P.O. Box 3951, Albuquerque, N. Mex., the lessee, pursuant and subject to the terms and provisions of the act of February 25, 1920 (41 Stat. 437), as amended, herein after referred to as the act, and to all reasonable regulations of the Secretary of the Interior now or hereafter in force which are made a part hereof,

Witnesseth:

Sec. 1. Rights of Lessee. The lessor, in consideration of the rents and royalties to be paid and the conditions to be observed as hereinafter set forth does hereby grant and lease to the lessee the exclusive right and privilege to mine and dispose of all the coal in the following-described tracts of land, situated in the State of Utah: Salt Lake Meridian, Utah, T. 15 S., R. 7 E., Sec. 14, $S\frac{1}{2}$; Sec. 23, All; Sec. 25, $W\frac{1}{2}NW\frac{1}{4}$; and Sec. 26, $N\frac{1}{2}$; containing 1,360.00 acres, more or less, together with the right to construct all such works, buildings, plants, structures, and appliances as may be necessary and convenient for the mining and preparation of the coal for market, the manufacture of coke or other products of coal, the housing and welfare of employees, and subject to the conditions herein provided, to use so much of the surface as may reasonably be required in the exercise of the rights and privileges herein granted.

Sec. 2. In consideration of the foregoing, the lessee hereby agrees:

(a) *Bond.* To maintain the bond furnished upon the issuance of this lease, which bond is conditioned upon compliance with all the provisions of the lease, and to increase the amount or furnish such other bond as may be required.

(b) *Rental.* To pay the lessor annually, in advance, for each acre or fraction thereof covered by this lease, beginning with the date hereof, the following rentals: \$1 for the first 5 years; and \$3 for the sixth and each succeeding year during the continuance of the lease, such rental for any year to be credited against the first royalties as they accrue under the lease during the year for which the rental was paid.

(c) *Royalty.* Royalty for coal mined by strip or auger mining methods: 6.0 percent of the gross value of the coal produced but not less than $17\frac{1}{2}$ cents per ton of 2,000 pounds for the first 10 years; 20 cents per ton of 2,000 pounds for the second 10 years.

Royalty for coal mined by underground mining methods: 4.0 percent of the gross value of the coal produced but not less than 15 cents per ton of 2,000 pounds for the first 10 years; 17½ cents per ton of 2,000 pounds for the second 10 years.

Gross value shall be the value of the coal mined at the point of shipment to market, such point of shipment to be the mine or preparation plant, as the case may be.

In addition, the following advance royalties are required:

The lessor will be paid an annual advance royalty upon 60,000 tons (2,000 pounds per ton) for the sixth through the tenth year at the rate of fifteen cents (\$0.15); 120,000 tons (2,000 pounds per ton) for the eleventh through the fifteenth year, and 180,000 tons (2,000 pounds per ton) for the sixteenth through the twentieth year at a rate of seventeen and one-half cents (\$.175).

When coal is mined from the leasehold, royalty shall accrue according to the mining method utilized at the rate set forth above. Lessee shall pay the lessor any difference between the advance royalty paid on each ton mined and the royalty actually due. No credit for advance royalty payments made in any year shall be utilized until the lessee has mined and paid royalty on the number of tons on which advance royalty was paid prior to that year. No refund or other credit for advance royalty payments shall be made by lessor.

The Secretary of the Interior, for the purpose of determining the royalties due hereunder, may establish reasonable minimum values for the coal mined, due consideration being given to the highest price paid for a part or a majority of the production of coal of like quality produced from the same general area, the price received by the lessee, posted prices, and other relevant matters.

(d) *Minimum production.* Beginning with the sixth year of the lease, *except* when operations are interrupted by strikes, the elements, or casualties not attributable to the lessee, or unless on application and showing made, operations shall be suspended when market conditions are such that the lessee cannot operate *except* at a loss or suspended for the other reasons specified in section 39 of the act, to mine coal each year and pay a royalty thereon to a value of \$3 per acre or fraction thereof. Operations under this lease shall be continuous *except* in circumstances described or unless the lessee shall pay a royalty, less rent, on such minimum amount of the leased deposits, for one year in advance, in which case operations may be suspended for that year.

(e) *Payments.* To make rental payments to the manager of the appropriate land office, *except* that when this lease becomes productive the rentals and royalties shall be paid to the appropriate regional mining supervisor of the United States Geological Survey, with whom all reports concerning operations under the lease shall be filed. All remittances to the manager of the land office shall be made payable to the Bureau of Land Management, those to the Geological Survey shall be made payable to the United States Geological Survey.

(f) *Plats, reports, maps.* At such times and in such form as the lessor may prescribe, to furnish a plat showing development work and improvements on the leased lands and a report with respect to stockholders, investment, depreciation, and costs. To furnish in such form as the lessor may prescribe, within 30 days from the expiration of each quarter a report covering such quarter, certified by the superintendent of the mine, or by such other agent having personnel knowledge of the facts as may be designated by the lessee for such purpose, showing the amount of leased deposits mined during the quarter, the character and quality thereof, amount of its products and byproducts disposed of and price received therefor, and amount in storage or held for sale. To keep and prepare maps of the leased lands in accordance with the appropriate regulations.

(g) *Weights.* To determine accurately the weight or quantity and quality of all leased deposits mined, and to enter accurately the weight or quantity and quality thereof in due form in books to be kept and preserved by the lessee for such purposes.

(h) *Inspection.* To permit at all reasonable times (1) inspection by any duly authorized officer of the Department, of the leased premises and all surface and underground improvements, works, machinery, equipment, and all books and records pertaining to operations and surveys or investigations under this lease; and (2) the lessor to make copies of and extracts from any or all books and records pertaining to operations under this lease, if desired.

(i) *Assignment.* To file for approval in the appropriate land office within 90 days from the date of execution, any assignment or transfer made of this lease, whether by direct assignment, operating agreement, working or royalty interest, or otherwise. Such instrument will take effect the first day of the month following its approval by the Bureau of Land Management, or if the assignee re-

quests, the first day of the month of approval. The showing required to be made with an assignment or transfer is set forth in the appropriate regulations.

(j) *Equal Opportunity clause.* During performance of this contract the lessee agrees as follows:

(1) The lessee will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(2) The lessee will, in all solicitations or advertisements for employees placed by or on behalf of the lessee, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(3) The lessee will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the lessee's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the lessee's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the lessee may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The lessee will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The lessee will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: *Provided, however,* That in the event the lessee becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the lessee may request the United States to enter into such litigation to protect the interest of the United States.

(k) *Land disposed of with coal deposits reserved to the United States.* If the lands embraced herein have been or shall hereafter be disposed of under laws reserving to the United States the deposits of coal therein, to comply with all conditions as are or may hereafter be provided by the laws and regulations reserving such coal.

(l) *Operations, wages, freedom of purchase.* To comply with the appropriate operating regulations, to exercise reasonable diligence, skill and care in the operations of the property, and to carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health or property, and of waste or damage to any water or mineral deposits; to fairly and justly weigh or measure the coal mined by each miner, to pay all wages due miners and employees, both

above and below ground, at least twice each month in lawful money of the United States; to accord all miners and employees complete freedom of purchase; to restrict the workday to not exceeding eight hours in any one day for underground workers, except in cases of emergency; to employ no boy under the age of sixteen and no girl or woman, without regard to age, in any mine below the surface; unless the laws of the State otherwise provide, in which case the State laws control.

(m) *Taxes.* To pay when due, all taxes lawfully assessed and levied under the laws of the State or the United States upon improvements, output of mines, or other rights, property, or assets of the lessee.

(n) *Overriding royalties.* Not to create, by assignment or otherwise, an overriding royalty interest in excess of 50 percent of the rate of royalty first payable to the United States under this lease or an overriding royalty interest which when added to any other outstanding overriding royalty interest exceeds that percentage, excepting, that where an interest in the lease-hold or in an operating agreement is assigned, the assignor may retain an overriding royalty interest in excess of the above limitation if he shows to the satisfaction of the Bureau of Land Management, that he has made substantial investments for improvements on the land covered by the assignment.

(o) *Delivery of premises in case of forfeiture.* In case of forfeiture of this lease, to deliver up to the lessor in good order and condition the land leased, including all buildings, and underground timbering and such other supports and structures as are necessary for the preservation of the mine or deposit.

Sec. 3. The lessor expressly reserves:

(a) *Rights reserved.* The right to permit for joint or several use such easements or rights-of-way, including easements in tunnels upon, through, or in the land leased, occupied, or used as may be necessary or appropriate to the working of the same or other lands containing the deposits described in the act, and the treatment and shipment of the products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) *Disposition of surface.* The right to lease, sell, or otherwise dispose of the surface of the leased lands under existing law or laws hereafter enacted, insofar as said surface is not necessary for the use of the lessee in the extraction and removal of the coal therein, or to dispose of any resource in such lands which will not unreasonably interfere with operations under this lease.

(c) *Monopoly and fair prices.* Full power and authority to promulgate and enforce all the provisions of section 30 of the act to insure the sale of the production of said leased lands to the United States and to the public at reasonable prices, to prevent monopoly, and to safeguard the public welfare.

(d) *Readjustment of terms.* The right reasonably to readjust and fix royalties payable hereunder and other terms and conditions at the end of 20 years from the date hereof and thereafter at the end of each succeeding 20-year period during the continuance of this lease unless otherwise provided by law at the time of the expiration of any such period. Unless the lessee files objections to the proposed terms or a relinquishment of the lease within 30 days after receipt of the notice of proposed terms for a 20-year period, he will be deemed to have agreed to such terms.

(e) *Waiver of conditions.* The right to waive any breach of the conditions contained herein, *except* the breach of such conditions as are required by the act, but any such waiver shall extend only to the particular breach so waived and shall not limit the rights of the lessor with respect to any future breach; nor shall the waiver of a particular cause of forfeiture prevent cancellation of this lease for any other cause, or for the same cause occurring at another time.

Sec. 4. *Relinquishment of lease.* Upon a satisfactory showing that the public interest will not be impaired, the lessee may surrender the entire lease or any legal subdivision thereof. A relinquishment *must* be filed in *duplicate* in the appropriate land office. Upon its acceptance it shall be effective as of the date it is filed, subject to the continued obligation of the lessee and his surety to make payment of all accrued rentals and royalties and to provide for the preservation of any mines or productive works or permanent improvements on the leased lands in accordance with the regulations and terms of the lease.

Sec. 5. *Protection of the surface, natural resources, and improvements.* The lessee agrees to take such reasonable steps as may be needed to prevent opera-

tions, including operation of operating plants on the leased premises, from unnecessarily: (1) causing or contributing to soil erosion or damaging any forage and timber growth on the leased lands or on Federal or non-Federal lands in the vicinity; (2) polluting air and water; (3) damaging crops, including forage, timber, or improvements of a surface owner; (4) damaging improvements whether owned by the United States or by its permittees or lessees; or (5) destroying, damaging, or removing fossils, historic or prehistoric ruins, or artifacts; and upon any partial or total relinquishment or the cancellation or expiration of this lease, or at any other time prior thereto when required and to the extent deemed necessary by the lessor to fill any sump holes, ditches, and other excavations, remove or cover all debris, and, so far as reasonably possible, restore the surface of the leased land and access roads to its former condition, including the removal of structures as and if required. The lessor may prescribe the steps to be taken and restoration to be made with respect to the leased lands and improvements thereon, whether or not owned by the United States.

Sec. 6. *Removal of equipment, etc., on termination of lease.* Upon termination of this lease, by surrender or forfeiture, the lessee shall have the privilege at any time within a period of 90 days thereafter of removing from the premises all machinery, equipment, tools and materials, *except* underground timbering placed by the lessee in or on the leased lands, which are necessary for the preservation of the mine. Any materials, tools, appliances, machinery, structures, and equipment, subject to removal as above provided, which are allowed to remain on the leased lands shall become the property of the lessor on expiration of the 90-day period or such extension thereof as may be granted because of adverse climatic conditions, but the lessee shall remove any or all of such property where so directed by the lessor.

Sec. 7. *Proceedings in case of default.* If the lessee shall not comply with any of the provisions of the act or the regulations thereunder or default in the performance or observance of any of the provisions of this lease, and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, the lessor may institute appropriate proceedings in a court of competent jurisdiction for the forfeiture and cancellation of this lease as provided in section 31 of the act. If the lessee fails to take prompt and necessary steps to prevent loss or damage to the mine, property, or premises, or danger to the employees, the lessor may enter on the premises and take such measures as may be deemed necessary to prevent such loss or damage or to correct the dangerous or unsafe condition of the mine or works thereof, which shall be at the expense of the lessee. However, the lessee shall not be held responsible for delays or casualties occasioned by causes beyond the lessee's control.

Sec. 8. *Heirs and successors in interest.* Each obligation hereunder shall extend to, and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 9. *Unlawful interest.* No Member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a) (1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of section 3741 of the Revised Statutes of the United States, as amended (41 U.S.C. Sec. 22), and sections 431, 432, and 433, Title 18, U.S.C., relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

Sec. 10. This lease is subject to the regulations 43 CFR, Part 23.

Sec. 11. Mining operations shall not be conducted which, in the opinion of the Area Mining Supervisor, Geological Survey, would be hazardous to oil and gas production and would unreasonably interfere with the orderly development and production under oil and gas leases issued for the same lands prior to the date of this lease.

The attached Form 3109-3 (Stipulations for Lands under Jurisdiction of Dept. of Agriculture), including Supplemental Stipulations thereto; and Form 1140-3, Equal Opportunity in Employment Certification of Nonsegregated Facilities, are made a part of this lease

THE UNITED STATES OF AMERICA

(Signed) Ed. D. Cox
 (Typed) Ed. D. Cox,
Chief, Branch of Realty Services.

Date: April 8, 1974.

WITNESS TO SIGNATURE OF LESSEE:

Attest:

(Signed) Richard E. Day
 (Typed) RICHARD E. DAY,
Secretary.
 (Signed) D. D. Turberville
 (Typed) D. D. TURBERVILLE,
President, Plateau Mining Co.

U.S. DEPARTMENT OF THE INTERIOR, BUREAU OF LAND MANAGEMENT

Equal Opportunity in Employment Certification of Nonsegregated Facilities

BID, OFFER OR CONTRACT NUMBER OR OTHER IDENTIFICATIONS U13097

By the submission of this bid or offer and/or by entering into this contract, the bidder, offeror, lessee, subcontractor, or applicant certifies that he does not maintain or provide for his employees any segregated facilities at any of his establishments, and that he does not permit his employees to perform their services at any location, under his control, where segregated facilities are maintained. He certifies further that he will not maintain or provide for his employees any segregated facilities at any of his establishments, and that he will not permit his employees to perform their services at any location, under his control, where segregated facilities are maintained. The bidder, offeror, or applicant, or subcontractor agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker-rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom, or otherwise. He further agrees that (except where he has obtained identical certifications from proposed subcontractors for specific time periods) he will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Opportunity clause; that he will retain such certifications in his files; and that he will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR CERTIFICATIONS OF NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities, as required by the May 9, 1967, order (32 F.R. 7439, May 19, 1967) on Elimination of Segregated Facilities, by the Secretary of Labor, must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semiannually, or annually).

In accordance with 41 CFR 60, as amended May 19, 1967, and Executive Order No. 11246 of September 24, 1965, as amended, this certification is applicable to all bids, offers, contracts and subcontracts as well as agreements with applicants who are themselves performing federally assisted contracts, which may exceed

\$10,000 and are not exempt from the provisions of the Equal Opportunity clause of the Order.

Attest:

PLATEAU MINING Co.
RICHARD E. DAY,
Secretary.

(Signed) D. D. Turberville,
(Typed) D. D. TURBERVILLE,
President.

U.S. DEPARTMENT OF THE INTERIOR, BUREAU OF LAND MANAGEMENT

STIPULATION FOR LANDS UNDER JURISDICTION OF DEPARTMENT OF AGRICULTURE¹

The lands embraced in this lease or permit being under the jurisdiction of the Secretary of Agriculture, the lessee or permittee hereby agrees:

(1) To conduct all operations authorized by this lease or permit with due regard for good land management, not to cut or destroy timber without first obtaining permission from the authorized representative of the Secretary of Agriculture, and to pay for all such timber cut or destroyed at the rates prescribed by such representative; to avoid unnecessary damage to improvements, timber, crops, or other cover; unless otherwise authorized by the Secretary of Agriculture, not to drill any well, carry on operations, make excavations, construct tunnels, drill, or otherwise disturb the surface of the lands within 200 feet of any building standing on the lands and whenever required, in writing, by the authorized representative of the Secretary of Agriculture to fence or fill all sump holes, ditches, and other excavations, remove or cover all debris, and so far as reasonably possible, restore the surface of the lands to their former condition, including the removal of structures as and if required, and when required by such representatives to bury all pipelines below plow depth.

(2) To do all in his power to prevent and suppress forest, brush, or grass fires on the lands and in their vicinity, and to require his employees, contractors, subcontractors, and employees of contractors or subcontractors to do likewise. Unless prevented by circumstances over which he has no control, the lessee or permittee shall place his employees, contractors, subcontractors, and employees of contractors and subcontractors employed on the lands at the disposal of any authorized officer of the Department of Agriculture for the purpose of fighting forest, brush, or grass fires on or originating on the lands or on adjacent areas or caused by the negligence of the lessee or permittee or his employees, contractors, subcontractors and employees of contractors and subcontractors, with the understanding that payment for such services shall be made at rates to be determined by the authorized representative of the Secretary of Agriculture, which rates shall not be less than the current rates of pay prevailing in the vicinity for services of a similar character: *Provided*, that if the lessee or permittee, his employees, contractors, subcontractors, or employees of contractors or subcontractors, caused or could have prevented the origin or spread of said fire or fires, no payment shall be made for services so rendered.

The lessee or permittee shall not burn rubbish, trash, or other inflammable materials *except* with the consent of the authorized representative of the Secretary of Agriculture and shall not use explosives in such a manner as to scatter inflammable materials on the surface of the lands during the forest, brush,

¹ This form of stipulation may be used in connection with leases and permits issued under the Acts of February 25, 1920, as amended (30 U.S.C. 181 *et seq.*); August 7, 1947 (30 U.S.C. 351 *et seq.*); February 7, 1927, as amended (30 U.S.C. 281 *et seq.*); April 17, 1926, as amended (30 U.S.C. 271 *et seq.*); June 28, 1944 (58 Stat. 483-485); September 1, 1949 (30 U.S.C. 192c); June 30, 1950 (16 U.S.C. 508b); or under the authority of any of the Acts cited in Section 402 of the President's Reorganization Plan No. 3 of 1946 (5 U.S.C. 133y-16 Note).

or grass fire season, *except* as authorized to do so or on areas approved by such representative.

The lessee or permittee shall build or construct such fire lines or do such clearing on the lands as the authorized representative of the Secretary of Agriculture decides is essential for forest, brush, and grass fire prevention which is or may be necessitated by the exercise of the privileges authorized by this lease or permit, and shall maintain such fire tools at his headquarters or at the appropriate location on the lands as are deemed necessary by such representative.

(3) In the location, design, construction, and maintenance of all authorized works, buildings, plants, waterways, roads, telegraph or telephone lines, pipelines, reservoirs, tanks, pumping stations, or other structures or clearance, the lessee or permittee shall do all things reasonably necessary to prevent or reduce to the fullest extent scarring and erosion of the lands, pollution of the water resources and any damage to the watershed. Where construction, operation, or maintenance of any of the facilities on or connected with this lease or permit causes damage to the watershed or pollution of the water resources, the lessee or permittee agrees to repair such damage and to take such corrective measures to prevent further pollution or damage to the watershed as are deemed necessary by the authorized representative of the Secretary of Agriculture.

During periods of serious fire danger to forest, brush, or grass, as may be specified by the authorized representative of the Secretary of Agriculture, the lessee or permittee shall prohibit smoking and the building of camp and lunch fires by his employees, contractors, subcontractors, and employees of contractors or subcontractors within the area involved except at established camps, and shall enforce this prohibition by all means within his power: *Provided*, that the authorized representative of the Secretary of Agriculture may designate safe places where, after the inflammable material has been cleared away, campfires may be built for the purpose of heating lunches and where, at the option of the lessee or permittee, smoking may be permitted.

(4) If in the opinion of the authorized representative of the Secretary of Agriculture, the lands are valuable for watershed protection, the lessee or permittee shall provide for control of surface runoff and return the affected area to as productive condition as practicable.

(5) To pay the lessor or permitter or his tenant or the surface owner or his tenant, as the case may be, for any and all damage to or destruction of property caused by the lessee's or permittee's operations hereunder; to save and hold the lessor or permitter or the surface owner or their tenants harmless from all damage or claims for damage to persons or property resulting from the lessee's or permittee's operations under this lease or permit.

(6) To recognize existing uses and commitments, in the form of Department of Agriculture grazing, timber cutting, and special use permits, water developments, ditch, road, trail, pipeline, telephone line, and fence rights-of-way and other similar improvements, and to conduct his operations so as to interfere as little as possible with the rights and privileges granted by these permits or with other existing uses.

(7) To install and maintain cattle guards to prevent the passage of livestock in any openings made in fences by the lessee or permittee or his contractors to provide access to the lands covered by this lease or permit for automotive and other equipment.

(8) If lessee or permittee shall construct any camp on the lands, such camp shall be located at a place approved by the authorized representative of the Secretary of Agriculture, and such representative shall have authority to require that such camp be kept in a neat and sanitary condition.

(9) To comply with all federally-approved rules and regulations of the Secretary of Health, Education, and Welfare governing the emission of pollutants into the air from activities which are embraced in this lease or permit.

(10) To comply with all the rules and regulations of the Secretary of Agriculture governing the national forests or other lands under his jurisdiction which are embraced in this lease or permit.

(11) Unless otherwise authorized, prior to the beginning of operations to appoint and maintain at all times during the term of this lease or permit a local agent upon whom may be served written orders or notices respecting matters contained in this stipulation, and to inform the authorized representa-

tive as may from time to time, be designated, provided that such designation such agent. If a substitute agent is appointed, the lessee or permittee shall immediately so inform the said representative.

(12) To address all matters relating to this stipulation to Forest Supervisor, Manti-LaSal National Forest, at 350 East Main, Price, Utah, who is the authorized representative of the Secretary of Agriculture, or to such other representative as may from time to time, be designated, provided that such designation shall be in writing and be delivered to the lessee or permittee or his agent

Attest:

RICHARD E. DAY, *Secretary.*

PLATEAU MINING Co.,
(Signed) D. D. Turberville,
(Typed) D. D. TURBERVILLE,
President.

SUPPLEMENTAL STIPULATIONS, DEPARTMENT OF AGRICULTURE

The lessee will not undertake any drilling, construction of roads or pipelines, or any other activity which involves removal of vegetation until a plan of construction and development has been approved by the Forest Service representative. Such approval may be conditioned on reasonable requirements to prevent erosion, water pollution or damage to surface resources, and to provide for restoration of the surface. A special-use permit shall be required for occupancy of National Forest lands outside of the lease area.

The lessee will construct and maintain all roads to such standards as may be required by the authorized Forest Service representative; permit the Forest Service to use any and all roads constructed under the lease; permit free public use of all such roads unless closure is approved by the authorized Forest Service representative; and permit the use by other operators or purchasers of Government-owned mineral, timber, or other resources; provided that such use shall not materially interfere with the operations of the lessee and any such user shall be required to perform a fair share of maintenance based on their use, or shall pay to the lessee the cost of such fair share as may be agreed upon by the parties concerned, subject to final determination by the agency having jurisdiction over the surface if the parties disagree.

The lessee will obtain the advance approval of the authorized Forest Service representative prior to operating motor vehicles or motorized equipment other than passenger-carrying vehicles and pickup trucks on National Forest roads either within or outside the lease area; repair such damages and perform such maintenance as is made necessary by the lessee's use, as determined by the authorized Forest Service representative; provided that performance of the required maintenance shall not relieve the lessee from liability of damage to said roads, including bridges and culverts, due to overloading of trucks, carelessness, or negligence on the part of the lessee, his employees, and subcontractors and their employees; and provided further, that use by such vehicles or equipment specified above may be conditioned upon installation by the lessee of drainage acceptable to the authorized Forest Service representative.

Test holes, roads, and any other areas on which the surface has been disturbed will be filled, drained, and reseeded as directed by the¹ Forest Supervisor.

The lessee accepts the lease with the understanding that it does not authorize mining by other than underground methods unless approved in writing by the Forest Supervisor. Such approval may be conditioned on stipulations for the protection of surface values.

Attest:

RICHARD E. DAY, *Secretary.*

PLATEAU MINING Co.,
(Signed) D. D. Turberville,
(Typed) D. D. TURBERVILLE,
President.

¹ Geological survey in consultation with the Forest Service (see Declaration of June 24, 1974).

U.S. DEPARTMENT OF THE INTERIOR, BUREAU OF LAND MANAGEMENT

LAND OFFICE: UTAH; SER. NO. 13097; BOND NO. 8063-15-98

Bond¹ Under Lease for Mining Coal Deposits

KNOW ALL MEN BY THESE PRESENTS, That Plateau Mining Co., a corporation of the State of Delaware, as principal, and Federal Insurance Co. of 100 William St., New York, N.Y., as surety, are held and firmly bound unto the United States in the sum of Five Thousand and no/100 dollars (\$5,000.00), lawful money of the United States, for the payment of which, well and truly to be made, we bind ourselves, and each of us, and each of our heirs, executors, administrators, and successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such, that whereas the said principal entered into a lease of the lands described therein and upon conditions therein expressed, which lease bears the above serial number.

NOW, THEREFORE, if the said principal, his heirs, executors, administrators, or successors, shall faithfully carry out the obligations and observe the requirements of said lease, and shall duly keep, perform, and abide by each and every term and provision of said lease as therein stipulated and agreed, then this obligation shall be null and void; otherwise to remain in full force and effect.

Signed on this 18 day of March 1974, in the presence of:

Attest:

RICHARD E. DAY,
MARY JANE PRADO.

PLATEAU MINING Co.,
D. D. TURBERVILLE,
President.

FEDERAL INSURANCE Co.,
MARY F. NIETERS,
Attorney-in-fact.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, That the Federal Insurance Co., 90 John Street, New York, N.Y., a New Jersey Corporation, has constituted and appointed, and does hereby constitute and appoint M. J. Fauchald, Edward F. Reid, Mary F. Nieters and Gerideane Tracey of Denver, Colo., each its true and lawful Attorney-in-Fact to execute under such designation in its name and to affix its corporate seal to and deliver for and on its behalf as surety thereon or otherwise, bonds or obligations given or executed in the course of its business, and any instruments amending or altering the same, and consents to the modification or alteration of any instruments referred to in said bonds or obligations.

IN WITNESS THEREOF, the said Federal Insurance Co. has, pursuant to its By-Laws, caused these presents to be signed by its Assistant Vice President and Assistant Secretary and its corporate seal to be hereto affixed this 14th day of June 1972.

[SEAL]

FEDERAL INSURANCE Co.,

(Signed) George McClellan
(Typed) GEORGE MCCLELLAN,
Assistant Vice-President.

(Signed) John MacGregor
(Typed) JOHN MACGREGOR
Assistant Secretary.

STATE OF NEW YORK,
County of New York, ss:

On this 14th day of June 1972, before me personally came John MacGregor, to me known and by me known to be Assistant Secretary of the Federal Insurance

¹ This form of bond may be used in connection with coal, phosphate, and sodium leases, Act of February 25, 1920, as amended (30 U.S.C. 181 *et seq.*); potassium leases, Act of February 7, 1927, as amended (30 U.S.C. 281 *et seq.*); sulphur leases, Act of April 17, 1926, as amended (30 U.S.C. 271 *et seq.*); all such leases involving acquired lands, Act of August 7, 1947 (30 U.S.C. 351), and asphalt leases, Act of June 28, 1944 (58 Stat. 463, 483-485), by inserting the particular mineral applicable in the space provided therefor. If this bond is executed by a corporation, it must bear the corporate seal.

Co., the Corporation described in and which executed the foregoing Power of Attorney and the said John MacGregor being by me duly sworn, did depose and say that he resides in the City of Short Hills, in the State of New Jersey; that he is Assistant Secretary of the Federal Insurance Co. and knows the corporate seal thereof; that the seal affixed to the foregoing Power of Attorney is such corporate seal and was thereto affixed by authority of the By-Laws of said Company and that he signed said Power of Attorney as Assistant Secretary of said Company by like authority; that he is acquainted with George McClellan and knows him to be Assistant Vice-President of said Company, and that the signature of said George McClellan subscribed to said Power of Attorney is in the genuine handwriting of said George McClellan and was thereto subscribed by authority of said By-Laws and in deponent's presence.

[SEAL]

Acknowledged and sworn to before me on the date above written

MARY K. BENDICK,
Notary Public.

CITY AND COUNTY OF NEW YORK; ss:

I, the undersigned, Assistant Secretary of the FEDERAL INSURANCE COMPANY, do hereby certify that the following is a true excerpt from the By-Laws of the said Company as adopted by its Board of Directors on March 11, 1953 and amended May 27, 1971 and that this By-Law is in full force and effect.

"ARTICLE XVIII.

Section 2. All bonds, undertakings contracts and other instruments other than as above for and on behalf of the Company which it is authorized by law or its charter to execute, may and shall be executed in the name and on behalf of the Company either by the Chairman or the Vice Chairman or the President or a Vice-President, jointly with the Secretary or an Assistant Secretary, under their respective designations, except that any one or more officers or attorneys-in-fact designated in any resolution of the Board of Directors or the Executive Committee, or in any power of attorney executed as provided for in Section 3 below, may execute any such bond, undertaking or other obligation as provided in such resolution or power of attorney.

Section 3. All powers of attorney for and on behalf of the Company may and shall be executed in the name and on behalf of the Company, either by the Chairman or the Vice-Chairman or the President or a Vice-President or an Assistant Vice-President, jointly with the Secretary or an Assistant Secretary, under their respective designations."

And I further certify that I have compared the foregoing copy of the POWER OF ATTORNEY with the original thereof and the same is a correct and true copy of the whole of said original Power of Attorney and that said Power of Attorney has not been revoked.

And I further certify that said FEDERAL INSURANCE COMPANY is duly licensed to transact fidelity and surety business in each of the States of the United States of America, District of Columbia, Puerto Rico, and each of the Provinces of Canada with the exception of Prince Edward Island; and is also duly licensed to become sole surety on bonds, undertakings, etc., permitted or required by law.

Given under my hand and seal of said Company at New York, N.Y., this eighteenth day of March, 1974.

C. ZOLTENKO,
Assistant Secretary.

Mrs. MINK. Mr. Seiberling?

Mr. SEIBERLING. I have a couple more questions, Madam Chairman. The committee's bill would put a ceiling of 100,000 acres on the total amount that any company and its affiliates could lease in the future, and I noticed that your comments, Mr. Secretary, and those of the Department do not include any comment on that.

Do you have any thoughts on that?

Mr. HORTON. We have no problems at all, Mr. Seiberling, with the concept of that. Any figure you choose, of course, will be arbitrary, but we are not opposing the 100,000-acre limitation.

Mr. SEIBERLING. Well, in view of the fact that a great many of the leases are under the control of oil companies—and that in itself is of considerable concern in the Congress and elsewhere about the movement of oil companies into other energy resources which are competing resources—do you think it would be feasible to provide that no corporation or its affiliates could own more than 100,000 acres of Federal oil, gas, coal, and other energy leases in toto, so that, if an oil company had a large amount of Federal oil leases, that it would be prevented from having any coal leases?

Mr. HORTON. I think we would like to think about that. The Department will be submitting proposals to the Congress on amending the total act, and if we could, reserve our final position on your proposal, or your concept, until that time. I would, though, indicate that you might consider it a wiser course of action to have a limitation to build upon; tons of reserves as opposed to acres of land. But I think we—

Mr. SEIBERLING. That makes a lot of sense.

Mr. HORTON [continuing]. Would have to do a lot of thinking, and we have now to look at the total acres that could be involved in oil and gas and other leasable minerals—coal, what not.

Mr. SEIBERLING. I might add that there is a bill now pending before the Monopolies Subcommittee of the Judiciary Committee, which would prohibit the ownership of such competing forms of energy—coal, uranium, oil, and gas—by the same corporate group. So this is not an academic question, and while my question to you does not constitute prohibition, it certainly constitutes a limitation. I am very interested in that. I am on the subcommittee; as a matter of fact, I am the author of the bill, so I guess I have a proprietary interest in the matter. But it is not something I dreamed up solely out of my own imagination. It is a matter of widespread concern.

Mr. HORTON. Mr. Seiberling, it is my personal understanding that oil and gas companies do not own most of the coal leases on Federal lands.

Mr. SEIBERLING. That is right, but they own a large chunk of them.

Mr. HORTON. We will provide you, with the chairman's concurrence, a list of the holders of existing Federal leases.

Mrs. MINK. Without objection, that information will be inserted in the record.

[The information referred to follows:]

ALABAMA	Total Acreage	Private	Issue Date	Type	County
ES-12284	2383.24	0.0	6/01/74	Competitive	Fayette/ Tuscaloosa

OUTSTANDING COAL LEASES, ALASKA

Serial No.	Type	Present Lessee/Address	Township, Range, Meridian	Acreage	Surface Transferred	Producing
A-027927	(PR)	Estate of Bruno Agostino Box 402 Homer, Alaska 99603	T. 6 S., R. 14 W., Seward Meridian	78.54	78.54	"P"
F-01068	(PR)	Usibelli Coal Mine, Inc. P. O. Box 2116 Fairbanks, Alaska 99701	T. 12 S., R. 6 & 7 W., Fairbanks Meridian	1034.60	994.60 ⁺	"P"
F-04923	(PR)	Alaska State Bank P. O. Box 240 Anchorage, Alaska 99501	T. 12 S., R. 8 W., Fairbanks Meridian	600.00	0	"P"
F-07350	(PR)	Usibelli Coal Mine, Inc. P. O. Box 2116 Fairbanks, Alaska 99701	T. 12 S., R. 6 W., Fairbanks Meridian	880.00 ⁺	0	"P"

ATTACHMENT "A"

Outstanding Federal Coal Leases in Production, Alaska

<u>Serial No.</u>	<u>Lease Issued</u>	<u>Initial Rental</u>	<u>Initial Royalty</u>	<u>Adjusted Rental</u>	<u>Adjusted Royalty</u>	<u>Total Production to Date</u>	<u>Total Income from Rental & Royalty^{1/}</u>
A-027927 ✓	12-01-59	1st yr. - 25¢/ac. 2nd, 3rd, 4th & 5th yrs. - 50¢/ac. 6th & subsequent yrs. - \$1.00/ac.	15¢/ton	None	None	989.50	215.25
F-01068 ✓	06-07-23	"	1st 5 yrs. - 2¢/ton Next 20 yrs. - 5¢/ton	"	10¢/ton ^{2/} (06-07-50)	4,154,635.27	298,696.21
F-04923 ✓	09-18-47	"	15¢/ton	"	None	185,703.73	27,146.87
F-07350 ✓	07-05-50	"	"	"	"	2,322,466.40	346,018.82

Coal Prospecting Permit in Production, Alaska

F-08798	3,256,196.55	495,151.77
---------	--------------	------------

1/ USGS furnished us with combined rental and royalty figures.

2/ F-01068 was issued as a preference right lease; however, the lease was modified in 1950 to include 237.65 acres which were offered at public auction. The lessee, and only bidder, bid \$238.00 (\$1.00 per acre). The method of bidding is not known. The rental rate remained at \$1.00 per acre, but the royalty rate was adjusted to 10¢ per ton.

NAME OF AGENCY Department of the Interior Bureau of Land Management California State Office		PRECEDENCE ACTION: PRIORITY TYPE OF MESSAGE ☒ M-1000 ☐ M-1001		CLASSIFICATION STANDARD FORM 12, REV. MARCH 19, 11 GSA REGULATION 21.203 (a) 14-503	
ACCOUNTING CLASSIFICATION				TELEGRAPHIC MESSAGE OFFICIAL BUSINESS U. S. GOVERNMENT	
THIS BLOCK FOR USE OF COMMUNICATIONS UNIT Sent via telecopier					
MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)					
DIRECTOR (380) RE COAL LEASE IN CALIFORNIA. EAC 032582 PR LESSOR: THOMAS E. REESE AND DIXIE F. REESE Box 14, DOUGLAS CITY CA and JAMES R. REEVES WEAVERVILLE CA 80 ACRES PRODUCTION - NONE LOCATION - T. 32 N., R. 9 W., M.D.M., TRINITY COUNTY					
J. R. PENNY STATE DIRECTOR <i>E. J. Petersen</i>					
NAME AND TITLE OF ORIGINATOR (Name) J. H. Johnson, Br. of L&M Op.		ORIGINATOR'S TEL. NO. 484-4431		DATE AND TIME RECEIVED 3/1/73 2 P.M.	
I certify that this message is official business, it is not personal, and it is in the interest of the Government.		(Signature) <i>Jane H. Johnson</i>		SECURITY CLASSIFICATION	
PAGE NO. 1		NO. OF PAGES 1		DO NOT TYPE MESSAGE BEYOND THIS LINE	



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
 COLORADO STATE OFFICE
 ROOM 700, COLORADO STATE BANK BUILDING
 1600 BROADWAY
 DENVER, COLORADO 80202

IN REPLY REFER TO

5-915

3500

March 5, 1973

TELEFAX

Memorandum

To: Director (380)
 From: State Director, Colorado
 Subject: Message No. 73-5, Coal Lease Statistics

The attached tabulation consisting of 13 pages lists information concerning coal leases in the State of Colorado, as follows:

<u>Number</u>	<u>Type</u>	<u>Total Acreage</u>	<u>Pat. Surface Acreage</u>
55	Competitive	44,407.80	20,587.81
57	Preference-Right	77,670.34	34,018.70
<u>112</u>		<u>122,078.14</u>	<u>54,606.51</u>

The second column in the tabulation indicates the eleven leases which are in producing status.

In duplicate

Attachment

Federal Coal Leases in Colorado
 March 2, 1973

COMPETITIVE

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non-Federal Surface
D-033327	Gulf Oil Corporation 1805 So. Bellaire St. Writers Center II Denver, CO 80222	T. 4 N., R. 86 W., 6th P.M.	Monte	280.00	100.00
D-034365	Colowyo Coal Company 1726 Champa Street Denver, CO 80202	T. 3 & 4 N., R. 93 W., 6th P.M.	Morfat	3,724.73	3,615.74
D-036006	Reiden Enterprises, Inc. Cedaridge, CO 81413	T. 13 S., R. 95 W., 6th P.M.	Delta	41.29	41.29
D-036955	Elaine Poulos Box 218 Hatchkiss, CO 81410	T. 13 S., R. 91 W., 6th P.M.	Delta	280.00	200.00
D-037766	Thomson Creek Coal & Coke Corp. c/o Mr. Albert W. Keenan 8501 East 10th Avenue Lakewood, Colorado 80215	T. 11 S., R. 88 W., 6th P.M.	Gunnison	120.00	None
D-038305	The Kemmerer Coal Company Frontier, Wyoming 83121	T. 47 N., R. 7 W., N.M.P.M.	Montrose & Gunnison	360.00	360.00
D-041178	Gulf Oil Corporation 1805 So. Bellaire St. Writers Center II Denver, CO 80222	T. 4 N., Rs. 85 & 86 W., P.M.	Monte	80.00	None
D-042921	Champion Coal Mining Company P. O. Box 117 Paonia, Colorado 81428	T. 13 S., R. 90 W., 6th P.M.	Gunnison	818.54	40.00
D-043937	Eileen Clauson Estate c/o Mrs. Ed Eldridge P. O. Box 585 El Centro, California 92243	T. 5 S., R. 91 W., 6th P. M.	Garfield	120.25	None

Federal Coal Leases in Colorado

March 2, 1973

COMPETITIVE

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non-Federal Surface
D-044240	Commonwealth Coal Company 640 Continental Natl. Bank Bldg. 3333 South Bannock Street Englewood, Colo. 80110	T. 2 N., R. 93 W., 6th P.M.	Rio Blanco	160.00	80.00
D-044569	P Atlantic Richfield Co. Box 2819 Dallas, TX 75221	T. 13 S., R. 90 W., 6th P.M.	Gunnison	1,381.75	822.75
D-047201	Reliable Coal & Mining Co. 1566 Cold Spring Road Indianapolis, IN 46208	T. 2 N., R. 101 W., 6th P.M.	Moriat	513.00	None
D-051376	Anthracite, Inc. P. O. Box 278 Hotchkiss, CO 81417	T. 3 N., R. 86 W., 6th P. W.	Butte	256.41	11.75
D-051698	Thomas E. Barton Estate c/o Miles E. Grosvenor 807 - 11th Golden, Colorado 80401	T. 4 N., R. 80 W., 6th P.M.	Butte	114.26	97.51
D-052501	Empire Energy Corporation Box 1709 Dallas, TX 75221	T. 13 S., R. 90 W., 6th P.M.	Gunnison	280.00	120.00
D-052504	U. S. Steel Corporation DE Paonia Room 2215 600 Grant Street Pittsburgh, Penn. 15230	T. 13 S., R. 90 & 91 W., 6th P.M.	Gunnison & Delta	1,921.04	140.00
D-052517	P Morgan Coal Company 1465 Cold Spring Road Indianapolis, IN 46208	Ts. 4 & 5 N., R. 86 W., 6th P.M.	Butte	1,115.13	14.46

Federal Coal Leases in Colorado
March 2, 1973

COMPETITIVE

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non- Federal Surface
D-053710	Gulf Oil Corporation 1805 So. Wellshire St. Writers Center II Denver, CO 80222	T. 14 N., R. 86 W., 6th P. M.	Poudre	89.04	116.68
D-055156	Mack P. Paterson c/o Vallett & Carroll P. O. Box 142 Delta, Colo. 81116	T. 13 S., Rs. 84 & 85 W., 6th P. M.	Delta	173.70	173.70
D-055298	Empire Energy Corporation Box 1709 Dallas, TX 75221	T. 5 N., R. 91 W., 6th P. M.	Morfat	11.21	11.21
P-058043	P Albert Martinez P. O. Box 205 Cokedale, Colorado 81032	T. 33 S., R. 65 W., 6th	Las Animas	140.00	140.00
P-058300	P Irwin A. Smith Rt. 1, Box 109 Hesperus, CO 81326	T. 35 N., R. 11 W., N.M.P.M.	La Plata	120.00	120.00

Federal Coal Leases in Colorado
March 2, 1973

COMPETITIVE

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Un-Federal Surface
C-01538	Juanita Coal & Coke Company Star Route No. 1, Box 24 Paonia, Colorado 81428	T. 10 S., R. 08 W., 6th P.M.	Mesa	2460.00	None
C-00004	Mid-Continent Coal and Coke Co. 105 West Adams Street Chicago, Illinois 60603	T. 10 S., R. 89 & 90 W., 6th P.M.	Pitkin & Gunnison	1529.18	None
C-09005	Mid-Continent Coal and Coke Co. 105 West Adams Street Chicago, Illinois 60603	T. 10 S., R. 89 W., 6th P.M.	Pitkin	1180.00	None
C-011646	Mid-Continent Coal and Coke Co. 105 West Adams Street Chicago, Illinois 60603	T. 10 S., R. 89 W., 6th P.M.	Gunnison	956.60	None
C-020740	Pitkin Iron Corporation and Alvin Aul Drawer 780 Glenwood Springs, CO 81601	T. 11 S., R. 98 W., 6th P.M.	Mesa	110.00	None
C-030344	United States Steel Corporation 600 Grant Street, Room 2215 Pittsburgh, Pa. 15230	T. 10 S., R. 89 W., 6th P.M.	Gunnison	516.52	None
C-030345	Mid-Continent Coal and Coke Co. 105 West Adams Street Chicago, Illinois	T. 10 S., R. 90 W., 6th P.M.	Gunnison	117.05	None
C-030346	United States Steel Corporation 600 Grant Street, Room 2215 Pittsburgh, Pa. 15230	T. 10 S., R. 89 W., 6th P.M.	Gunnison	610.00	None
C-030472	Marjorie B. Mann Box 794 Fossil, Wyoming 82435	T. 7 N., R. 81 W., 6th P.M.	Jackson	120.00	None

Federal Coal Leases in Colorado
March 2, 1973

COMPETITIVE

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non-Federal Surface
C-033301	United States Steel Corp. Rm. 2215, 600 Grant St. Pittsburgh, Pa. 15230	T. 12 S., R. 91 W., 6th PM T. 13 S., R. 91 W., 6th PM	Delta	625.13	--
C-051669	Same	T. 13 S., R. 90 W., 6th PM T. 13 S., R. 91 W., 6th PM	Delta and Gunnison	1,092.33 8-15	1013.10
C-068389	Same	T. 14 S., R. 90 W., 6th PM	Gunnison	560.00 8-15	--
C-069942	P O. C. Coal Mine, c/o H.L. Weaver Box 772 Gunnison, Colo. 81230	T. 15 S., R. 86 W., 6th PM	Gunnison	80.00 5	80.30
C-079641	Utah International Inc. 550 California St. San Francisco, Calif. 94104	T. 5 N., R. 90 W., 6th PM T. 6 N., R. 90 W., 6th PM	Hoffat	1,351.84 8-15	1351.84
C-086654	Peabody Coal Company 301 N. Memorial Drive St. Louis, Mo. 63102	T. 6 N., R. 87 W., 6th PM	Routt	160.00	160.00
C-088199	P Same	T. 6 N., R. 87 W., 6th PM	Routt	2,280.00	2280.00
C-0114093	Peabody Coal Co. (Del.) 301 N. Memorial Drive St. Louis, Mo. 63102	T. 5 N., R. 87 W., 6th PM	Routt	1,320.00	1000.00
C-0115606	Mid-Continent Coal & Coke Co. 105 West Adams Chicago, Ill. 60603	T. 10 S., R. 90 W., 6th PM	Gunnison	80.00	--
C-0117192	Atlantic Richfield Co.	T. 13 S., R. 90 W., 6th PM	Gunnison	1,243.49 5-10	995.33

Federal Coal Leases in Colorado
March 2, 1973

COMPETITIVE

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non-Federal Surface
C-0123156	Mid-Continent Coal and Coke Company 105 W. Adams Street, Chicago 60603	10 S., 90 W., 6th P.M.	Gunnison	80.02 5-10	-----
C-0123157	P Mid-Continent Coal and Coke Company	10 S., 89 & 90 W., 6th P.M.	Gunnison & Pitkin	1,112.31 5-10	-----
C-0123185	United States Steel Company	10 S., 89 & 90 W., 6th P.M.	Gunnison	200.00 5-10	-----
C-0123957	Poabody Coal Company 301 N. Memorial Drive St. Louis, Mo. 63102	8 N., 89 W., 6th P.M.	Moffat	3,862.00 5-10	3,822.09
C-0126180	Wick A International, Inc.	5 & 6 N., 91 W., 6th P.M.	Moffat	366.51 5-10	288.75
C-0127592	Ethel E. Steele Routt Mining Corp. Oak Creek, Colo. 80467	4 N., 86 W., 6th P.M.	Routt	80.00 5-10	80.00
C-0127865	Empire Energy Corporation Box 1055, Craig, Colo. 81625	5 N., 91 W., 6th P.M.	Moffat	43.03 5-10	43.03
C-215	Consolidation Coal Company 3300 One Silver Plaza Pittsburgh, Pa. 15222	2 & 3 N., 93 W., 6th P.M.	Rio Blanco	225.86 5-10	121.81
C-1362	Atlantic Richfield Co. 1500 Security Life Bldg. Denver, Colo. 80202	13 & 14 S., 90 W., 6th P.M.	Gunnison	4,836.36 5-10	-----
C-1515	Consolidation Coal Company 3300 One Silver Plaza Pittsburgh, Pa. 15222	2 N., 93 W., 6th P.M.	Rio Blanco	896.07 5-10	656.07
C-1516	Consolidation Coal Company	2 N., 93 W., 6th P.M.	Rio Blanco	1,096.73 5-10	1,096.73
C-7853	United States Steel Corp.	10 S., 89 W., 6th P.M.	Gunnison	717.32 5-10	-----

Federal Coal Leases in Colorado
March 2, 1973

COMPETITIVE

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non- Federal Surface
C-0123177	Kemmerer Coal Co. Frontier, Wyo. 83121	T. 7 N., R. 80 W., 6th PM T. 7 N., R. 81 W., 6th PM	Jackson	1,706.92 -10	1511.97
C-12638	United States Steel Corp. Rm. 2215, 600 Grant St., Pittsburgh, Pa. 15230	T. 10 S., R. 90 W., 6th PM	Gunnison	315.29 -10	--
C-1853				717.32 -10	
C-12640				42.00 -10	

Federal Coal Leases in Colorado
March 2, 1973

PREFERENCE RIGHT

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non-Federal Surface
D-040389	Mid-Continent Limestone Company P. O. Box 790 Glenwood Springs, CO 81601	T 11 S, R 98 W, 6th PM T 11 S, R 99 W, 6th PM	Mesa	240.00	None
D-046344	P Routt Mining Corporation Oak Creek, CO 80467	T 4 N, R 86 W, 6th PM	Routt	120.00	120.00
D-051718	Mr. John Mathews Box 244, Oak Creek, CO 80467	T 4 N, R 86 W, 6th PM	Routt	91.00	91.00
D-052546	Mr. Joe Petranovich Oak Creek, CO 80467	T 4 N, R 86 W, 6th PM	Routt	160.00	None
D-052558	United States Steel Corporation Room 2215, 600 Grant Street Pittsburgh, Pennsylvania 15230	T 13 S, R 90 W, 6th PM	Gunnison	213.99	72.51
D-056724 Q-17150	P Western Slope Carbon, Inc. 318 Crandall Building Salt Lake City, UT 84101	T 13 S, R 90 W, 6th PM Same	Gunnison	189.24 246.40	40.00
D-057166	Monolith Portland Midwest Company 3326 San Fernando Road (Box 656) Los Angeles, California 90065	T 9 N, 78 W, 6th PM Station	Jackson	172.75	None
C-067	CF&I Steel Corporation Box 316, Pueblo CO 81002	T 33 S, R 67 W, 6th PM	Las Animas	961.92	961.92
C-07518	Utah International Inc. 550 California Street San Francisco, CA 94104	T 5 N, R 91 W, 6th PM T 6 N, R 91 W, 6th PM	Moffat	2,566.44	2481.04
C-07519	Same	T 5 N, R 90 W, 6th PM T 6 N, R 90 W, 6th PM	Moffat	1,371.82	1371.82
C-08172	Garland Coal and Mining Company c/o Brewer, Myers and Branton P. O. Box 13367 Kansas City, Mo. 64199	T 9 S, R 89 W, 6th PM	Pitkin & Gunnison	2,455.20	None

Federal Coal Leases in Colorado
March 2, 1973

MEMORANDUM DATED MARCH 2, 1973

9.

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non-Federal Surface
C-08173	Garland Coal and Mining Company c/o Brewer, Myers and Branton P. O. Box 13367 Kansas City, Mo. 64199	T 8 S, R 89 W, 6th PM T 9 S, R 89 W, 6th PM	Pitkin	2,480.00	None
C-012765	Same	T 11 S, R 88 W, 6th PM T 11 S, R 89 W, 6th PM	Pitkin & Gunnison	497.64	None
C-012894	Charles L. Silengo & Paul Silengo 835 Steel St, Craig, CO 81625	T 5 N, R 89 W, 6th PM	Routt	634.42	555.71
C-021601	The Pittsburgh & Midway Coal Mining Co. Hanover Bldg, Kansas City, Mo. 64105	T 5 N, R 85 W, 6th PM T 5 N, R 86 W, 6th PM	Routt	826.94	480.00
C-023703	Moore Lake Electric Association, Inc. 495 East Main Street Vernal, UT 84078	T 2 N, R 101 W, 6th PM T 3 N, R 101 W, 6th PM	Rio Blanco	2,557.22	None
C-024998	Pitkin Iron Corporation (1/3) P.O. Drawer 790 Glenwood Springs CO 81601 and Kermit L. James & Richard James Jr (2/3) Magnolia, Ohio 44643	T 11 S, R 97 W, 6th PM T 11 S, R 98 W, 6th PM T 1 S, R 2 E, Ute PM	Mesa	2,551.28	None
C-028875	L. M. Colley & W. W. Brown 3300 East Bellevue Littleton CO 80120	T 2 N, R 101 W, 6th PM	Rio Blanco	1,675.22	None
C-029889	The James Brothers Coal Company South Main St, Magnolia, Ohio 44643	T 11 S, R 97 W, 6th PM T 11 S, R 98 W, 6th PM	Mesa	2,522.37	160.00

Federal Coal Leases in Colorado
March 2, 1973

PREFERENCE RIGHT

10.

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non- Federal Surface.
C-033302	United States Steel Corp. Rm. 2215, 600 Grant St. Pittsburgh, Pa. 15230	T. 12 S., R. 91 W., 6th PM T. 13 S., R. 91 W., 6th PM	Delta	1,548.28 5/10	280.73
C-037277	Mid-Continent Limestone Co. P. O. Box 790 Glenwood Springs, Colo. 81601	T. 10 S., R. 98 W., 6th PM T. 10 S., R. 99 W., 6th PM T. 11 S., R. 98 W., 6th PM	Hoffat	1,471.37 5/10	--
C-059420	Mid-Continent Limestone Co. P. O. Box 790 Glenwood Springs, Colo. 81601	T. 1 N., R. 1 E., Ute Mer. T. 10 S., R. 99 W., 6th PM	Mesa	308.21 5/10	--
C-064416	Ferne M. James, 565 Yampa Ave. Craig, Colo. 81625	T. 6 N., R. 91 W., 6th PM	Hoffat	40.10 5/10	40.10
C-074632	Mid-Continent Coal & Coke Co. P. O. Box 149 Glenwood Springs, Colo. 81601	T. 10 S., R. 89 W., 6th PM	Pitkin	680.00 5/10	--
C-076713	Commonwealth Coal Co. 3333 S. Bannock St. Englewood, Colo. 80110	T. 2 N., R. 93 W., 6th PM	Rio Blanco	320.00 5/10	160.00
C-078049	Renace Exploration, Inc. 14 Front Street West Hempstead, N. Y. 11552	T. 10 S., R. 98 W., 6th PM	Mesa	809.99 5/10	--
C-081231	The United Electric Coal Co. 307 N. Michigan Ave. Chicago, Ill. 60601	T. 5 N., R. 88 W., 6th PM	Routt	2,519.03 5/10	2,360.00
C-081258	The United Electric Coal Co. 307 N. Michigan Ave. Chicago, Ill. 60601	T. 5 N., R. 88 W., 6th PM	Routt	2,323.44 5/10	2,283.44

Federal Coal Leases in Colorado
March 2, 1973

11.

PREFERENCE: RIGHT

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non-Federal Surface
C-081330	Morgan Coal Co. 2850 N. Meridian St. Indianapolis, Ind. 46208	T. 4 N., R. 86 W., 6th PM T. 5 N., R. 86 W., 6th PM	Routt	2,215.28	2135.28
C-093713	Consolidation Coal Co. 3300 One Oliver Plaza Pittsburgh, Pa. 15222	T. 2 N., R. 93 W., 6th PM	Rio Blanco	2,517.98	2517.98
C-093714	Same	T. 2 N., R. 93 W., 6th PM.	Rio Blanco	1,458.00	1458.00
C-093715	Same	T. 1 N., R. 93 W., 6th PM T. 2 N., R. 93 W., 6th PM	Rio Blanco	1,760.00	1200.00
C-093716	Same	T. 1 N., R. 93 W., 6th PM T. 2 N., R. 93 W., 6th PM	Rio Blanco	2,060.71	1500.71
C-0105299	Kemmerer Coal Co. Frontier, Wyo. 83121	T. 7 N., R. 80 W., 6th PM	Jackson	560.00	240.00
C-0105300	Same	T. 7 N., R. 81 W., 6th PM	Jackson	1,680.00	1680.00
C-0112685	Peabody Coal Co. (Del.) 301 N. Memorial Drive St. Louis, Mo. 63102	T. 10 S., R. 58 W., 6th PM	Elbert	640.00	640.00
C-0112686	Same	T. 10 S., R. 58 W., 6th PM	Elbert	640.00	640.00
C-0112687	Same	T. 10 S., R. 58 W., 6th PM	Elbert	643.68	643.68

Federal Coal Leases in Colorado
March 2, 1973

PREFERENCE RIGHT

12.

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non- Federal Surface
C-0120073	Kemmerer Coal Company Frontier, Wyoming 83121	147 N., 7 W., NEPM	Chambliss, Ouray	2,210.51 5/10	720.00 4.00.00
C-0120077	Kemmerer Coal Company Frontier, Wyo. 83121	146 N., 7 W., NEPM	Ouray	2,320.00 5/10	929.76
C-0120078	Kemmerer Coal Company Frontier, Wyo. 83121	147 N., 7 W., NEPM	Ouray & Chambliss	1,241.93 5/10	1200.00
C-0120079	Kemmerer Coal Company Frontier, Wyo. 83121	147 N., 7 W., NEPM	Montrose Ouray	2,000.00 5/10	1720.00
C-0120080	Kemmerer Coal Company Frontier, Wyo. 83121	147 N., 7 W., NEPM	Montrose Cunningham Ouray	2,560.00 5/10	1600.25
C-0123176	Utah International, Inc. 550 California St. San Francisco, Cal. 94104	147 & 148 N., 7 W., NEPM	Montrose	1,600.25	2255.22
C-0125136	Industrial Resources, Inc. 1310 Denver Club Bldg., Denver, Colo. 80202	3 & 4 N., 93 W., 6th PM	Morfat	2,255.22 5/10	1600.00
C-0125137	Industrial Resources, Inc. 1310 Denver Club Bldg., Denver 80202	7 S., 102 W., 6th PM	Garfield	2,446.19 5/10	—
C-0125138	Industrial Resources, Inc. 1310 Denver Club Bldg., Denver 80202	7 S., 102 W., 6th P.M.	Garfield	2,357.46	—
C-0125139	Industrial Resources, Inc. 1310 Denver Club Bldg., Denver 80202	7 S., 102 W., 6th P.M.	Garfield	2,560.00	—
C-0125515	Industrial Resources, Inc. 1310 Denver Club Bldg., Denver 80202	7 S., 102 W., 6th P.M.	Garfield	2,482.98 5/10	—
C-0125516	Industrial Resources, Inc. 1310 Denver Club Bldg., Denver 80202	7 S., 102 W., 6th P.M.	Garfield	2,559.98 5/10	—
		8 S., 102 W., 6th P.M.	Garfield	2,522.72 5/10	—

Federal Coal Leases in Colorado
March 2, 1973

PREPARED BY RIGHT

13.

Serial Number of Lease	Present Lessee	T. & R.	County	Total Acreage	Non- Federal Surface
C-0126177	Peabody Coal Company 301 N. Memorial Drive St. Louis, Mo. 63102	10 S., rs. 53 & 59 W., 6 P.M.	Elbert	760.00	760.00
C-813	Utah International, Inc. 550 California Street San Francisco, Cal. 94104	6 N., 91 W., 6th P.M.	Moffat	159.55 5/5	159.55
C-1894	United States Steel Corp.	10 S., 89 W., 6th P.M.	Gunnison	120.00 5/0	—
C-7852	United States Steel Corp. Rm. 2215 - 600 Grant Street Pittsburgh, Pa. 15230	10 S., 89 W., 6th P.M.	Gunnison	160.00 5/0	—
C-12639	United States Steel Corp. Rm. 2215 - 600 Grant Street Pittsburgh, Pennsylvania 15230	10 S., 89 W., 6th P.M.	Gunnison	800.00 5/0	—
C-12610	Mid-Continent Coal and Coke Company 105 W. Adams St., Chicago 60603	10 S., 90 W., 6th P.M.	Gunnison	10.00 5/0	-----

Continued
March 1993

COMBUSTIBLE OIL LIQUIDS

Serial No.	Issue Date	Bidding Method	No. of Bidders to applicant	Per Acre Bonus	Initial Rental and Royalty	Adjusted Rental and Royalty	Production to Date/Tons	Rental to Date	Royalties to Date
D-033327	4-23-25	Public auction	None--awarded to applicant 1	None \$2.00	Rental: Footnote 1 Royalty: 15¢ Ton Loc modif. 10¢ Ton. 200 acres, 10¢ Ton. \$1.00 per acre).	Royalty for 3d 20- yr. period - See Footnote 2 (minimum \$1.00 per acre).	1,285,117.26	\$2,616.05	\$171,176.25
D-034365	10-25-24	Public auction	1	1.00	Rental: Footnote 1 Royalty: 15¢ Ton Loc modified royalty 10¢ Ton/acre modif. Footnote 1	Royalty for 3d 20- yr. period - See Footnote 2 (minimum \$1.00 per acre).	3,218,882.75	-	107,637.76
D-037606	4-1-24	Public auction	Not shown	\$10 total	Rental: Footnote 1 Royalty: 15¢ Ton	-	76,121.57	1,245.00	12,096.49
D-036955	12-28-23	Public auction	1	\$5 total	Rental: Footnote 1 Royalty: 15¢ Ton	-	122,122.15	2,120.00	20,662.41
D-037766	11-5-27	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	-	56,212.76	2,100.00	11,535.81
D-038385	3-1-29	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	-	5,268.18	4,232.14	1,458.01
D-041178	5-6-30	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	-	1,021,154.10	1,280.00	107,939.32
D-042921	2-25-31	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	-	933,813.38	-	113,222.06
D-043937	4-5-32	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	-	65,973.88	813.62	10,243.45

COMPETITIVE OIL LEASES

Page 2

Serial No.	Issue Date	Bidding Method	No. of Bidders to applicant	Per acre Bonus	Initial Rental and Royalty	Adjusted Rental and Royalty	Expiring to Date/acre	Amount to Date	Penalties to Date
D-044240	1-12-33	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 1¢/Ton	None	125,762.57	\$1,120.00	\$ 10,510.09
D-044569	8-30-34	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 1¢/Ton	None	2,352,044.33	-	341,872.34
D-044701	7-25-36	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 1¢/Ton	None	181,450.60	5,351.75	23,712.17
D-051376	10-8-40	Public auction	Not shown	\$200 total	Rental: Footnote 1 Royalty: 1¢/Ton	None	23,000.12	5,472.62	1,055.78
✓ D-051698	9-11-41	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 1¢/Ton	None	10,315.57	3,059.70	1,372.71
D-052501	8-20-45	Public auction Sealed & oral	None--awarded to applicant 1	None \$1.53	Rental: Footnote 1 Royalty: 1¢/Ton	See modified to add 1¢/Ton; min. royalty \$1.00 per acre.	476,072.29	1,680.00	56,714.83
D-052504	8-10-44	Public Auction Sealed & oral	None--awarded to applicant 2	--- \$15	Rental: See ex 41. Royalty: 1¢/Ton.	Royalty: 2¢/Ton. (See modified to incl. 761.84 ac.)	3,444,200.72	4,225.70	600,888.13
D-052517	3-1-45	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 1¢/Ton. 1st 2 yrs./not less than 1¢/Ton if reduction approved.	Royalty: See Foot- note 3	4,376,930.00	16,538.50	657,532.19
D-053710	6-10-47	Public auction	None--awarded to applicant	\$2.00	Rental: Footnote 1 Royalty: 1¢/Ton	Royalty: Footnote 2 Minimum, \$1 per ac.	172,525.94	814.00	26,300.81
D-055156	10-18-48	Public auction	Not shown	\$1.00 minimum	Rental: Footnote 1 Royalty: 1¢/Ton	None	143,520.80	390.00	21,761.56

COMPETITIVE COAL LEASES

Colorado
March 1973

Serial No.	Issue Date	Bidding Method	No. of Bidders	Per Acre Bonus	Initial Rental and Royalty	Assigned Rental and Royalty	Initial Rental to Date	Final Rental to Date
L-056298	12-1-49	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	Ryly: Footnote 2	3 808.50	3 10,400.72
L-058013	9-11-41	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	Min. royalty, 41	1,071.08	151.52
L-058300	9-11-41	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	Min. royalty, 41	130.00	22,524.64
L-01538	6-1-51	Public auction	1	\$4.00	Rental: Footnote 1 Royalty: 10¢ Ton	10-15-56 1st modification Royalty 15¢ Ton on 2380 acres added.	10,240.00	120,787.53
C-09004	5-1-61	Sealed & oral	3 ✓	\$4.50	Rental: Footnote 1 Royalty: 15¢ Ton	None	11,152.50	None
C-09005	11-1-58	Sealed & oral	3 ✓	\$7.50	Rental: Footnote 1 Royalty: 15¢ Ton	None	12,210.00	20,177.27
C-011645	10-1-58	Sealed & oral	2 ✓	32.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	21,113.25	None
C-020740	10-1-58	Sealed & oral	1	1.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	530.00	None
C-030344	5-1-60	Sealed & oral	2 ✓ <i>2 bidders</i>	2.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	5,299.50	None
C-030345	4-1-61	Sealed & oral	2 ✓ <i>2 bidders</i>	2.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	1,791.50	None

Colorado,
March 1973

CONNECTIVE COAL LEASES

Serial No.	Issue Date	Bidding Method	No. of Bidders	Per Acre Bonus	Initial Rental and Royalty	Adjusted Rental and Royalty	Leasehold Interest to Date/From	Leasehold Interest to Date	Leasehold Interest to Date
D-056298	12-1-49	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	Ryly: Footnote 2	60,312.05	3 808.50	3 10,101.32
P-058043	9-11-41	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	Min. royalty, 41	3,350.10	1,051.08	181.52
P-058300	9-11-41	Public auction	None--awarded to applicant	None	Rental: Footnote 1 Royalty: 15¢ Ton	Min. royalty, 41	157,239.16	130.00	22,521.64
C-01538	6-1-51	Public auction	1	\$4.00	Rental: Footnote 1 Royalty: 10¢ Ton	10-15-56 lease modified. Royalty 15¢ Ton on 2320 acres added.	1,059,306.17	10,240.00	129,787.53
C-09004	5-1-51	Sealed & oral	3 ✓	\$4.50	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	11,152.50	None
C-09005	11-1-58	Sealed & oral	3 ✓	\$7.50	Rental: Footnote 1 Royalty: 15¢ Ton	None	755,106.21	12,210.00	20,177.27
C-011646	10-1-58	Sealed & oral	2 ✓	32.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	21,113.25	None
C-020760	10-1-58	Sealed & oral	1	1.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	530.00	None
C-030344 ✓	5-1-60	Sealed & oral	2 ✓ <i>2</i>	2.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	5,299.50	None
C-030345 ✓	11-1-61	Sealed & oral	2 ✓ <i>2</i>	2.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	1,791.50	None

Colorado
March 1973

COMPETITIVE COAL LEASES

Serial No.	Issue Date	Bidding Method	No. of Bidders	Per Acre Bonus	Initial Rental and Royalty	Adjusted Rental and Royalty	Production to Date / Ton	Rental to Date	Royalties to Date
C-030346	5-1-60	Sealed & oral	2 ✓	\$4.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	\$6,400.00	None
C-030472	7-1-60	Sealed	1	8.42	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	1,200.00	None
C-033301	7-1-60	Sealed	1	1.60	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	6,414.50	None
C-051669	9-1-61	Sealed & oral	1	1.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	10,112.50	None
C-068389	9-1-61	Sealed & oral	1	1.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	2,180.00	None
C-069942	4-1-62	Sealed	1	1.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	210,433.75	80.00	\$ 14,481.96
C-079641	10-1-62	Sealed & oral	1	1.00	Rental: Footnote 1 Royalty: 15¢ Ton	None	None	11,154.00	None
C-066554	7-1-63	Sealed & oral	3 ✓	13.50	Rental: Footnote 1 Royalty: 15¢ Ton	None	724,343.01	1,060.00	123,651.46
C-085199	7-1-63	Sealed & oral	3 ✓	8.50	Rental: Footnote 1 Royalty: 15¢ Ton	None	1,766,442.34	4,110.00	241,966.45

COMPETITIVE COAL LEASES

Colorado
March 1953

Serial No.	Issue Date	Bidding Method	No. of Bidders	Per Acre Bonus	Initial Rental and Royalty	Adjusted Rental and Royalty	Production to Date/Tons	Rental to Date	Royalties to Date
C-0111093	5-1-64	Sealed & oral	2 ✓	\$11.00	Rental: Footnote 1 Royty: 1/4 under-ground; 1/4 strip or auger	None	None	\$ 8,250.00	None
C-0115606	1-1-65	Sealed & oral	2 ✓	60.00	Rental: Footnote 1 Royty: 1/4 under-ground; 1/4 open pit method	None	None	3,157.75	None
C-0117792	6-1-65	Sealed & oral	2 ✓	1.25	Rental: Footnote 1 Royty: 20¢ ton	None	None	7,785.00	None
C-0123177	8-1-66	Sealed & oral	1	1.00	Rental: Footnote 1 Royty: Footnote 2	None	None	7,251.75	None
C-0125456	4-1-61	Segregated by assignment out of C-030314		same terms.		None	None	560.00	None
C-0125457	10-1-58	Segregated by assignment out of C-011616		same terms.		None	1,201,472.68	1,113.00	\$188,389.87
C-0125465	1-1-65	Segregated by assignment out of C-0115606		same terms.		None	None	1,160.00	None
C-0125957	10-1-65	Sealed	2 ✓	5.18	Rental: Footnote 1 Royty: Footnote 2	None	None	20,275.50	None
C-0126480	1-1-66	Sealed	2 ✓	6.19	Rental: Footnote 1 Royty: Footnote 2	None	None	1,559.75	None

California
March 1973

CONJUNCTIVE COAL LEASES

Serial No.	Issue Date	Bidding Method	No. of Bidders	Per Acre Bonus	Initial Rental and Royalty	Adjusted Rental and Royalty	Production to Date/Tons	Rental to Date	Penalties to Date
C-0127592	10-1-66	Sealed	1	\$ 3.05	Rental: Footnote 1 Royalty: Footnote 2	None	None	\$ 910.00	None
C-0127865	11-1-66	Sealed	1	1.00	Rental: Footnote 1 Royalty: Footnote 2	None	None	187.00	None
C-245	10-1-66	Sealed	3 ✓	3.27	Rental: Footnote 1 Royalty: Footnote 2	None	None	960.50	None
C-1362	9-1-67	Sealed	5 ✓	13.13	Rental: Footnote 1 Royalty: 20¢ ton	None	None	15,720.25	None
C-1515	9-1-67	Sealed & oral	2 ✓	2.00	Rental: Footnote 1 Royalty: Footnote 2	None	None	2,915.25	None
C-1516	9-1-67	Sealed & oral	2 ✓	2.25	Rental: Footnote 1 Royalty: Footnote 2	None	None	3,565.25	None
C-7853	1-1-65	Segregated by assignment out of	C-011560	same terms.	None	None	None	2,513.00	None
C-12638	1-1-65	Segregated by assignment out of	C-011560	same terms.	None	None	None	316.00	None
C-12640	1-1-65	Segregated by assignment out of	C-012518	same terms.	None	None	None	40.00	None

POST-EMERGENT PIONEER COAL LEASES

Colorado
March 1973

Serial No.	Issue Date	Initial Rental and Royalty	Adjusted Rental and Royalty	Production to Date Tons	Rental to Date	Royalties to Date
D-040389	5-21-32	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	179,980.62	\$1,200.00	\$ 27,300.60
D-046514	12-3-37	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	156,507.76	347.28	23,023.53
D-051718	2-22-44	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	12,608.63	1,365.00	2,616.87
D-052516	9-27-48	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	Royalty: Footnote 2	2,046.25	1,360.00	2,031.71
D-052558	12-11-44	Rental: Footnote 1 Rylty: 10 $\frac{1}{2}$ Ton	Royalty: Footnote 2	136,376.16	2,789.00	21,000.65
D-056724	12-1-50	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	55,405.02	-	\$11,977.22
D-057166	6-21-51	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	1,055.81	2,378.75	331.37
C-067	7-1-52	Rental: Footnote 1 Rylty: 12 $\frac{1}{2}$ Ton, \$1 minimum beginning 4th yr.	None	None	18,718.50	None
C-07518	6-1-58	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	None	31,446.00	None
C-07519	6-1-58	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	None	17,107.00	None
C-08172	6-1-58	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	None	30,086.00	None
C-08173	6-1-58	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	None	30,380.00	None
C-012765	6-1-60	Rental: Footnote 1 Rylty: 15 $\frac{1}{2}$ Ton	None	None	5,104.50	None

PREFERENCE-RIGHT COAL LEASES

Colorado
March 1973

Serial No.	Issue Date	Initial Rental and Poyalty	Adjusted Rental and Poyalty	Production to Date Tons	Rental to Date	Royalties to Date
C-C12894	12-1-56	Rental: Footnote 1 Pylty: 15¢ Ton	None	430,082.88	\$ 1,905.00	\$ 66,113.77
C-C21621	6-1-62	Rental: Footnote 1 Pylty: 15¢ Ton	Les modified 10-1-65; as to 120 tons added and 120 tons removed to 8-31-72; 120 tons for remainder of 20-yr period.	None	5,982.75	None
C-C23703	3-1-63	Rental: Footnote 1 Pylty: 15¢ Ton	None	None	21,103.50	None
C-C21008	10-1-63	Rental: Footnote 1 Pylty: 15¢ Ton underground; 17½¢ Ton strip or auger.	None	None	16,456.00	None
C-C23875	11-1-63	Rental: Footnote 1 Pylty: 15¢ Ton strip & auger.	None	None	12,163.50	None
C-C29859	11-1-64	Rental: Footnote 1 Pylty: 15¢ Ton strip & surf. auger.	None	None	15,762.25	None
C-C33302	7-1-64	Rental: Footnote 1 Pylty: 20¢ Ton.	None	None	8,132.25	None
C-C37277	10-1-62	Rental: Footnote 1 Pylty: 15¢ Ton.	None	71,257.08	11,500.00	10,011.60
C-C59120	10-1-65	Rental: Footnote 1 Pylty: Footnote 2	None	None	1,622.25	None
C-C64116	1-1-66	Rental: Footnote 1 Pylty: Footnote 2	None	None	215.25	None
C-C74632	12-1-66	Rental: Footnote 1 Pylty: 20¢ Ton.	None	None	4,840.00	None
C-C76713	2-1-66	Rental: Footnote 1 Pylty: Footnote 2	None	10,825.08	None	3,219.97
C-C78049	8-1-66	Rental: Footnote 1 Pylty: Footnote 2	None	None	3,817.50	None

PREFERENCE-RIGHT COAL LEASES

Serial No.	Issue Date	Initial Rental and Poyalty	Adjusted Rental and Poyalty	Production to Date Tons	Rental to Date	Poyalties to Date
C-081251	5-1-65	Rental: Footnote 1 Royalty: Footnote 2	None	None	\$13,230.00	None
C-081256	5-1-65	Rental: Footnote 1 Royalty: Footnote 2	None	None	12,201.00	None
C-081330	11-1-63	Rental: Footnote 1 Royalty: 15¢ Ton underground; 1 1/2¢ Ton strip & surface auger	Lease modified 1-1-70. Pylty: as to 10 Ac. 2 1/2¢, 1 1/2¢ underground & 1 1/2¢ surf. 1st 10-yr. rd.: 1 1/2¢ & 20¢ bal. of init. 20-yr. rd.	226,012.00	13,176.00	\$30,457.38
C-093713	6-1-67	Rental: Footnote 1 Royalty: Footnote 2	None	None	8,183.50	None
C-093714	6-1-67	Rental: Footnote 1 Royalty: Footnote 2	None	None	4,738.50	None
C-093715	6-1-67	Rental: Footnote 1 Royalty: Footnote 2	None	None	5,720.00	None
C-093716	6-1-67	Rental: Footnote 1 Royalty: Footnote 2	None	None	6,698.25	None
C-0105299	6-1-68	Rental: Footnote 1 Royalty: Footnote 2	None	None	1,260.00	None
C-0105300	6-1-68	Rental: Footnote 1 Royalty: Footnote 2	None	None	3,780.00	None
C-0112685	12-1-67	Rental: Footnote 1 Royalty: Footnote 2	None	None	1,760.00	None
C-0112686	12-1-67	Rental: Footnote 1 Royalty: Footnote 2	None	None	1,760.00	None
C-0112687	12-1-67	Rental: Footnote 1 Royalty: Footnote 2	None	None	1,771.00	None
C-0120073	11-1-68	Rental: Footnote 1 Royalty: Footnote 2	None	None	5,012.25	None

INTEREST-RYNYW COAL LEASES

Colorado
March 1973

Serial No.	Issue Date	Initial Rental and Royalty	Adjusted Rental and Royalty	Production to Date Tons	Rental to Date	Royalties to Date
C-0120076	12-1-68	Rental: footnote 1 Royalty: footnote 2	None	None	\$ 5,220.00	None
C-0120077	11-1-68	Same	None	None	2,794.50	None
C-0120078	11-1-68	Same	None	None	1,500.00	None
C-0120079	11-1-68	Same	None	None	5,760.00	None
C-0120080	11-1-68	Same	None	None	3,402.25	None
C-0120076	12-1-66	Same	None	None	0,588.00	None
C-0125436	5-1-68	Same	None	None	5,505.75	None
C-0125437	5-1-68	Same	None	None	5,305.00	None
C-0125438	5-1-68	Same	None	None	5,760.00	None
C-0125439	5-1-68	Same	None	None	5,505.75	None
C-0125515	5-1-68	Same	None	None	5,760.00	None
C-0125516	5-1-68	Same	None	None	5,676.75	None

Page 11

Colorado
March 1973

PREFERENCE-RIGHT COAL LEASES

Serial No.	Issue Date	Initial Rental and Royalty	Adjusted Rental and Royalty	Production to Date	Rental to Date	Royalties to Date
-0126477	12-1-67	Rental: Footnote 1 Ryly: Footnote 2	None	None	\$2,000.00	None
-013	4-1-70	Rental: 1st yr. 25¢; 2-5, 50¢; 6th-20th, \$5. per ac. Ryly: Footnote 2	None	None	200.00	None
-1894	12-1-66	Segregated by assignment out of C-074632--same terms.	None	None	180.00	None
-7852	12-1-66	Segregated by assignment out of C-074632--same terms.	None	None	550.00	None
-12639	12-1-66	Segregated by assignment out of C-074632--same terms.	None	None	1,600.00	None
C-7136	12/1/73					

Colorado
March 1977

FOOTNOTE 1: Rental, 1st year - 25¢; 2 through 5 - 50¢; 6th and following years, \$1.00.

FOOTNOTE 2: Royalty, 1st 10-yr. period, 15¢ per ton underground; 17½¢ per ton surface auger and strip methods.
2nd 10-yr. period, 17½¢ per ton underground; 20¢ per ton surface auger and strip methods.

FOOTNOTE 3: Royalty for D-052517:
3/1/65 - 2/28/73 - 15¢ per ton.
3/1/73 - 2/29/80 - 16½¢ per ton.
3/1/80 - 2/28/85 - 18½¢ per ton.

KENTUCKY		<u>Total Acreage</u>	<u>Private</u>	<u>Issue Date</u>	<u>Type</u>	<u>County</u>
ES-3615	Sidney M. Peavley & Edwin L. Smith	1282.00	0.0	1/01/54	PR	

PAGE 2
COAL LEASES - MONTANA
March 23, 1973

Serial No.	Name of Lessee	Date of Lease	Description	Acres	Method of Bidding	No. Bidders	Bonus Per Acre	Rental and Royalty Terms	Adjusted Rental and Royalty Terms	Total Production to 1/1/73	Total Income to 1/1/73
MONTANA 07393 (Continued)			T 9 S, R 41 E, P.M.H. Sec 4: Lots 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 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1516, 1517, 1518, 1519, 1520, 1521, 1522, 1523, 1524, 1525, 1526, 1527, 1528, 1529, 1530, 1531, 1532, 1533, 1534, 1535, 1536, 1537, 1538, 1539, 1540, 1541, 1542, 1543, 1544, 1545, 1546, 1547, 1548, 1549, 1550, 1551, 1552, 1553, 1554, 1555, 1556, 1557, 1558, 1559, 1560, 1561, 1562, 1563, 1564, 1565, 1566, 1567, 1568, 1569, 1570, 1571, 1572, 1573, 1574, 1575, 1576, 1577, 1578, 1579, 1580, 1581, 1582, 1583, 1584, 1585, 1586, 1587, 1588, 1589, 1590, 1591, 1592, 1593, 1594, 1595, 1596, 1597, 1598, 1599, 1600, 1601, 1602, 1603, 1604, 1605, 1606, 1607, 1608, 1609, 1610, 1611, 1612, 1613, 1614, 1615, 1616, 1617, 1618, 1619, 1620, 1621, 1622, 1623, 1624, 1625, 1626, 1627, 1628, 1629, 1630, 1631, 1632, 1633, 1634, 1635, 1636, 1637, 1638, 1639, 1640, 1641, 1642, 1643, 1644, 1645, 1646, 1647, 1648, 1649, 1650, 1651, 1652, 1653, 1654, 1655, 1656, 1657, 1658, 1659, 1660, 1661, 1662, 1663, 1664, 1665, 1666, 1667, 1668, 1669, 1670, 1671, 1672, 1673, 1674, 1675, 1676, 1677, 1678, 1679, 1680, 1681, 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2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202,								

Serial No.	Name of Lessee	Date of Lease	Description	Acres	Method of Bid (if)	No. Bidders	Bonus Per Acre	Rental and Royalty Terms	Royalty Terms	Total Production to 1/1/77	Total Income to 1/1/77
M 1595 (Competitive)	Peabody Coal Company St. Louis, MO 63102	4/1/71 b-5	T 1 N, R 4 E, P 4 M. Sec 24: Lots 1, 2, 3, 4, 4th. Sec 25: Lot 1, 4th. T 1 N, R 4 E, P 4 M. Sec 14: 5th. Sec 22: All but 5th. Sec 20: 5th. Sec 30: Lots 1, 2, 3, 4, 4th. T 1 S, R 4 E, P 4 M. Sec 4: 5th. Sec 6: Lots 1, 2, 3, 4, 4th. Rosebud County	4,306.55 Federal Surface 320.00 Private Surface 3,986.55	Sealed bids (no sealed bids received)	3	\$56.00	Rent: \$1/a, 1st 5 yrs.; \$5/a, thereafter con 1st 10 yrs.; 10¢/ton 2nd 10 yrs.	N/A	-0-	Rental \$ 8,414.00
MONTANA 051566 (Competitive)	Rosebud Coal Sales Co. P. O. Box 79 Sheridan, WY 82801	3/1/64 5-10-0	T 2 S, R 3 E, P 4 M. Sec 24: Lots 1, 2, 3, 4, 4th. T 2 S, R 3 E, P 4 M. Sec 19: Lot 3, 4th. Sec 20: 5th. Sec 30: Lot 2, 5th. Big Horn County	1,199.16 Federal Surface All	Sealed bids (no oral bids received)	1	\$1.00	1¢/ton 1st 15 yrs.; 12¢/ton 15¢/ton 2nd 10 yrs.	N/A	-0-	Rental \$ 2,493.75
GRAT FALLS 082223 (Pref. Right)	George Stanich & Adolph Boehl 125 N. Excelsior St. Butte, MT 59701	8/6/63 D-1-C	T 11 S, R 3 W, P 4 M. Sec 28: 4th. Madison County	80.00 Federal Surface All	---	---	---	1¢/ton - 20 yrs.	Adjustment Rent: no change 1¢/ton 1st 10 yrs.	736	Rental \$ 2,200.00 Royalty \$ 119.15 Total \$ 2,319.15
WILLIAMS 082223 (Pref. Right & Competitive)	Western Energy Company 40 E. Broadway Butte, MT 59701	5/7/73	T 1 N, R 4 E, P 4 M. Sec 4: Lots 1, 2, 3, 4, 4th. Sec 12: 5th. T 2 N, R 4 E, P 4 M. Sec 34: 5th. Sec 18: Lots 2, 3, 4, 4th. Rosebud County	1,391.35 Private Surface All	Offered at public sale to party offering bonus; if no bonus offered to applicant	0 0 0 10 applicant	---	1¢/ton 10¢/ton 12¢/ton 2nd 5 yrs.; 13¢/ton 5 yrs.	Consolidant: Rent: 25¢/a, thereafter \$1/a, per yr., change 1¢/a, per yr., con 1st 5 yrs., 12¢/ton 2nd 5 yrs.; 13¢/ton 5 yrs.	19,021,793 tons	Rental \$ 28,555.00 Royalty \$1,935,329.55 Total \$1,963,884.55

1/ Standard Rental Rates:
25¢/a. 1st Yr.; 50¢/a. 2nd thru 5th yrs.; & \$1/a. 6th and succeeding yrs.

Serial No.	Name of Lessee	Date of Lease	Description	Acres	Method of Valuation	No. Bidders	Revenue Per Acre	Rental and Royalty Terms	Adjusted Rental and Royalty Terms	Total Production to 1/1/77	Total Income to 1/1/77
M 3811 (Competitive)	Western Energy Company Butte, MT 59701	9/1/66 S-10	T 1 N, R 39 E, P.M.H. Sec 10: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 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1182, 1183, 1184, 1185, 1186, 1187, 1188, 1189, 1190, 1191, 1192, 1193, 1194, 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202, 1203, 1204, 1205, 1206, 1207, 1208, 1209, 1210, 1211, 1212, 1213, 1214, 1215, 1216, 1217, 1218, 1219, 1220, 1221, 1222, 1223, 1224, 1225, 1226, 1227, 1228, 1229, 1230, 1231, 1232, 1233, 1234, 1235, 1236, 1237, 1238, 1239, 1240, 1241, 1242, 1243, 1244, 1245, 1246, 1247, 1248, 1249, 1250, 1251, 1252, 1253, 1254, 1255, 1256, 1257, 1258, 1259, 1260, 1261, 1262, 1263, 1264, 1265, 1266, 1267, 1268, 1269, 1270, 1271, 1272, 1273, 1274, 1275, 1276, 1277, 1278, 1279, 1280, 1281, 1282, 1283, 1284, 1285, 1286, 1287, 1288, 1289, 1290, 1291, 1292, 1293, 1294, 1295, 1296, 1297, 1298, 1299, 1300, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1310, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1327, 1328, 1329, 1330, 1331, 1332, 1333, 1334, 1335, 1336, 1337, 1338, 1339, 1340, 1341, 1342, 1343, 1344, 1345, 1346, 1347, 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2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2								

TOTALS - 17 Leases

1/ Standard Rental Rates: 25¢/a. 1st Yr.; 50¢/a. 2nd thru 5th yrs.; & \$1/a. 6th and succeeding yrs.

STATE NEW MEXICO Facsimile Message No. NM50-73-8 OUTSTANDING COAL LEASES (March 6, 1973)

Page 1
of 6

Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acres	Surface Acreage in Federal Ownership	Surface Acreage Out of Federal Ownership	Leases in Actual Production
SP 042800 4/1/74 3.00	PR	Barney Urtado P. O. Box 12 Raton, NM 87740	T. 31 N., R. 24 E., NMPM Colfax	40.70	All		
NM 045196 4/1/74 10.15	PR	Western Coal Company P. O. Box 1026 Albuquerque, NM 87103	T. 30 N., R. 15 W., NMPM San Juan	2,467.24	680.00	1,787.24	
NM 045197 4/1/74 10.15	PR	" " "	T. 30 N., R. 15 W., NMPM San Juan	2,565.60	1,924.60	641.00	
NM 045217 4/1/74 10.15	PR	" " "	T. 30 N., R. 15 W., NMPM San Juan	1,800.00	All	None	
SP 048323 4/1/74 10.15	PR	John E. Sackett 3002 El Centro Dr., SW Albuquerque, NM 87105	T. 19 N., R. 2 W., NMPM Sandoval	120.00	120.00	None	
NM 037348 4/1/74 10.15	PR	Gulf Oil Corporation c/o The Pittsburg & Midway Coal Mining Co. Hanover Bldg. 15 West 10th Street Kansas City, Missouri 64105	T. 16 N., R. 20 & 21 W., T. 17 N., R. 20 W., NMPM McKinley	2,485.12	All		P
NM 057349 4/1/74 10.15	PR	" " "	T. 16 N., R. 20 W., NMPM McKinley	2,570.13	591.94	1,978.19	
NM 065466 4/1/74 10.15	PR	" " "	T. 16 N., R. 20 W., NMPM McKinley	2,560.00	160.00	2,400.00	

OUTSTANDING COAL LEASES (March 6, 1973)

Facsimile Message No. NUSO-73-8
10 of 12 pages

STATE NEW MEXICO

Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acreage	Surface Acreage in Federal Ownership	Surface Acreage Out of Federal Ownership	Leases in Actual Production
SF 066817	C	Secundino Sineros, Joe Sineros, Gene Sineros and George Sineros 228 S. - 1st. Raton, NM 87740	T. 31 N., R. 25 E., N4PM Colfax	120.00		All	P
SF 071448	PR	Fred A. Silva, Deceased c/o Mrs. Caroline Silva 3637 Humbolt St. Denver, Colorado 80205	T. 29 N., R. 15 W., N4PM San Juan	40.00		All	
SF 074673	PR	Robert Lee Davis Raton, NM 87740	T. 31 N., R. 24 E., N4PM Colfax	40.00		All	
SF 075321	C	Florentino Padilla P. O. Box 413 Cuba, NM 87013	T. 20 N., R. 1 W., N4PM Sandoval	120.00		All	
SF 076644	PR	James L. Simmons 8907 8th St. NW Albuquerque, NM 87114	T. 25 N., R. 1 E., N4PM Rio Arriba	80.00	80.00	None	
SF 077115	PR	Leo Warren Star Route Box 48 Waterflow, NM 87421	T. 30 N., R. 16 W., N4PM San Juan	160.00	160.00	None	
SF 077779	C	Florentino Padilla P. O. Box 413 Cuba, NM 87013	T. 20 N., R. 1 W., N4PM Sandoval	40.00		All	
NM 0186612	C	Western Coal Co. P. O. Box 1360 Albuquerque, NM 87103	Ts. 23 & 24 N., R. 13 W., San Juan N4PM	2,188.62	859.67	1,328.95	

STATE NEW MEXICO		Facsimile Message No. NM50-73-8 11 of 12 pages		OUTSTANDING COAL LEASES (March 6, 1973)					Page of	
Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range and County	Acreage	Surface Acreage in Township Federal Ownership	Surface Acreage Out of Federal Ownership	Lease Act Pro			
NM 0186613 10-15	C	Western Coal Co. P. O. Box 1360 Albuquerque, NM 87103	Ts. 23 & 24 N., R. 13 W., San Juan NMPL	1,240.00	1,240.00	None				
NM 0186615 10-15	C	" " " "	T. 23 N., R. 13 W., NMPL San Juan	2,027.16	2,027.16	None				
NM 0315559 5-15	C	Peabody Coal Co. 301 North Memorial Drive St. Louis, MO 63102	T. 32 N., R. 12 & 13 W., San Juan NMPL	2,044.15	208.30	1,835.85				
NM 0510466 5-10	PR	Consolidation Coal Company 7395 E. Prentice Ave. Englewood, Colorado 80110	T. 20 N., R. 1 W., NMPL Sandoval	1,998.14	230.38	1,767.76				
NM 0510467 5-10	PR	" " " "	T. 19 N., R. 1 & 2 W., Sandoval NMPL	2,432.94	1,363.11	1,069.83				
NM 0510468 5-10	PR	" " " "	T. 19 N., R. 1 W., NMPL T. 20 N., R. 1 & 2 W., NMPL Sandoval	2,505.47	1,469.04	1,036.43				
NM 0554844 5-10	PR	Gulf Oil Corporation c/o The Pittsburg & Midway Coal Mining Co. Hanover Bldg. 15 West 10th Street Kansas City, MO 64105	Ts. 16 & 17 N., R. 20 W., McKinley NMPL	540.49		All				
NM 0555316 5-10	PR	Consolidation Coal Company Western Division 7395 E. Prentice Ave. Englewood, Colorado 80110	T. 19 N., R. 1 W., NMPL Sandoval	160.00	160.00	None				

STATE <u>NEW MEXICO</u>		Facsimile Message No. <u>NMSO-73-3</u> 12 of 12 pages		OUTSTANDING COAL LEASES (March 6, 1973)		Page 4 of 4	
Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acreage	Surface Acreage in Federal Ownership	Surface Acreage Out of Federal Ownership	Leases in Actual Production
NM 0555317 <i>5-10</i> <i>21122</i>	C	Consolidation Coal Company Western Division 7895 E. Prentice Ave. Englewood, CO 80110	T. 19 & 20 N., R. 1 W., Sandoval NMPH	2,206.04	1,366.14	839.90	
NM 732 <i>5-10</i> <i>21122</i>	C	Elene Mining Corp. P. O. Box 457 Cuba, NM 87103	T. 19 N., R. 1 W., NMPH Sandoval	160.00	160.00	None	
NM 2437 <i>5-10</i> <i>21122</i>	C	Seneca Oil Co. 3022 NW Expressway Oklahoma City, OK 73112	T. 19 & 20 N., R. 6 W. McKinley	6,336.12	160.00	6,176.12	
NM 10931 <i>5-5</i> <i>21122</i>	PR	Eastern Associated Properties Corp., et al. 2900 Prudential Tower Boston, MA 02199	T. 23 N., R. 11 W., NMPH San Juan	1,910.20		All	
						26197.78	

MONTANA STATE OFFICE
BUREAU OF LAND MANAGEMENT
BILLINGS, MONTANA
COAL LEASES - NORTH DAKOTA

March 22, 1973

Serial No.	Name of Lessee	Date of Lease	Description	Acres	Method of Bidding	No. Bidders	Bonus Per Acre	Rental and Royalty Terms	Adjusted Rental and Royalty Terms	Total Production to 1/1/73	Total Income to 1/1/73
MONTANA 051025 (Competitive)	American Colliery Company 5100 Surfside Court Sukle, IL 60076	3/1/64	T 154 N, R 100 W, 5th P.M., Sec 17; 1/2, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 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395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 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995, 996, 997, 998, 999, 1000, 1001, 1002, 1003, 1004, 1005, 1006, 1007, 1008, 1009, 1010, 1011, 1012, 1013, 1014, 1015, 1016, 1017, 1018, 1019, 1020, 1021, 1022, 1023, 1024, 1025, 1026, 1027, 1028, 1029, 1030, 1031, 1032, 1033, 1034, 1035, 1036, 1037, 1038, 1039, 1040, 1041, 1042, 1043, 1044, 1045, 1046, 1047, 1048, 1049, 1050, 1051, 1052, 1053, 1054, 1055, 1056, 1057, 1058, 1059, 1060, 1061, 1062, 1063, 1064, 1065, 1066, 1067, 1068, 1069, 1070, 1071, 1072, 1073, 1074, 1075, 1076, 1077, 1078, 1079, 1080, 1081, 1082, 1083, 1084, 1085, 1086, 1087, 1088, 1089, 1090, 1091, 1092, 1093, 1094, 1095, 1096, 1097, 1098, 1099, 1100, 1101, 1102, 1103, 1104, 1105, 1106, 1107, 1108, 1109, 1110, 1111, 1112, 1113, 1114, 1115, 1116, 1117, 1118, 1119, 1120, 1121, 1122, 1123, 1124, 1125, 1126, 1127, 1128, 1129, 1130, 1131, 1132, 1133, 1134, 1135, 1136, 1137, 1138, 1139, 1140, 1141, 1142, 1143, 1144, 1145, 1146, 1147, 1148, 1149, 1150, 1151, 1152, 1153, 1154, 1155, 1156, 1157, 1158, 1159, 1160, 1161, 1162, 1163, 1164, 1165, 1166, 1167, 1168, 1169, 1170, 1171, 1172, 1173, 1174, 1175, 1176, 1177, 1178, 1179, 1180, 1181, 1182, 1183, 1184, 1185, 1186, 1187, 1188, 1189, 1190, 1191, 1192, 1193, 1194, 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202, 1203, 1204, 1205, 1206, 1207, 1208, 1209, 1210, 1211, 1212, 1213, 1214, 1215, 1216, 1217, 1218, 1219, 1220, 1221, 1222, 1223, 1224, 1225, 1226, 1227, 1228, 1229, 1230, 1231, 1232, 1233, 1234, 1235, 1236, 1237, 1238, 1239, 1240, 1241, 1242, 1243, 1244, 1245, 1246, 1247, 1248, 1249, 1250, 1251, 1252, 1253, 1254, 1255, 1256, 1257, 1258, 1259, 1260, 1261, 1262, 1263, 1264, 1265, 1266, 1267, 1268, 1269, 1270, 1271, 1272, 1273, 1274, 1275, 1276, 1277, 1278, 1279, 1280, 1281, 1282, 1283, 1284, 1285, 1286, 1287, 1288, 1289, 1290, 1291, 1292, 1293, 1294, 1295, 1296, 1297, 1298, 1299, 1300, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1310, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1327, 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PAGE 2
 MINERAL LEASES - MONTY DARTON
 March 22, 1973

Serial No.	Name of Lessee	Date of Lease	Description	Ac. as	Method of Bidding	No. Bidders	Bonus Per Acre	Rental and Royalty Terms	Adjusted Rental and Royalty Terms	Total Production to 1/1/73	Total Income to 1/1/73
W 15896 (Competitive)	Consolidation Coal Company 3300 One Oliver Plaza Pittsburgh, PA 15222	5/1/71	T 152 N, R 81 W, 5th P.M., Sec 35: SW1/4, SW1/4 Vard County	40.00 Private Surface All	Sealed bids followed by oral bids	1 (sealed bid)	\$8.50 \$256.00	Rent: \$1/4, 1st 5 yrs; thereafter Royalty: 15¢/ton first 10 yrs; 12¢/ton 2nd 10 yrs.	N/A	99,126 tons	Royalty \$14,868.60 0-5
W 15897X 022727 (Pref. Right)	Emm, Walter, Hazel, Kenneth & Vernon Davenport & Bernice Harward New Martinsburg, MD 20652	11/7/28	T 134 N, R 90 W, 5th P.M., Sec 34: NE1/4, SE1/4 Grant County	160.00 Private Surface All	---	---	---	Rent: 1/ Royalty: 10¢/ton	Adjustment: 8/1/50-Rent- 15¢/ton 10/17/68 Rent: \$1/4, Royalty 15¢/ton 12¢/ton 2nd 10 yrs. Royalty: 12¢/ton	394,590 tons	Royalty \$44,983.95 0-64
MONTANA 065339 (Competitive)	GeonResources Exploration, Inc. P. O. Box 754 Williston, ND 58801	12/7/66	T 154 N, R 100 W, 5th P.M., Sec 8: NE1/4, SE1/4, NW1/4 Williams County	320.00 Private Surface All	Sealed only	1	\$1.55 400.00 a. 25¢/acre	Rent: 1/ Royalty: 10¢/ton 12¢/ton 2nd 10 yrs.	N/A	0-0	Rent \$ 2,000.00 0-10
MONTANA 071813 (Competitive)	Kerr-McGee Corporation Kerr-McGee Bldg. Oklahoma City, Ok. 73102	11/1/67	T 145 N, R 87 W, 5th P.M., Sec 18: NE1/4, SW1/4, NW1/4 T 146 N, R 87 W, 5th P.M., Sec 21: NW1/4, SW1/4, NW1/4 Sec 4: NW1/4, SW1/4, NW1/4 Sec 10: NW1/4, SW1/4, NW1/4 Sec 12: NW1/4, SW1/4, NW1/4 Mercer County	2,033.71 Private Surface All	Sealed only	2	\$2.32 477¢/acre	Rent: 1/ Royalty: 15¢/ton 12¢/ton 2nd 10 yrs.	N/A	0-0	Rent \$ 6,410.50 0-10
W 15898X 807 (Competitive)	Wells River Coal Mining Co. Wells River, W. Va. Bismarck, ND 58501	5/21/23	T 144 N, R 82 W, 5th P.M., Sec 8: NE1/4, NW1/4, SE1/4 T 144 N, R 83 W, 5th P.M., Sec 12: NW1/4 Mercer County	560.00 Private Surface All	Offered as public auc- tion to party offer- ing highest bid	0 Lease awarded to highest bidder	---	Rent: 1/ Royalty: 5¢/ton 1st 20 years	Adjustment: 10/8/67 - No change in Adjustment: 7/3/63 - 10¢/ton 10/27/67 - 12¢/ton 12¢/ton 2nd 10 yrs. 12¢/ton 2nd 10 yrs. 12¢/ton 2nd 10 yrs.	4,590,905 tons	Rent \$ 2,782.26 Royalty \$11,888.05 \$319,680.31 0-14

1/ Standard Rental Rates 35¢/a 1st yr.; 50¢/a, 2nd thru 5th yrs.; & 11¢/a, 6th and succeeding yrs.

Serial No.	Name of Lessee	Date of Lease	Description	Acres	Method of Bidding	No. Bidders	Bonus Per Acre	Rental and Royalty Terms	Adjusted Rental and Royalty Terms	Total Production to 1/1/77	Total Income to 1/1/77
019127 (Competitive)	Knife River Coal Mining Co. 400 N. Fourth St. Blanchard, MO 38001	5/1/58	T 130 N., R 99 W., 5th P.M., Sec 15: NE 1/4, SE 1/4 Benton County	180.00 Private Surface All	Sealed Only	1	\$1.00 1st 20 yrs.	Rent: 1/100 ton Royalty: 10c/ton 1st 20 yrs.	N/A	-0-	Rental \$1,479.00 Royalty 211,328.00 Total \$112,807.19
019127 (Competitive)	" " " "	1/1/51	T 131 N., R 99 W., 5th P.M., Sec 20: SW 1/4, SE 1/4 Sec 21: SW 1/4, SE 1/4 Sec 22: SW 1/4, SE 1/4 Sec 23: SW 1/4, SE 1/4 Sec 24: SW 1/4, SE 1/4 Sec 25: SW 1/4, SE 1/4 Sec 26: SW 1/4, SE 1/4 Sec 27: SW 1/4, SE 1/4 Sec 28: SW 1/4, SE 1/4 Sec 29: SW 1/4, SE 1/4 Sec 30: SW 1/4, SE 1/4 Sec 31: SW 1/4, SE 1/4 Sec 32: SW 1/4, SE 1/4 Sec 33: SW 1/4, SE 1/4 Sec 34: SW 1/4, SE 1/4 Sec 35: SW 1/4, SE 1/4 Sec 36: SW 1/4, SE 1/4 Sec 37: SW 1/4, SE 1/4 Sec 38: SW 1/4, SE 1/4 Sec 39: SW 1/4, SE 1/4 Sec 40: SW 1/4, SE 1/4 Sec 41: SW 1/4, SE 1/4 Sec 42: SW 1/4, SE 1/4 Sec 43: SW 1/4, SE 1/4 Sec 44: SW 1/4, SE 1/4 Sec 45: SW 1/4, SE 1/4 Sec 46: SW 1/4, SE 1/4 Sec 47: SW 1/4, SE 1/4 Sec 48: SW 1/4, SE 1/4 Sec 49: SW 1/4, SE 1/4 Sec 50: SW 1/4, SE 1/4 Sec 51: SW 1/4, SE 1/4 Sec 52: SW 1/4, SE 1/4 Sec 53: SW 1/4, SE 1/4 Sec 54: SW 1/4, SE 1/4 Sec 55: SW 1/4, SE 1/4 Sec 56: SW 1/4, SE 1/4 Sec 57: SW 1/4, SE 1/4 Sec 58: SW 1/4, SE 1/4 Sec 59: SW 1/4, SE 1/4 Sec 60: SW 1/4, 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1/ Standard Rental Rate: 25¢/a. 1st yr.; 50¢/a. 2nd thru 5th yrs.; & 51/a. 6th and succeeding yrs.

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PAGE 5
COAL LEASES - MONTW BROOKDA
March 22, 1977

Serial No.	Name of Lessee	Date of Lease	Description	Acres	Method of Bidding	No. Bidders	Bonus Per Acre	Rental and Royalty Terms	Adjusted Rental and Royalty Terms	Total Production to 1/1/77	Total Income to 1/1/77
	MONTANA 042819 (Competitive)	10/7/63	T 144 N, R 88 W, 5th P.M., Sec 4: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 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407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 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1172, 1173, 1174, 1175, 1176, 1177, 1178, 1179, 1180, 1181, 1182, 1183, 1184, 1185, 1186, 1187, 1188, 1189, 1190, 1191, 1192, 1193, 1194, 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202, 1203, 1204, 1205, 1206, 1207, 1208, 1209, 1210, 1211, 1212, 1213, 1214, 1215, 1216, 1217, 1218, 1219, 1220, 1221, 1222, 1223, 1224, 1225, 1226, 1227, 1228, 1229, 1230, 1231, 1232, 1233, 1234, 1235, 1236, 1237, 1238, 1239, 1240, 1241, 1242, 1243, 1244, 1245, 1246, 1247, 1248, 1249, 1250, 1251, 1252, 1253, 1254, 1255, 1256, 1257, 1258, 1259, 1260, 1261, 1262, 1263, 1264, 1265, 1266, 1267, 1268, 1269, 1270, 1271, 1272, 1273, 1274, 1275, 1276, 1277, 1278, 1279, 1280, 1281, 1282, 1283, 1284, 1285, 1286, 1287, 1288, 1289, 1290, 1291, 1292, 1293, 1294, 1295, 1296, 1297, 1298, 1299, 1300, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1310, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1327, 1328, 1329, 1330, 1331, 1332, 1333, 1334, 1335, 1336, 1337, 1338, 1339, 1340, 1341, 1342, 1343, 1344, 1345, 1346, 1347, 1348, 1349, 1350, 1351, 1352, 1353, 1354, 1355, 1356, 1357, 1358, 1359, 1360, 1361, 1362, 1363, 1364, 1365, 1366, 1367, 1368, 1369, 1370, 1371, 1372, 1373, 1374, 1375, 1376, 1377, 1378, 1379, 1380, 1381, 1382, 1383, 1384, 1385, 1386, 1387, 1388, 1389, 1390, 1391, 1392, 1393, 1394, 1395, 1396, 1397, 1398, 1399, 1400, 1401, 1402, 1403, 1404, 1405, 1406, 1407, 1408, 1409, 1410, 1411, 1412, 1413, 1414, 1415, 1416, 1417, 1418, 1419, 1420, 1421, 1422, 1423, 1424, 1425, 1426, 1427, 1428, 1429, 1430, 1431, 1432, 1433, 1434, 1435, 1436, 1437, 1438, 1439, 1440, 1441, 1442, 1443, 1444, 1445, 1446, 1447, 1448, 1449, 1450, 1451, 1452, 1453, 1454, 1455, 1456, 1457, 1458, 1459, 1460, 1461, 1462, 1463, 1464, 1465, 1466, 1467, 1468, 1469, 1470, 1471, 1472, 1473, 1474, 1475, 1476, 1477, 1478, 1479, 1480, 1481, 1482, 1483, 1484, 1485, 1486, 1487, 1488, 1489, 1490, 1491, 1492, 1493, 1494, 1495, 1496, 1497, 1498, 1499, 1500, 1501, 1502, 1503, 1504, 1505, 1506, 1507, 1508, 1509, 1510, 1511, 1512, 1513, 1514, 1515, 1516, 1517, 1518, 1519, 1520, 1521, 1522, 1523, 1524, 1525, 1526, 1527, 1528, 1529, 1530, 1531, 1532, 1533, 1534, 1535, 1536, 1537, 1538, 1539, 1540, 1541, 1542, 1543, 1544, 1545, 1546, 1547, 1548, 1549, 1550, 1551, 1552, 1553, 1554, 1555, 1556, 1557, 1558, 1559, 1560, 1561, 1562, 1563, 1564, 1565, 1566, 1567, 1568, 1569, 1570, 1571, 1572, 1573, 1574, 1575, 1576, 1577, 1578, 1579, 1580, 1581, 1582, 1583, 1584, 1585, 1586, 1587, 1588, 1589, 1590, 1591, 1592, 1593, 1594, 1595, 1596, 1597, 1598, 1599, 1600, 1601, 1602, 1603, 1604, 1605, 1606, 1607, 1608, 1609, 1610, 1611, 1612, 1613, 1614, 1615, 1616, 1617, 1618, 1619, 1620, 1621, 1622, 1623, 1624, 1625, 1626, 1627, 1628, 1629, 1630, 1631, 1632, 1633, 1634, 1635, 1636, 1637, 1638, 1639, 1640, 1641, 1642, 1643, 1644, 1645, 1646, 1647, 1648, 1649, 1650, 1651, 1652, 1653, 1654, 1655, 1656, 1657, 1658, 1659, 1660, 1661, 1662, 1663, 1664, 1665, 1666, 1667, 1668, 1669, 1670, 1671, 1672, 1673, 1674, 1675, 1676, 1677, 1678, 1679, 1680, 1681, 1682, 1683, 1684, 1685, 1686, 1687, 1688, 1689, 1690, 1691, 1692, 1693, 1694, 1695, 1696, 1697, 1698, 1699, 1700, 1701, 1702, 1703, 1704, 1705, 1706, 1707, 1708, 1709, 1710, 1711, 1712, 1713, 1714, 1715, 1716, 1717, 1718, 1719, 1720, 1721, 1722, 1723, 1724, 1725, 1726, 1727, 1728, 1729, 1730, 1731, 1732, 1733, 1734, 1735, 1736, 1737, 1738, 1739, 1740, 1741, 1742, 1743, 1744, 1745, 1746, 1747, 1748, 1749, 1750, 1751, 1752, 1753, 1754, 1755, 1756, 1757, 1758, 1759, 1760, 1761, 1762, 1763, 1764, 1765, 1766, 1767, 1768, 1769, 1770, 1771, 1772, 1773, 1774, 1775, 1776, 1777, 1778, 1779, 1780, 1781, 1782, 1783, 1784, 1785, 1786, 1787, 1788, 1789, 1790, 1791, 1792, 1793, 1794, 1795, 1796, 1797, 1798, 1799, 1800, 1801, 1802, 1803, 1804, 1805, 1806, 1807, 1808, 1809, 1810, 1811, 1812, 1813, 1814, 1815, 1816, 1817, 1818, 1819, 1820, 1821, 1822, 1823, 1824, 1825, 1826, 1827, 1828, 1829, 1830, 1831, 1832, 1833, 1834, 1835, 1836, 1837, 1838, 1839, 1840, 1841, 1842, 1843, 1844, 1845, 1846, 1847, 1848, 1849, 1850, 1851, 1852, 1853, 1854, 1855, 1856, 1857, 1858, 1859, 1860, 1861, 1862, 1863, 1864, 1865, 1866, 1867, 1868, 1869, 1870, 1871, 1872, 1873, 1874, 1875, 1876, 1877, 1878, 1879, 1880, 1881, 1882, 1883, 1884, 1885, 1886, 1887, 1888, 1889, 1890, 1891, 1892, 1893, 1894, 1895, 1896, 1897, 1898, 1899, 1900, 1901, 1902, 1903, 1904, 1905, 1906, 1907, 1908, 1909, 1910, 1911, 1912, 1913, 1914, 1915, 1916, 1917, 1918, 1919, 1920, 1921, 1922, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931, 1932, 1933, 1934, 1935, 1936, 1937, 1938, 1939, 1940, 1941, 1942, 1943, 1944, 1945, 1946, 1947, 1948, 1949, 1950, 1951, 1952, 1953, 1954, 1955, 1956, 1957, 1958, 1959, 1960, 1961, 1962, 1963, 1964, 1965, 1966, 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197,								

	<u>Total Acreage</u>	<u>Private</u>	<u>Issue Date</u>	<u>Type</u>	<u>County</u>
OHIO					
BLMA-80717 O.C. and C.E. Collins	144.14	All	7/01/68	Competitive	Lawrence

STATE OKLAHOMA Facsimile Message No. NMSO-73-8
2 of 12 pages

Page 1
of 7

OUTSTANDING COAL LEASES (March 6, 1973)

Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acreage	Surface Acreage in Federal Ownership	Surface Acreage Out of Federal Ownership	Leases in Actual Production
BLM-I-017564 5/1/73	PR	Evans Coal Company P. O. Box 711 Fort Smith, Arkansas 72901	T. 8 N., R. 22 & 23 E., IM Haskell & Le Flore	1,360.00	265.00	1,095.00	
BLM-I-017612 5/1/73	PR	" " "	T. 9 N., R. 24 & 25 E., IM Le Flore	1,868.65		All	
BLM-I-017683 5/1/73	PR	Cameron Coal Company P. O. Box 186 Fort Smith, Arkansas 72901	T. 9 N., R. 26 E., IM Le Flore	2,560.00		All	
BLM-I-017902 5/1/73	PR	Paul Reese Coal Company Bokoshe, Oklahoma 74930	T. 8 N., R. 23 E., IM Le Flore	680.00	200.00	480.00	
BLM-I-018074 5/1/73	PR	Garland Coal & Mining Company P. O. Box 186 Fort Smith, Arkansas 72901	T. 5 N., R. 25 & 26 E., IM Le Flore	325.54	40.00	285.54	
BLM-I-018108 5/1/73	PR	The Pacola Company P. O. Box 186 Fort Smith, Arkansas 72901	T. 9 N., R. 26 E., IM Le Flore	960.00		All	
BLM-C-018125 5/1/73	C	Lone Star Steel Company P. O. Box 35888 Dallas, Texas 75235	T. 5 N., R. 15 E., IM Pittsburg	2,560.33	2.50	2,557.83	
BLM-C-018820 5/1/73	PR	" " "	T. 8 N., R. 23 & 24 E., IM Le Flore	915.16		All	

OUTSTANDING COAL LEASES (March 6, 1973)

Facsimile Message No. FMSO-73-8
3 of 12 pages

STATE OKLAHOMA

Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acres	Surface Acreage in Federal Ownership	Surface Acreage Out of Federal Ownership	Leases in Actual Production
BLM-C-018983 5/24/52	PR	Garland Coal & Mining Co. P. O. Box 186 Fort Smith, Arkansas 72901	T. 5 N., R. 22 E., IM Latimer	160.00		All	
BLM-C-021851 1/1/51	C	Lone Star Steel Company P. O. Box 35888 Dallas, Texas 75235	T. 8 N., R. 22 E., IM Haskell	1,500.00		All	P
BLM-C-022012 5/6/53	PR	Evans Coal Company P. O. Box 711 Fort Smith, Arkansas 72901	T. 8 N., R. 22 & 23 E., IM Haskell & Le Flore	793.50		All	
BLM-C-022999 5/6/53	PR	Garland Coal Company P. O. Box 186 Fort Smith, Arkansas 72901	T. 5 N., R. 26 & 27 E., IM Le Flore	1,384.78		All	
BLM-C-027239 5/6/53	PR	Hardy Hall 4620 North "W" St. Fort Smith, Arkansas 72901	T. 9 N., R. 20 E., IM Haskell	880.00		All	
BLM-C-028369 5/6/53	PR	Garland Coal and Mining Co. P. O. Box 186 Fort Smith, Arkansas 72901	T. 8 N., R. 25 E., IM Le Flore	1,000.00		All	
BLM-C-028370 5/6/53	PR	Garland Coal and Mining Co. P. O. Box 186 Fort Smith, Arkansas 72901	T. 8 N., R. 25 E., IM Le Flore	240.00		All	
BLM-C-028799 5/6/52	PR	Evans Coal Company P. O. Box 711 Fort Smith, Arkansas 72901	T. 8 N., R. 22 E., IM Haskell	640.00		All	

OUTSTANDING COAL LEASES (March 6, 1973)

STATE OKLAHOMA Facsimile Message No. KNSO-73-8
4 of 12 pages

Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acreage	Surface Acreage in Federal Ownership	Surface Acreage Out of Ownership	Leases in Actual Production
BLM-C-029794 2/1/74	PR	Evans Coal Company P. O. Box 711 Fort Smith, Arkansas 72901	T. 5 N., R. 15 & 16 E., IM Pittsburg	2,478.96		All	
BLM-C-030584 2/1/74	PR	" " " "	T. 4 N., R. 14 E., IM Pittsburg	2,550.52		All	
BLM-C-030785 2/1/74	PR	Garland Coal and Mining Co. P. O. Box 186 Fort Smith, Arkansas 72901	T. 8 N., R. 22 & 23 E., IM Haskell and Le Flore	2,097.84	280.00	1,817.84	
BLM-C-030953/ 031215 (Combined)	PR	" " " "	T. 9 & 10 N., R. 21 E., IM Haskell	960.92		All	P
BLM-C-031135	PR	Hardy Hall 4620 North "N" St. Fort Smith, Arkansas 72901	T. 8 N., R. 21 E., IM Haskell	1,180.00		All	
BLM-C-031611	PR	Evans Coal Company P. O. Box 711 Fort Smith, Arkansas 72901	T. 4 N., R. 14 E. T. 5 N., R. 14 & 15 E., IM Pittsburg	2,530.20		All	
BLM-C-031985 2/1/74	PR	Garland Coal and Mining Co. P. O. Box 186 Fort Smith, Arkansas 72901	T. 6 N., R. 27 E., IM Le Flore	1,844.30		All	
BLM-C-032224 2/1/74	C	Evans Coal Company P. O. Box 711 Fort Smith, Arkansas 72901	T. 8 N., R. 22 E., IM Haskell	400.00	80.00	320.00	P

DATE OKLAHOMA		Facsimile Message No. NUSO-73-8		OUTSTANDING COAL LEASES (March 6, 1973)		Page 4 of 7	
Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acreage	Surface Acreage in Federal Ownership	Surface Acreage Out of Federal Ownership	Leases in Actual Production
BLX-C-032614 2/1/68	PR	Garland Coal and Mining Co. P. O. Box 186 Port Smith, Arkansas 72901	T. 6 N., R. 26 & 27 E., IM Le Flore	1,000.00	All		
BLX-C-035069 5/1/67	C	" " "	T. 8 N., R. 24 E., IM Le Flore	1,830.37	All		
BLX-C-035069 5/1/67	C	" " "	T. 8 N., R. 24 E., IM Le Flore	1,640.00	All		
NH 023555 2/1/61	PR	A. James Gordon P. O. Box 58 McAlester, Oklahoma 74501	T. 8 N., R. 21 E., IM Haskell	2,560.00	All		
NH 023556 2/1/61	PR	" " "	T. 8 N., R. 21 & 22 E., IM Haskell	1,686.73	All		
NH 025632 5/1/61	PR	Garland Coal and Mining Company P. O. Box 186 Port Smith, Arkansas 72901	T. 5 & 6 N., R. 25 E., IM Le Flore	2,266.34	All		
NH 029132 6/1/61	PR	" " "	T. 5 N., R. 22 & 23 E.; T. 6 N., R. 22 & 23 E., IM Le Flore & Latimer	2,553.59	All		
NH 029179 2/1/61	PR	" " "	T. 5 N., R. 21 & 22 E.; T. 6 N., R. 21 & 22 E., IM Latimer & Le Flore	2,553.21	All		
NH 029180 2/1/61	PR	" " "	T. 5 & 6 N., R. 22 E., IM Latimer & Le Flore	1,923.89	132.04	1,791.85	

STATE OKLAHOMA

Facsimile Message No. NMSO-73-8
6 of 12 pages

OUTSTANDING COAL LEASES (March 6, 1973)

Page 5
of 7

Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acreage	Surface Acreage in Federal Ownership	Surface Acreage Out of Federal Ownership	Leases in Actual Productive
NH 029891 5/1/62	PR	Cameron Coal Company P. O. Box 1365 Fort Smith, Arkansas 72091	T. 9 N., R. 26 E., IM Le Flore	960.00		All	
NH 029892 5/1/62	PR	" " "	T. 8 & 9 N., R. 26 E., IM Le Flore	944.46		All	
NH 033508 2/1/62	PR	Carland Coal and Mining Company, P. O. Box 186 Fort Smith, Arkansas 72901	Ts. 5 & 6 N., R. 22 E., IM Le Flore and Latimer	641.35		All	
NH 033722 5/1/62	PR	" " "	T. 6 N., R. 27 E., IM Le Flore	2,552.00		All	
NH 033723 5/1/62	PR	" " "	T. 6 N., R. 26 & 27 E., IM Le Flore	2,520.00	1.00	2,519.00	
NH 033866 2/1/62	PR	" " "	T. 5 N., R. 25 & 26 E., IM Le Flore	2,047.71	40.00	2,007.71	
NH 034521 5/1/62	PR	" " "	T. 6 N., R. 25 & 26 E., IM Le Flore	2,543.51	1.00	2,542.21	
NH 036953 5/1/62	PR	" " "	T. 6 N., R. 26 E., IM Le Flore	1,160.00		All	
NH 050405 1-2/1/57	PR	Lone Star Steel Company P. O. Box 12226 Dallas, Texas 75225	T. 8 N., R. 24 & 25 E., IM Le Flore	1,116.17		All	

OUTSTANDING COAL LEASES (March 6, 1973)

STATE OKLAHOMA Federal Message No. NMSO-73-8
7 of 12 pages

Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acres	Surface Acreage in Federal Ownership	Surface Acreage Out of Federal Ownership	Leases in Actual Production
NM 050406 11/1/73	PR	Lone Star Steel Company P. O. Box 12226 Dallas, Texas 75225	T. 5 N., R. 15 E., 1M Pittsburg	2,400.31		All	
NM 059992 11/1/73	C	" " "	T. 8 N., R. 23 E., 1M Le Flore	1,680.00		All	
NM 059996 11/1/73	PR	S. E. Evans, Inc. P. O. Box 903 Port Smith, Arkansas 72901	T. 5 N., R. 16 & 17 E., 1M Latimer & Pittsburg	718.88		All	
NM 0141015 11/1/73	C	Kenneth R. Gaither, d/b/a Midwest Mining Company P. O. Box 190 Poteau, Oklahoma 74953	T. 5 N., R. 25 E., 1M Le Flore	360.00		All	
NM 0161332 11/1/73	C	" " "	T. 7 N., R. 25 E., 1M Le Flore	2,560.00		All	
NM 0536361 11/1/73	C	United Electric Coal Companies 307 N. Michigan Ave. Chicago, Ill. 60601	T. 5 N., R. 25 E., 1M Le Flore	560.55		All	
NM 0556624 11/1/73	PR	Garland Coal and Mining Company P. O. Box 186 Port Smith, Arkansas 72901	T. 6 N., R. 25 & 26 E., T. 5 N., R. 26 E., 1M Le Flore	4,374.67		All	
NM 0557450 11/1/73	C	" " "	T. 5 N., R. 25 E., 1M Le Flore	880.00	280.00	600.00	

OUTSTANDING COAL LEASES (March 6, 1973)

Pecanille Message No. NMSO-73-8
8 of 12 pages

STATE OKLAHOMA

Serial Number	Preference Right or Competitive	Name & Address of Present Lessee	Location Township & Range & County	Acreage	Surface Acreage in Federal Ownership	Surface Acreage Out of Federal Ownership	Leases Actual Product
NH 957 44/6-7	C	Petroleum International, Inc. 1605 National Bank of Tulsa Bldg. Tulsa, Oklahoma 74103	T. 10 N., R. 21 E. T. 11 N., R. 21 & 22 E., IM Haskell	3,342.43	All		
NH 3172 44/6-8	C	" " "	T. 1 & 2 N., R. 12 E., IM Atoka	2,927.45	All		
NH 3174 44/6-9	C	" " "	T. 1 & 2 N., R. 11 E., IM Coal	2,839.86	All		
					65692.02		

		<u>Total Acreage</u>	<u>Private</u>	<u>Issue Date</u>	<u>Type</u>	<u>County</u>
OREGON						
OR-05272	Mr. T.G. Mandros/ Loes-Mandros Mining Co. Inc.	537.50	0.0	6/01/57	PR	
OR-012472	Pacific Power and Light Co.	2354.23	0.0	5/31/62	PR	
OR-0352	Pacific Power and Light Co.	2511.45	0.0	1/19/59	PR	

PENNSYLVANIA

ES-9403 Helen Mining Co.

<u>Total Acreage</u>	<u>Private</u>	<u>Issue Date</u>	<u>Type</u>	<u>County</u>
29.661	0.0	7/1/74	Competitive	Indiana

Page 2 of 5

April 4, 1973

UTAH COAL LEASES

Date	Lessee	Serial No.	Date of Lease	Acreage	Township and Range	County	Number Bidders	Period of Bidding	Per Acre Bonus Bid	Initial Rental Term	Initial Quantity (Per Ton)	Adjusted Royalty Term	INCOME AS REPORTED DATA				Remarks
													Total Income (Per Ton)	Total Income (Per Ton)	Total Income (Per Ton)	Total Income (Per Ton)	
10/1/67	El Paso Natural Gas Co.	0-13612	10/1/67	1,272.28	40 S. 5 E.	Elmer	40	15	None	15-17; 17-20	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
10/1/67	"	0-13613	10/1/67	2,552.28	40 S. 5 E.	"	40	15	None	"	"	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
10/1/67	"	0-13614	10/1/67	1,280.00	38 S. 5 E.	"	40	15	None	"	"	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
4/5/30	Franklin, George H.	0-13615	4/5/30	120.00	38 S. 5 E.	Garfield	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
5/1/64	"	0-13616	5/1/64	40.00	35 S. 1 E.	"	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
7/25/60	"	0-13617	7/25/60	2,480.00	16 S. 14 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
6/1/67	"	0-13618	6/1/67	2,480.00	15 S. 12 E.	Carbon	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
3/1/62	"	0-13619	3/1/62	160.00	15 S. 5 E.	Carbon	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
7/1/62	"	0-13620	7/1/62	420.00	15 S. 12 E.	Carbon	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
7/1/62	"	0-13621	7/1/62	2,372.00	15 S. 12 E.	Carbon	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
3/1/65	"	0-13622	3/1/65	1,570.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
3/1/65	"	0-13623	3/1/65	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13624	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13625	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13626	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13627	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13628	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13629	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13630	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13631	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13632	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13633	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13634	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13635	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13636	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13637	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13638	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13639	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13640	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13641	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13642	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13643	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13644	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13645	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13646	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13647	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13648	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13649	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13650	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13651	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13652	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13653	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13654	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13655	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13656	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13657	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13658	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13659	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13660	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13661	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13662	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13663	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13664	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13665	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13666	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13667	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13668	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13669	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13670	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13671	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13672	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13673	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13674	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13675	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13676	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction	None	15	15	None	31,000.00	8,140.00	8,140.00	8,140.00	8,140.00
12/17/62	"	0-13677	12/17/62	2,580.00	14 S. 3 E.	Elmer	1	Public Auction									

El Paso Nat'l	W-24447	3/1/67	PR	1280	395, 3E
Cas	W-27895	11/1/65	PR	137.92	405, 3E

8/ 5.17% a ton for coal mined by underground methods; .20 for that mined by surface methods. first 10 years; commencing with 11th year, royalty will be 5.20 and 22%, respectively, for the two methods.

		<u>Total Acreage</u>	<u>Private</u>	<u>Issue Date</u>	<u>Type</u>	<u>County</u>
WASHINGTON						
OR-6527	Washington Irrigation and Development Co. --Assigned to Pacific Power & Light Co.	241.09	All	4/01/71	Competitive	Lewis
OR-04322	Washington Irrigation and Development Corp.	280.0	All	11/01/61	PR	

SERIAL NO.	TWP. PT.	COMPETITIVE TOWNSHIP & RANGE	COUNTY	TOTAL ACRES	PATENTED SURFACE	BIDDING METHOD	INITIAL BIDDING TERMS	ROYALTY	PRODUCTION	TOTAL RENTAL	TOTAL ROYALTIES	LESSEE'S NAME and ADDRESS
4-05246	C	21-116 3-1-28 21-117	Lincoln	2,400.63	None	Oral & Sealed \$1.00 One	1st yr. 25¢ 2,3,4, 50¢ 5th & 6th \$1.00	15¢	151,728.00	17,617.50	151,644.50	The Spencer Coal Co. Frontier, WY 83121
4-07226	C	22-116 1-2-29	Lincoln	1,246.98	56.55 Oral & Sealed \$1.00 for 1,816.23 acres Two	Oral & Sealed \$1.00 Two	"	15¢	-	18,447.50	-	"
4-07207	C	21-116 1-2-29	Lincoln	713.06	None	Oral & Sealed \$100.00 Two	"	15¢	-	9,421.50	-	"
4-0224513	C	22-116 7-1-54 4-1-54	Lincoln	518.51	None	Oral & Sealed \$1.00 One	"	1-15¢ 2-17¢	-	3,113.75	-	"
4-022078	C	44-95	Hot Springs	80.00	None	Oral & Sealed \$1.25 Two	"	15¢	-	1,300.00	80.00	Alfred T. Graham 1115 Clark St. Thermopolis, WY 82443
4-02360	C	57-84 5-17-30 Modified 1-15-38 Second 20 years 5-17-50 Third 20 years 5-17-70	Sheridan	40.00 80.00	All All	Oral \$1.00 One	"	15¢ 15¢ 17¢ 20¢	61,945.00	1,120.00	9,409.61	Big Horn Coal P. O. Box 724 Sheridan, WY 82801

SERIAL NO.	PREP. RT.	COMPETITIVE TOWNSHIP & RANGE	COUNTY	TOTAL ACRES	PATENTED SURFACE	BIDDING BOUNDARY P/a NO OF BIDDERS	INITIAL RETAIL YEARS	ROYALTY	TOTAL PRODUCTION	TOTAL RETAIL	TOTAL ROYALTIES	LESSEE'S NAME AND ADDRESS
W-026621 6-1-59 Modified 6-1-64	C	54-76 54-55-77	Sheridan	2,224.59 12,550.98	2,470.98	Oral & Sealed See above \$1.07 One	10 5 yrs 12 5 yrs 15 5 yrs	10 5 yrs 12 5 yrs 15 5 yrs	18,413.25			J.C. Kuebler - 20% Tosco Petroleum Co., Inc. 2328 Fidelity Union Tower Dallas, TX 75201
W-0240539 9-1-63 Modified 6-1-64	C	54-76 & 77	Sheridan	1,299.22 1,620.07	All	Oral & Sealed \$1.13 One	10 5 yrs 12 5 yrs 15 10 yrs	10 5 yrs 12 5 yrs 15 10 yrs	11,672.00			"
W-061 12-1-57	C	55-55-76 54-55-77 55-76	Sheridan Campbell	19,820.71 880.00 2,270.57	18,398.98	Sealed Only \$10.56 Two	15 10 yrs 20 10 yrs	15 10 yrs 20 10 yrs	57,278.25			Richard D. Bass 1150 Mercantile Bldg. Dallas, TX 75201
W-020098 12-1-55	C	52-55-82 52-55-83	Johnson	1,913.41	All	Oral & Sealed \$1.00 One	10 10 yrs 12 5 yrs 15 5 yrs	10 10 yrs 12 5 yrs 15 5 yrs	29,188.50	4,938.00		Reynolds Mining Corp. Reynolds Metals Bldg. Richmond, VA 23219
W-01959 8-1-57	C	52-82	Johnson	320.00	All	Oral & Sealed \$5.00 Two			4,240.00	320.00		"
W-021120 5-1-56	C	52-55-82 53-83	Johnson	4,821.09	All	Sealed Only \$27.15 Two		17 10 yrs 20 10 yrs	20,493.50			"
W-12793 6-1-70	C	20-10-4105	Sweetwater	1,644.76	None	Open & Sealed 1st yr. 25¢ 6, 3, 4, 5 Yrs 50¢ 6th & on \$5.00	1-15% 10 2-17 1/2% 10 2-20% Yrs	1-15% 10 2-17 1/2% 10 2-20% Yrs	1,056.15			Bedcor Service Company 231 West Milwaukee St. Milwaukee, WI 53201

SERIAL NO.	PREF. EX.	DATE OF ISSUANCE	COMPETITIVE PRODUCING	TOWNSHIP & RANGE	COUNTY	TOTAL ACREAGE	PATENTED SURFACE	BIDDING METHOD	P/A OF BIDDERS	INITIAL RENTAL	ROYALTY	TOTAL PRODUCTION	TOTAL RENTAL	TOTAL ROYALTIES	LESSEES NAME and ADDRESS
E-01555 9-10-27 Assigned 6-5-30 Modified 8-1-50 Relinquished 3-23-54 Present Lease	C	P	17428-105	Sweetwater	156.89 317.48 1,594.65 317.48 1,751.54	None	Oral	1st yr. 25¢ 2, 3, 4, & 5 yrs. 50¢ 6th yr on \$1.00	104 20 yrs	2,951,445	2,172.75	2,172.75	Gun-Quealy Coal Co. Frontier, WY 83121		
H-0313201 2-1-52	C	P	21-102 21422-103 21422-104	Sweetwater	✓14,679.90	None	Sealed Only \$2.11 One	1st yr. 25¢ 2, 3, 4, & 5 yrs. 50¢ 6th yr on \$5.00	1-15¢ 10 yrs 2-17½ 10 yrs 3-20¢ 10 yrs 4-25¢ 10 yrs	—	23,672.00	—	Sun Oil Company P. O. Box 2680 Dallas, TX 75221		
H-0313559 6-1-55	C	P	19420-92	Sweetwater Carbon	520.00 120.00 ✓(640.00)	None	Sealed Only \$2.28 One	1st yr. 25¢ 2, 3, 4, & 5 yrs. 50¢ 6th on \$1.00	1-15¢ 10 yrs. 2-17½ 10 yrs. 3-20¢ 10 yrs. 4-25¢ 10 yrs.	—	3,360.00	—	Pacific Power & Light Co. 920 S.W. Sixth Ave. Portland, OR 97204		
H-031719 11-22-32 Second 20 years Third 20 years (pending)	C	P	41-71	Converse	40.00	All	Oral Only One	15¢ 20 yrs. 15¢	—	70,892.00	400.00	10,637.21	W. B. Brennan, Bill, WY (Wyo)		
G-054769 5-31-33 Assigned 1-11-41 Present lease	C	P	36-75	Converse	40.00 80.00 120.00	All	Oral One	15¢ 20 yrs.	—	37,830.37	2,040.00	5,675.05	Pacific Power & Light Co. 920 S.W. Sixth Ave. Portland, OR 97204		
H-041355 7-2-56	C	P	36-75	Converse	✓560.00 \$1.26 Two	All	Oral & Sealed One	1-15¢ 10 yrs 2-17½ 10 yrs 3-20¢ 10 yrs	—	—	7,420.00	560.00 (Wn)	—		

SERIAL NO.	PREF. NO.	DATE OF INSURANCE	COMPETITIVE PRODUCING	TOWNSHIP & RANGE	COUNTY	TOTAL ACRES	PATENTED SURFACE	PRODUCING METHOD	BONUS BID P/A	NO. OF BIDDERS	INITIAL RENTAL	ROYALTY	TOTAL PRODUCTION	TOTAL RENTAL	TOTAL ROYALTIES	LESSEE'S NAME and ADDRESS
W-0136194	C	6-1-61	36437-75	Converse	Converse	321.52	241.52	Oral & Scaled \$1.05	One	1st yr 25¢ 2, 3, 4, & 5 yrs 50¢ 6th yr on \$1.00	15¢ 20 yrs	--	--	\$ 4,358.50	--	Rimac Company Hartford Bldg. Dallas, TX 75201
W-0136195	C	6-1-61	3674	Converse	Converse	1,476.54	1,119.96	Oral & Scaled \$1.05	One			--	--	10,339.00	--	
W-0136196	C	6-1-61	3675	Converse	Converse	1,520.00	1,320.00	Oral & Scaled \$1.05	One			--	--	14,340.00	--	
W-0241167	C	6-1-63	36437-75	Converse	Converse	1,802.71	1,716.71	Oral & Scaled \$1.31	One			--	--	13,091.75	--	Pacific Power & Light Co. 920 S.W. Sixth Ave. Portland, OR 97204
W-0329418	C	6-1-65	36436-74	Converse	Converse	3,779.33	3,423.63	Scaled Only \$2.28	One			1-15¢ 10 yrs 2-17¢ 10 yrs 1-17¢ 10 yrs 2-20¢ 10 yrs	--	19,845.00	--	
W-0321780	C	12-1-66	4041-71	Converse	Converse	2,908.10	1,596.29	Scaled Only \$1.17	One			17¢ 10 yrs 20¢ 10 yrs	--	12,563.25	--	

SERIAL NO.	FREE. M.	TOWNSHIP & RANGE	COUNTY	TOTAL ACRES	PATENTED SURFACE	BIDDING METHOD	INITIAL RENTAL	ROYALTY	TOTAL PRODUCTION	TOTAL RENTAL	TOTAL ROYALTIES	LESSEES NAME and ADDRESS
DATE OF ISSUANCE	CONVEYANCE	FRONTING				FOR BIDDING	PER YEAR	1-Underground 2-Strip				
W-032253	C	40-24-70	Converse,	1,879.04	600.93	Sealed Only	Sum as Above	1-Underground 10 yrs		\$ 7,947.50	--	Pacific Power & Light Co.
12-1-66		40-24-71				Unit 1 \$2.00		2-Strip 20# 10 yrs				
						One Or less						
						Or less						
						Unit 2 \$2.00						
						Two						
C-033800	C	P 22-81	Carbon	197.75	None	Oral		10#	2,162,350.12	1,194.00	245,214.93	Ark Land Company 319 North 4th St. St. Louis, MO 63102
10-8-24				397.75	(Second 20 years)	One	no change in lease terms)	1-15# 10 yrs				
Lease C-660390 consolidated								2-17# 10 yrs				
							no change in lease terms)	1-17# 10 yrs				
								2-20# 10 yrs				
C-057635	C	P 22-23-81	Carbon	80.00	None	Oral	Bonus \$250.00		2,358,345.33	14,014.00	338,595.27	Rosebud Coal Sales Co. P. O. Box 724 Sheridan, WY 82801
4-5-35						Two		10#				
Amended 5-9-36 (80 A)				150.00				15#				
Amended 10-28-38 (240 A)				150.00				15# & 10#				
Modified 11-1-49 (240 A)				720.00								
Modified 10-15-57 (553.45 A)				1,273.46		Oral & Sealed		15#				
Present Lease						One Or less						
W-16465	C	P 22-23-82	Carbon	8,683.20	600.00	Sealed & Oral	1st 5 yrs 2-3, 4, & 5 2-17# 10 yrs	1-15# 10 yrs	1,347,966.29	--	226,234.76	Energy Development Co. P. O. Box 778 Stout City, IA 51102
9-1-69						Two	5th on \$5.00 2-20# 10 yrs	1-17# 10 yrs				
							6th on \$5.00 2-20# 10 yrs					
W-25406	C	P 22-81	Carbon	640.00	None	Oral & Sealed	1st 5 yrs 2-15# 10 yrs	1-17# 10 yrs	1,920.00	--	--	Belco Petroleum Corp. 630 Third Ave. New York, NY 10017
1-1-71						Two	\$1.00 6th & on \$5.00	2-20# 10 yrs				
W-16466	C	P 22-23-83	Carbon	7,594.52	None	Oral & Sealed			105,486.61	15,190.00	18,460.16	Ark Land Company 319 North 4th St. St. Louis, MO 63102
2-1-71						Five	\$257.50					

REF ID NO.	PREP. BY	DATE OF ISSUANCE	COMPETITIVE PRODUCING RANGE	COUNTY	TOTAL ACREAGE	PATENTED SURFACE	RETURNING NO. OF BIDDERS	INITIAL RENTAL TERMS	ROYALTY 1-Underground 2-Strip	TOTAL PRODUCTION	TOTAL RENTAL	ROYALTIES	LESSEE'S NAME AND ADDRESS
C-078691 5-1-51	C	23-81	Carbon	1	320.00	None	Oral \$31.00 Three	1st yr 25¢ 2, 3, 4, & 5 yr 50¢ 6th & on \$1.00 \$7.00 p/a	1-15¢ 2-17¢ 1-17¢ 2-20¢	110 yrs	\$ 8,880.00	\$ 11,680.00	Monolith Portland Midwest Co. Larade, NY 82070
Present lease (assignment) Second 20 years													
K-31258 (out of C-078691) 5-1-51	C	23-81	Carbon	1	160.00	None	Oral One	1st yr 25¢ 2, 3, 4, & 5 yr 50¢ 6th & on \$1.00 \$1.00 p/a	1-15¢ 2-17¢ 1-17¢ 2-20¢	110 yrs	1,120.00		Arg. Land Co. 319 North 4th St. St. Louis, MO 63102
B-031423 2-22-46	C	52-72	Campbell	1	40.00	All	Oral One	1st yr 25¢ 2, 3, 4, & 5 yr 50¢ 6th & on \$1.00 \$1.00 p/a	1-15¢ 2-17¢ 1-17¢ 2-20¢	14,607.00	730.00	2,620.50	Wyodas Resources Development Corp. P. O. Box 1551 Rapid City, SD 57701
Second 20 years													
W-073289 5-1-59	C	50-71	Campbell	1	240.00	All	Oral & Sealed \$1.00 One	"	10¢ 10 yrs 12¢ 5 yrs 15¢ 5 yrs	614,135.92	760.00	91,115.05	"
K-011833 4-1-61	C	50-71	Campbell	1	80.00	All	Oral & Sealed Oral \$1.00 One	"	10¢ 5 yrs 12¢ 5 yrs 15¢ 10 yrs	297,056.24	140.00	32,760.09	"
K-012311 7-1-55	C	50-71	Campbell	1	880.00	All	Sealed Only \$15.00 Two	"	17¢ 10 yrs 20¢ 10 yrs		4,620.00		Merr-McGee Corp. Merr-McGee Bldg. Oklahoma City, OK 73102

SEPT. NO.	PREP. RT.	CONVEYANCE	TOWNSHIP & RANGE	COUNTY	TOTAL ACREAGE	PATENTED SURFACE	NO. OF BIDDERS	BIDDING METHOD	INITIAL	ROYALTY	TOTAL PRODUCTION	TOTAL REVENUE	TOTAL ROYALTIES	LESSEE NAME and ADDRESS
ISSUANCE	PRODUCING								ROYALTY TERMS	1-Underground 2-Strip				
V-031366 10-1-65	C	50-71	Campbell		2,400.00 10 ✓ 1,560.00		Sealed Only \$25.50 2, 3, 4, & 5 yrs 50¢ 6¢ & 1¢					\$10,910.00		Wyndal Resources Development Corp. P. O. Box 1951 Rapid City, SD 57701
V-031367 10-1-65	C	49-71	Campbell		2,560.00 10 ✓ 1,560.00		Sealed Only \$1.08 One					13,140.00		Kerr-McGee Corp. Kerr-McGee Bldg. Oklahoma City, OK 73102
V-031368 10-1-65	C	50-71	Campbell		2,400.00 10 ✓ 1,560.00		Sealed Only \$3.08 One					11,550.00		
V-031373 9-1-65	C	51-72	Campbell		3,530.00 10 ✓ 1,560.00		Sealed Only \$26.50 One					18,460.00		Meadowlark Farms, Inc. 105 South Meridian St. Indianapolis, IN 46225
V-031762 9-1-65	C	4748-71	Campbell		2,440.11 10 ✓ 1,560.00		Sealed Only \$15.50 One					12,815.25		
V-032179 12-1-66	C	4142-69 4142-70	Campbell		11,141.39 10 ✓ 11,101.39		Sealed Only \$30.05 One					47,313.50		Pebody Coal Co. (A Delaware Corp.) 301 N. Memorial Dr. St. Louis, MO 63102

SERIAL NO.	REF. NO.	COMPETITIVE TOWNSHIP & RANGE	COUNTY	TOTAL ACRES	PATENTED SURFACE	MINING METHOD	INITIAL RENTAL	ROYALTY	PRODUCTION	TOTAL RENTAL	ROYALTIES	LESSEE NAME AND ADDRESS
DATE OF ISSUE	PRODUCING RANGE					NO. OF MINES	TERMS	2-Strip				
W-3758(4a) 12-1-66 (out of W-321779)	C	43-70	Campbell	40.00 3/4	None	State as above	as above	State as above		40.00 \$		Peabody Coal Co. 301 E. Memorial Dr. St. Louis, MO 63102
W-2313 12-1-66 Segregated - 40A Present Lease	C	44-71	Campbell	5,884.31 5/10 5,884.31	4,724.31	Sealed Only \$31.33 Five				24,571.25		Atlantic Richfield Co. P. O. Box 2619 Dallas, TX 75221
W-3659(4a) 12-1-66 (out of W-2313)	C	43-70	Campbell	40.00 5/10	None					40.00		
W-0325878 11-1-67	C	51452-72	Campbell	599.44 5/10	All	Sealed Only \$50.77 Four				1,950.00		Farmers Union Central Exchange, Inc. P. O. Box 128 Laurel, MI 49044
W-3446 11-1-67	C	45-70 46-70	Campbell	5,800.07 5/10	5,360.07	Sealed Only \$51.13 Three				18,850.00		Atlantic Richfield Co. P. O. Box 2619 Dallas, TX 75221
W-3397 12-1-67	C	48-70 48-71	Campbell	5,251.44 5/10 5,251.44	All	Sealed Only \$17.51 Five				27,069.00		The Carter Oil Co. P. O. Box 2180 Houston, TX 77001

SERIAL NO.	REF. NO.	COMPETITIVE TOWNSHIP & RANGE	COUNTY	TOTAL ACRES	PATENTED SURFACE	BIDDING METHOD	INITIAL RENTAL TERMS	ROYALTY	TOTAL PRODUCTION	TOTAL RENTAL	TOTAL ROYALTIES	LESSOR NAME and ADDRESS
4-5035 12-1-67	C	50-71-72	Campbell	4,701.99 5-10	4,741.99	Sealed Only \$50.67 Five	Same as above	1-Underground 2-Strip	--	\$ 15,541.50	--	The Getty Oil Co. P. O. Box 2183 Houston, TX 77001
4-5036 12-1-67	C	51-62-72	Campbell	5,407.47 5-10	5,407.47	Sealed Only \$165.16 Six	"	"	--	17,738.50	--	"
4-2523 9-1-70	C	43-69-70	Campbell	4,101.64 5-2	3,831.64	Oral & Sealed \$52 Three	Oral & Sealed 1st yr 25¢ 2, 3, 4, & 5 yrs 50¢ 6th & on \$5.00	17¢ 10 yrs 20¢ 10 yrs	--	12,576.00	--	Kerr McGee Corp. Kerr McGee Bldg. Oklahoma City, OK 73102
4-2710(Acc) 9-1-70	C	43-70	Campbell	250.00	None		"	"	--	200.00	--	"
4-2529 2-1-71	C	47-71	Campbell	4,000.00 6-5	All	Oral & Sealed \$41.00 Five	1st 5 yrs \$1.00 6th & on \$5.00	"	--	8,000.00	--	Mobil Oil Corp. P. O. Box 5044 Denver, CO 80217
4-8155 3-1-71	C	46-67-71	Campbell	6,599.99 6-5	6,519.99	Oral & Sealed \$505.00 Nine	1st yr 25¢ 2, 3, 4, & 5 yrs 50¢ 6th & on \$1.00	"	--	13,120.00	--	Cordero Mining Co. 151 University Ave. Palo Alto, CA 94301

SERIAL NO.	PREF. ET.	TOWNSHIP & RANGE	COUNTY	TOTAL ACRES	PATENTED SURFACE	MINING BONUS BID P/A NO. OF BIDDERS	INITIAL RENTAL TERMS	ROYALTY	TOTAL PRODUCTION	TOTAL RENTAL	TOTAL ROYALTIES	LESSEES NAME and ADDRESS
W-030052	PR	53-82-83 52-82	Johnson	2,203.15 70.15	All	---	Same as above	1-Underground 2-Strip	---	\$ 24,755.00	---	Reynolds Mining Corp. Reynolds Metals Bldg. Richmond, VA 23219
W-046349	PR	52-82	Johnson	160.00 10.15	All	---	"	"	---	1,460.00	---	"
W-032794	PR	50-80-81 51-81	Johnson	4,551.46 0.5	All	---	1st yr 25¢ 2, 3, 4, & 5 yrs 50¢ 6th & on \$5.00	17½ 10 yrs 20 10 yrs	---	5,690.00	---	Belco Petroleum Corp. 630 Third Ave. New York, NY 10017
C-669111	PR	44-96	Hot Springs	120.00	None	---	1st yr 25¢ 2, 3, 4, & 5 yrs 50¢ 6th & on \$1.00	154	53,366.00	360.00	8,365.25	Rudy Nowick Kirby, NY 82430
W-660241	PR	37-117 16-118	Uinta	1,408.23 10.12	None	---	"	1-154 2-174	---	10,151.15	---	YMC Corporation P. O. Box 250 Pocatello, ID 83201
W-020516	PR	52-63-73	Campbell	1,571.13 5.10	All	---	"	17½ 10 yrs 20 10 yrs	---	8,253.00	---	Concho Petroleum Co. 80% J. C. Karcher 20% 2328 Fidelity Union Tower Dallas, TX 75201

SERIAL NO.	PREF. FR.	COMPETITIVE TOWNSHIP & PRODUCING RANGE	COUNTY	TOTAL ACREAGE	PATENTED SURFACE	BIDDING METHOD	INITIAL RENTAL	ROYALTY	TOTAL PRODUCTION	TOTAL RENTAL	TOTAL ROYALTIES	ADDRESSES	LESSEES NAME and
W-025663 3-1-65	FR	49-73474	Campbell	756.01 1 1/2	All	---	Same as above	17 3/4 10 yrs 20 1/2 10 yrs	---	\$ 3,974.25	---	Concho Petroleum Co. 80% J. C. Karcher - 20% 2328 Fidelity Union Tower Dallas, TX 75201	
W-0271159 12-1-67	FR	51-71 Relinquished - 560 A (11-9-72)	Campbell	1,200.00 5-0 640.00	All	---			---	3,340.00	---	Pembury Coal Co. (A Delaware Corp.) 301 E. Memorial Dr. St. Louis, MO 63102	
W-0271200 12-1-67	FR	51-71 Relinquished - 680 A (11-9-72)	Campbell	1,640.00 5-0 760.00	All	---			---	4,450.00	---		
W-0271201 12-1-67	FR	51-71/672	Campbell	2,179.72 5-0	All	---			---	7,085.00	---		
W-011810 1-1-70	FR	50-71	Campbell	1,263.35 5-5	All	---	1st yr 25¢ 2, 3, 4, & 5 yrs 50¢ 6th & on \$5.00		---	1,350.00	---	Kerr McGee Corp. Kerr McGee Bldg. Oklahoma City, OK 73102	
W-0236507 3-1-65	FR	59-77	Sherridan	195.32 5-0	All	---	1st yr 25¢ 2, 3, 4, & 5 yrs 50¢ 6th & on \$1.00		---	1,025.00	---	Concho Petroleum Co. 80% J. C. Karcher 20% 2328 Fidelity Union Tower Dallas, TX 75201	

SERIAL NO.	REF. RT.	DATE OF ISSUANCE	COMPETITIVE PRODUCING RANGE	TOWNSHIP & RANGE	COUNTY	TOTAL ACREAGE	PATENTED SURFACE	REWARDING BONUS BID P/A NO. OF BIDDERS	INITIAL RENTAL TERMS	ROYALTY 1-Underground 2-Surface	TOTAL PRODUCTION	TOTAL RENTAL	TOTAL ROYALTIES	LESSEES NAME and ADDRESS
W-54728 11-1-61	PR	23-81			Carbon	✓ 640.00 10-5	None	---	Same as above	Same as above	---	\$ 5,920.00	---	Ark Land Company 319 North 4th St. St. Louis, MO 63102
W-054737 11-1-61	PR	22-82			Carbon	320.00 10-5	None	---	"	"	---	2,960.00	---	"
W-022181 7-1-62 Modified 9-24-62 - 560 A	PR	19-92			Carbon	1,919.60 10-5 ✓ 2,479.60	None	---	"	12-1/2 10 yrs 15-1/2 10 yrs	---	20,460.00	---	Pacific Power & Light Co. Public Service Bldg. 920 S.W. Sixth Ave. Portland, OR 97204
W-0146199 1-1-64	PR	23-82			Carbon	640.00 10-5	None	---	"	1-15-1/2 2-17-1/2	---	4,640.00	---	Ark Land Company 319 North 4th St. St. Louis, MO 63102
W-0150169 1-1-64	PR	23-81			Carbon	640.00 10-5	None	---	"	"	---	4,640.00	---	"
W-0212917 7-1-62	PR	19-92			Carbon	480.00 10-5 5-10-1/2	None	---	"	1-15-1/2 10 yrs 2-17-1/2 10 yrs 1-17-1/2 10 yrs 2-20-1/2 10 yrs	---	1,560.00	---	Pacific Power & Light Co. Public Service Bldg. 920 S.W. Sixth Ave. Portland, OR 97204

SERIAL NO.	PROP. RT.	CONVEYANCE	TOWNSHIP & RANGE	COUNTY	TOTAL ACRES	PATENTED SURFACE	BIDDING BONDS BID p/a NO. OF BIDDERS	INITIAL RENTAL TERMS	ROYALTY	TOTAL PRODUCTION	TOTAL RENTAL	TOTAL ROYALTIES	ISSUES HAVE and ADDRESS
W-022140 7-1-62	FR	20-91492	Sweetwater	67.17 10-15	None	Same as Above	12 1/2 10 yrs 15 1/2 10 yrs	2-Strip	-	-	\$5,444.00	-	Pacific Power & Light Co. Public Service Bldg. 920 S.W. Sixth Ave. Portland, OR 97204
W-0220466 4-1-67	FR	23-103	Sweetwater	1,840.00 5-10	None	-	1-15 1/2 10 2-17 1/2 10 1-17 1/2 10 2-20 1/2 10	-	-	-	\$5,444.00	-	Peabody Coal Co. (A Delaware Corp.) 301 N. Memorial Dr. St. Louis, MO 63102
W-0313598 1-1-65	FR	20-821-100	Sweetwater	4,275.66 5-10	None	-	-	-	-	18,177.05	746,340.00	5,035.10	Pacific Power & Light Co. Public Service Bldg. 920 S.W. Sixth Ave. Portland, OR 97204
W-2727 10-1-69	FR	20-100	Sweetwater	2,880.00 0-5	None	1st yr 25¢ 23 1/2¢ & 5 yrs 20¢ 1st yr 20¢ 2nd yr 20¢ 3rd yr 20¢ 4th yr 20¢ 5th yr 20¢ 6th yr 20¢ 7th yr 20¢ 8th yr 20¢ 9th yr 20¢ 10th yr 20¢ 11th yr 20¢ 12th yr 20¢ 13th yr 20¢ 14th yr 20¢ 15th yr 20¢ 16th yr 20¢ 17th yr 20¢ 18th yr 20¢ 19th yr 20¢ 20th yr 20¢ 21st yr 20¢ 22nd yr 20¢ 23rd yr 20¢ 24th yr 20¢ 25th yr 20¢ 26th yr 20¢ 27th yr 20¢ 28th yr 20¢ 29th yr 20¢ 30th yr 20¢ 31st yr 20¢ 32nd yr 20¢ 33rd yr 20¢ 34th yr 20¢ 35th yr 20¢ 36th yr 20¢ 37th yr 20¢ 38th yr 20¢ 39th yr 20¢ 40th yr 20¢ 41st yr 20¢ 42nd yr 20¢ 43rd yr 20¢ 44th yr 20¢ 45th yr 20¢ 46th yr 20¢ 47th yr 20¢ 48th yr 20¢ 49th yr 20¢ 50th yr 20¢ 51st yr 20¢ 52nd yr 20¢ 53rd yr 20¢ 54th yr 20¢ 55th yr 20¢ 56th yr 20¢ 57th yr 20¢ 58th yr 20¢ 59th yr 20¢ 60th yr 20¢ 61st yr 20¢ 62nd yr 20¢ 63rd yr 20¢ 64th yr 20¢ 65th yr 20¢ 66th yr 20¢ 67th yr 20¢ 68th yr 20¢ 69th yr 20¢ 70th yr 20¢ 71st yr 20¢ 72nd yr 20¢ 73rd yr 20¢ 74th yr 20¢ 75th yr 20¢ 76th yr 20¢ 77th yr 20¢ 78th yr 20¢ 79th yr 20¢ 80th yr 20¢ 81st yr 20¢ 82nd yr 20¢ 83rd yr 20¢ 84th yr 20¢ 85th yr 20¢ 86th yr 20¢ 87th yr 20¢ 88th yr 20¢ 89th yr 20¢ 90th yr 20¢ 91st yr 20¢ 92nd yr 20¢ 93rd yr 20¢ 94th yr 20¢ 95th yr 20¢ 96th yr 20¢ 97th yr 20¢ 98th yr 20¢ 99th yr 20¢ 100th yr 20¢	-	-	5,444.00	-	-		
W-2728 10-1-69	FR	21-101	Sweetwater	1,280.00 0-5	None	-	-	-	-	-	2,740.00	-	-
W-3438 3-1-70	FR	23-103	Sweetwater	640.00 0-5	None	1-15 1/2 10 2-17 1/2 10 1-17 1/2 10 2-20 1/2 10	-	-	-	-	40,000.00	-	Peabody Coal Co. (A Delaware Corp.) 301 N. Memorial Dr. St. Louis, MO 63102

Mrs. MINK. There being no further questions, Mr. Secretary, we thank you very much for your participation and cooperation with the hearings this morning.

Mr. HORTON. Thank you, Madam Chairman.

Mrs. MINK. Our next witness—representatives of the National Rural Electric Cooperative Association, American Public Power Association, and Western Fuels Association.

The Chair is pleased to welcome David B. Graham, corporate counsel, National Rural Electric Cooperative Association; Becky Bogard, legislative representative, American Public Power Association; Ken Holum, general manager, Western Fuels Association, Inc.

We have the prepared statements of all three witnesses. Without objection, they will be inserted in the record at this point as though given and the panel may proceed in any order or manner that you have arranged.

[The prepared statements of David B. Graham, Becky Bogard and Kenneth Holum follow:]

STATEMENT OF THE NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Madam Chairman, Members of the Sub-committee, my name is David B. Graham. I am the Corporate Counsel of the National Rural Electric Cooperative Association. NRECA is the national service organization of approximately 1,000 non-profit rural electric cooperatives which provide central station electricity to almost 25 million consumers throughout 46 states.

We appreciate the Sub-committee providing an opportunity for smaller entities such as cooperatives, municipalities and companies associated therewith to express their views on proposed legislation regarding Federal coal land leasing.

BACKGROUND—NEED FOR LEGISLATION

Obviously, the Sub-committee is familiar with the numerous problems that have plagued the Federal coal leasing program in the past or reform legislation such as Mrs. Mink introduced as H.R. 3265 would never have been offered. Unfortunately, every member of Congress is not as acutely aware of these problems as the members of this Sub-committee, and therefore I wish to briefly note a number of facts that emphasize the need for and importance of reform legislation in this area.

(a) *Production of Coal*

According to the Council on Economic Priorities' (CEP) report entitled "Leased and Lost—A Study of Public and Indian Coal Leasing in the West," as of January 1974, the Department of Interior was administering 474 public and Indian coal leases covering 680,854 acres under which lie an estimated 15 billion tons of coal. Only 52 of the 474 leases are now producing coal, 89% of all the leases being inactive. No coal has ever been produced from 327 of these leases. Considering that the American public and Indian tribes own 80% of the western coal, which represents 57% or 850 billion tons of the nation's recoverable reserves of 1.5 trillion tons, it is important to note that during the 54 years of the leasing program, only 1% of the nation's coal production has come from leased land. This situation cannot be allowed to continue in light of our rapidly deteriorating energy supply situation.

(b) *Concentration of Holdings*

The concentration of lease holdings which has been allowed under the present leasing system is astounding. Although there are 144 leaseholders of the public and Indian coal lands, 70% or 658,538 acres are held by only 15 leaseholders. CEP reports that five of the top 15 have never operated a mine on any of their leases. There can be little doubt that concentration of energy resources in the hands of a few companies is inimical to the best interests of the general public. The fact that past Secretaries of the Interior allowed this situation to develop by failing to formulate policies that would have inhibited, if not prevented, this result must be alleviated through legislation on the order of what we are considering today.

(c) Leasing Terms

The cash bonus bidding system has proved to be a complete failure in stimulating competitive leasing. As CEP found:

Competitive lease sales have been anything but competitive . . . of 242 lease offerings, 25, or 10% drew no formal bidders, and the lease was awarded to the original applicant for the sale. In 24 of these instances, the lease was awarded without the payment of a cash bonus. It is highly unlikely that a payment of zero dollars equaled the USGS' minimum appraised value of the 15,060 acres of land covered by those 24 leases. . . . In a startling 59% of the competitive lease sales, 144 out of 242 . . . only one bidder appeared, certainly not enough to create a competitive climate. The average bid for these leases was a mere \$3.31 an acre.

Both the CEP Study and a draft study being prepared for the National Science Foundation entitled "Legal and Economic Considerations in Federal Coal Leasing" point out the failures of preference right leasing to stimulate production. While 45% of the land under lease, 307,528 acres has been leased by the prospecting permit with preference right method, only six of the leases which are currently producing coal, or just 11% of active leases, were obtained by this method.

It would be pointless to continue to enumerate the failures in the present leasing system beyond merely mentioning them because the Sub-committee is undoubtedly aware of the multitude of problems associated with the present leasing program and hopefully will be able to correct many of these deficiencies with H.R. 3265. Suffice it to say that:

The rental provision has failed to generate appreciable revenue or to serve as an incentive to produce coal because the rent has been so low (25¢ to \$1 per acre in the vast majority of leases) that it encourages leaseholders to hold land for speculation rather than to mine it.

According to the Mineral Leasing Act, leases can only be held "upon condition of diligent development and continued operation of the mine." Because of the failure of the Interior Department to implement the "diligent development" and "continuous operation" provisions of the law until an attempt was made to define the terms in December. The provisions have been "dead letters." Rather the Department of the Interior has incorporated provisions into the lease which waive the production requirement in favor of payment of one year's advance rent.

ADVANTAGES OF H.R. 3265 OVER MINERAL LEASING ACT

Although we see several areas where we believe H.R. 3265 can be strengthened, we are happy to note the following areas where it would offer improvements over existing law:

(a) The term of a coal lease would be reduced from 20 years to 10 years and for so long thereafter as coal is produced annually in "paying quantities" from that lease. Leases would be terminated if not producing in paying quantities at the end of the primary 10-year term. This provision would greatly reduce the possibilities of situations like the one which presently exists, (i.e., 321 of the outstanding 474 leases have never produced a single ton of coal) from developing in the future.

(b) Generally, the royalty paid on coal produced would be "not less than 10 percentum on the sale price," and royalties along with other lease terms would be subject to readjustment at the end of the primary term of ten years and at the end of each five-year period thereafter if the lease is extended. This would eliminate the ludicrous situation which now exists—the average royalty being paid on most producing leases is 15¢ a ton—from being perpetuated. (It should be noted in defense of the Department of Interior that a new method of determining royalty has been established by the Department. There has been no opportunity to date, however, to utilize the new procedure because of the leasing moratorium).

(c) "Diligent development" and "continued operation" would be more clearly defined and narrowly restricted with regard to conditions under which the Secretary could, in the public interest, provide for payment in advance of a minimum royalty in lieu of continuous production. This is an absolutely essential ingredient to any legislative reform of coal leasing because of the failure of the Interior Department to define (until December 1974) and enforce these provisions over the 54 year history of the program.

(d) The establishment of a national limitation on the number of acres of coal leases or permits that a person, corporation, or any subsidiary or a affiliate may

"take, hold, or control" is an excellent proposal considering the steadily deteriorating situation which exists in the field of energy competition. As noted by CEP, although there are 144 leaseholders, 70% of the lands under lease—or 659,000 acres—is in the hands of only 15 leaseholders. Ninety-three percent of the leases held by these 15 leaseholders are not producing coal. Concentration of leases in the hands of such a small number of leaseholders who generally fail to develop the leases should not be permitted to continue.

(e) The proposed deferred bonus payment plan for 50% of the total acreage offered for lease by the Secretary is preferable to the existing situation because it should help create greater competition in coal leasing by improving the opportunity for smaller entities such as cooperatives to participate in the development of Federal coal lands. There are other leasing approaches, however, which, in the opinion of many, might prove superior to this technique in both increasing competition and increasing coal production. I will suggest some alternative leasing proposals in addition to making other recommendations for improvements in H.R. 3265 at this time.

RECOMMENDATIONS FOR CHANGES AND ADDITIONS TO H.R. 3265

Before discussing the specific areas where we wish to offer recommendations, I wish to note that all three parties represented here today made contributions toward a suggested revision of H.R. 3265 which we have provided to the Chairman (see attachment). Although there are other areas where the Federal coal leasing program can be improved, some of which I will discuss, let me first mention the areas where we suggested specific amendments to H.R. 3265.

(a) Alternatives to Cash Bonus Bidding

Initially, we wish to strongly recommend that the Subcommittee delete the proposed prohibition on royalty bidding included in Section 2(a)(1), lines 17 and 18, because we believe royalty bidding would provide smaller firms with an opportunity to develop coal leases which large front end bonuses effectively preclude.

We believe the need for new leasing approaches has been amply demonstrated by the failures of the present system noted at the beginning of our testimony. We would, therefore, suggest that Congress provide greater guidance and encouragement to the Department of the Interior to experiment with innovative leasing approaches rather than remain wedded to the traditional cash bonus bidding procedure utilized up to this time. To some extent, the Department has seen fit to diverge from the past leasing practices with oil exploration in the Outer Continental Shelf. There is no reason for not doing the same in the Federal coal leasing program.

It should be borne in mind that although the Mineral Leasing Act only specifically addresses competitive bid leases and preference right leases, 30 U.S.C. Sec. 201 refers to leasing "by such other methods as he the Secretary may by general regulations adopt."

We wish to suggest that the Sub-committee carefully examine such alternative leasing approaches as profit sharing, coal pledges, rental payments and royalty payments. There is much to be said for the conclusion reached in the NSF study, "Legal and Economic Considerations in Federal Coal Leasing" that "leasing regimes which transfer risk to the public sector [i.e., private and social objectives diverge when risk is a factor since private firms discount future revenues at a higher rate than society as a whole] and/or minimize the dependence on financial markets would be most desirable" [i.e., because of greater risk to lending institutions, small establishments are charged higher interest rates for a given project and thus placed at a competitive disadvantage which encourages oligopolistic industrial structures]. The report goes on to emphasize that in order to transfer the risk to the public sector, leasing regimes that impose a conditional or contingent payment character must be considered. "Royalties, resource pledges, profit shares, and rental agreements with escape clauses are all forms of conditional payments. Similarly, lump-sum bidding procedures do not fall into this category."

NRECA is particularly impressed by a combination percentage royalty/lump-sum bonus payment approach. Such a bidding procedure would offer the advantage of being potentially able to share risk between the private firm and the public sector to any degree. As the NSF study referred to above points out, "This approach has the advantage that the higher the royalty payment is set,

the higher on average will be the returns to the Treasury since the government is bearing greater risk, and the lower will be the amount of lump-sum bid, which will reduce the financial benefits of firm size. On average, one would expect that the most efficient firm would obtain the lease." Although as the study goes on to note, "a royalty payment is like a tax, and thus the effect will be to reduce the level of production from a given coal field," we believe this disadvantage can be offset by: (1) changing from a fixed percentage royalty to a sliding scale percentage royalty at a point where reserves become marginal, and (2) utilizing diligent production requirements to minimize such behavior by the lessee. The study points out that since the Mineral Leasing Act requires royalties to be fixed prior to the offering of the lease, clarifying provisions in a proposed bill such as H.R. 3265 may be necessary in order that a minimum such royalty can be set and the bidding can occur on a "surplus royalty" basis. Let me close on this particular subject by mentioning that I have supplied the Sub-committee staff with the NSF study to which I have referred. Chapter 5 contains an excellent discussion of this subject.

(b) Development of Existing Leases

In addition to alternatives to cash bonus bidding, we consider measures to encourage development of existing leases to be some of the most important that Congress could enact. We have included in the attached proposed bill a Sec. 2(b) which we believe would effectively stimulate production from these leases by prohibiting companies now holding economically developable leases from obtaining additional leases unless they could establish that they would develop their existing leases within five years, or within a longer period of time in a limited number of situations.

The importance of such a provision should not be underestimated because ex post facto legislation designed to solve the problems created by the absence of diligent development and continuous operation terms in existing leases would undoubtedly create legal problems. Furthermore, such a provision circumvents the requirement that the Bureau of Land Management take a cancellation case for non-compliance with existing lease terms to a U.S. District Court.

The Subcommittee is undoubtedly aware that the Department of Interior is currently utilizing a similar approach in its interim leasing program. During this period, only bidders who can satisfy "need criteria" qualify for Federal coal leases. Obviously, such criteria should eliminate prospective lessees who merely wish to enhance their inventories of underutilized or non-developed Federal coal reserves.

(c) Monopolization and Anti-competitive Practices

Under the existing Act (30 U.S.C. §§ 184(k) and 187), leaseholders are prohibited from monopolization of coal resources and anti-competitive practices and, theoretically at least, are required to sell coal produced to the public at reasonable prices. Our suggested addition would prohibit producers of Federal coal who are in violation of existing admonitions in the Act from receiving new leases.

(d) Congressional Declaration of Policy

We would suggest that a Congressional declaration of policy be added to H.R. 3265 in order to: (1) encourage exploration for and the production of Federal coal deposits; (2) promote competition; (3) encourage coal development in a manner compatible, so far as is practicable, with the use of the land for other purposes, and (4) encourage the maximum recovery of Federal coal deposits while providing the public with a fair return (see attached proposed bill).

At this point, I wish to offer recommendations beyond those contained in the attached proposed revision of H.R. 3265.

(a) Diligent Development and Continuous Operation

In Section 7(c) we proposed additional language requiring Secretarial review of newly issued leases after three years to insure progress toward development of the resources. If progress is not being made as determined by the Secretary, the lease would be terminated. Such a provision in addition to others should be included within H.R. 3265 in order to give meaning to the terms "diligent development" and "continuous operation". We realize that the Secretary recently issued a proposed regulation to give meaning to the terms, but we do not believe his proposal will solve the problem.

The definition of what constitutes "diligent development" and "continuous operation" may be less of a problem than insuring that at some point in time

steps and/or progress is continually achieved toward actual commercial production of coal. Perhaps the best method to insure that all of the matters referenced in the proposed redefinition assigned by the Department to these terms are not merely utilized for dilatory purposes would be for Congress to include a requirement for something on the order of a "compliance schedule" such as EPA requires with state implementation plans. We appreciate the desire of the Department to maintain maximum discretion for the Secretary in deciding whether the conditions satisfying "diligent development" and "continuous operation" have been met. We are concerned, however, that continuing to place such enormous discretion in the hands of the Mining Supervisor may not result in the expeditious development and production of coal that is vitally needed at this time, unless such discretion is clearly channelled toward assuring prompt production and marketing of coal. We believe something on the order of a compliance schedule should be prepared by the lessee, and that the Mining Supervisor should oversee the lessee's implementation of the schedule or plan. With such a tool, the Department would be better able to determine under what conditions and at what point in time a lease should be forfeited.

For an excellent and surprisingly candid discussion of such things as the attitudes within the Department on "diligent development" and "continuous operation", the responsibilities of the Mining Supervisor, fair market value and the entire policy issue of the Federal onshore leasing program, I suggest that you examine the National Aeronautics and Space Administration report entitled "Onshore Lease Management Program Study For the U.S. Geological Survey" of December 1974. A similar study was made on the offshore leasing program by NASA and proved so helpful that they were requested to conduct a study of the onshore leasing program.

(b) Renewed Federal Leasing

We wish to suggest that once legislation on the order of H.R. 3265 is enacted by Congress, the Department should renew Federal coal land leasing. Our primary reason for making this recommendation is that we believe that renewed leasing could drive down the cost of coal. Although the current impact of renewed leasing will probably be small, as the percentage of coal production from Federal land increases, the effect on the market price will become proportionately larger. The NSF study referred to earlier notes:

A socially optimal leasing policy must take considerable care not to lease too slowly (due to monopolistic tendencies). The too slow leasing of coal lands will result in higher prices for coal, and hence an inappropriate substitution towards alternative energy sources.

The speculative holding of Federal coal leases, whether excessive or not, was due to the character of the leasing system, and not directly related to the amount of leasing. Specifically, under a competitive leasing scheme with a policy of risk sharing between firms and government, this feature of the leasing program will be reduced substantially.

(c) Antitrust Review

We would suggest that a provision be included in the bill providing for mandatory antitrust review similar to that contained in Section 105(c) of the Atomic Energy Act. NRECA believes that in order to insure that competition will be maintained, such a review is necessary before granting new coal leases to energy companies. [See attached copy of Sec. 105(c)]

(d) Preference Clauses for Electric Utility Industry

Considering the fact that competitive bidding has failed to stimulate price competition in the field of mineral leasing to date, and considering that electric utilities' rates are escalating rapidly largely because of excessive fuel costs (utilities burn approximately 67% of the coal mined in this country), some consideration should be given to Federal coal land preference clauses for the members of the electric utility industry (cooperatives, municipals and investor owned utilities) not already owning significant coal reserves or affiliated with companies that do. There is precedent for this suggestion in the use of such clauses by cooperatives, state and local agencies in obtaining electricity from Federal hydroelectric projects. If Congress saw fit to authorize such a preference clause, perhaps a specified number of acres in the total to be offered in a lease sale could be set aside by the Department for the electric utility industry.

We believe that our suggestions, if incorporated within the bill, could greatly facilitate the mining of coal on Federal leases in a more competitive atmosphere.

This bill could thus provide a vital initial step toward developing this nation's vast coal reserves and alleviating the energy problem facing the country. If a viable competitive energy market could be revived, the energy costs reflected through electricity rates, for example, could perhaps at least be stabilized, if not decreased to a degree.

We appreciate this opportunity to express our views on this subject and we hope you find them useful.

AN ACT To amend the Mineral Leasing Act of 1920, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Coal Leasing Amendments Act of 1975".

SEC. 1. It is hereby declared to be the policy of Congress:

(a) to foster, promote, and encourage the exploration for and the production of coal deposits in the leasable lands of the United States so as to insure the orderly and expeditious development of those deposits to help meet the energy needs of the United States in a manner consistent with the National Environmental Policy Act of 1969, the Federal Water Pollution Control Act (33 U.S.C. 1151-1175), the Clean Air Act (42 U.S.C. 1857), surface reclamation laws passed by the Congress of the United States, and other Acts of Congress dealing with the quality of the environment;

(b) to promote competition in the exploration for and the production of coal deposits in the leasable lands of the United States and to discourage and prohibit the monopolization of those deposits;

(c) to encourage the active development of the coal deposits in the leasable lands of the United States in a manner compatible, so far as is practicable, with the use of the same land for other purposes;

(d) to encourage the maximum ultimate recovery of the coal deposits in the leasable lands of the United States in a manner that will provide the public a fair return on the disposition of its coal resources while at the same time providing ready access to coal resources for those with a capability of developing coal resources on an economical basis.

SEC. 2. The first sentence of subsection 2(a) of the Act of February 25, 1920 (41 Stat. 438) as amended (30 U.S.C. 201(a)) is hereby amended to read as follows:

SEC. 2. (a) (1) The Secretary of the Interior is authorized to divide any of the coal lands or the deposits of coal classified and unclassified, owned by the United States, into leasing tracts of forty acres each, or multiples thereof, and in such form as, in his opinion, will permit the most economical mining of the coal in such tracts, and thereafter he shall, in his discretion, upon the request of any qualified applicant or on his own motion, from time to time, offer such lands or deposits of coal for leasing, and shall award leases thereon by competitive bidding (with sealed bids) on a bonus bidding system or on a royalty bid basis. Such leases shall be for ten years and shall continue thereafter so long as coal is produced in paying quantities. For those lands offered for lease by the Secretary under a system of deferred bonus payment, one-tenth of the accepted bonus bid shall be payable upon acceptance of the bid, and one-tenth payable on each anniversary date of the lease. Upon default or cancellation of any coal lease by the lessee, any unpaid remainder of the bonus bid shall be immediately payable to the United States.

SEC. 2(b). No person, association, corporation, or any subsidiary, affiliate, or persons controlled by or under common control with such person, association, or corporation shall take, hold, own, or control any lease issued by the Secretary under the terms of this Act, nor shall the Secretary issue a lease or leases to any such person, association or corporation, where any such entity already holds an economically developable lease or leases issued by the United States to coal deposits and the entity is not producing coal from such deposits in substantial quantities or where the entity does not establish, to the satisfaction of the Secretary, that reasonable, but not speculative, assurances exist that coal will be produced in substantial quantities from such deposits within the following five years, or such longer period of time set by the Secretary for good cause shown.

SEC. 2(c). No person, association, corporation, or any subsidiary, affiliate, or persons controlled by or under common control with such person, association, or corporation shall take, hold, own, or control any lease issued by the Secretary under the terms of this Act, nor shall the Secretary issue a lease or leases to any such person, association or corporation, where any such entity

already holds a lease or leases issued by the United States to coal deposits and is producing coal therefrom where the Secretary finds, after inquiry and after consultation with the Attorney General of the United States, that any such entity is engaging in activities in violation of 30 U.S.C. § 184(k) or 30 U.S.C. § 187.

Sec. 3. The last sentence of subsection 2(a) of the Act of February 25, 1920 (41 Stat. 438) as amended (30 U.S.C. 201(a)) is hereby amended to read as follows:

(2) (A) No lease sale shall be held unless the lands containing the coal deposits have been included in a comprehensive land use plan prepared by the Secretary or in the case of lands within the National Forest System, the Secretary of Agriculture, and such sale is consistent with such plan. In preparing such land use plans the Secretary or in the case of lands within the National Forest System, the Secretary of Agriculture, shall consult with State and local governments and the general public and shall provide opportunity for a public hearing on proposed plans prior to their adoption, if requested by any person having an interest which is or may be adversely affected by the adoption of such plans, and shall obtain the written concurrence of the Administrator of the Environmental Protection Agency with respect to those aspects of the plan relating to air or water quality standards promulgated under the Federal Water Pollution Control Act (33 U.S.C. 1151-1175) or the Clean Air Act (42 U.S.C. 1857).

(B) Each land use plan prepared by the Secretary or in the case of lands within the National Forest System, the Secretary of Agriculture, pursuant to paragraph (A) shall include an assessment of the amount of coal deposits in such land, identifying the amount of such coal which is recoverable by deep mining operations and the amount of such coal which is recoverable by surface mining operations. Such plan shall also include an evaluation and comparison of the effects of each such method of coal mining on the recovery of the coal by other methods on the land subject to such plan. In preparing the plan the Secretary shall consider effects which mining of the proposed lease might have on a community or area, including, but not limited to, impacts on the environment, on agricultural and other economic activities, and on public services. Adequate public hearings in the area shall be held by the Secretary prior to approval of the lease.

(3) No competitive lease of coal shall be approved or issued until after the notice of the proposed offering for lease has been given once a week for three consecutive weeks in a newspaper of general circulation in the county in which the lands are situated in accordance with regulations prescribed by the Secretary.

(4) The preparation of a land use plan under this Section shall be an integral part of the environmental review process required by Section 102 of the National Environmental Policy Act of 1969 for the issuance of coal leases under Section 2(a) of this Act.

(5) No coal lease shall be approved or issued after the date of enactment of this Act without satisfactory assurances that all applicable provisions of the Surface Mining Control and Reclamation Act of 1974 have been complied with.

Sec. 4. Subject to valid existing rights, section 2(b) of the Act of February 25, 1920, is amended to read as follows:

(b) (1) The Secretary may, under such regulations as he may prescribe, issue to any person an exploration license. No person may conduct coal exploration for commercial purposes for any coal on lands subject to this Act without such an exploration license. Each exploration license shall be for a term of two years and shall be subject to a reasonable fee. A separate exploration license will be required for exploration in each State. Each exploration license shall contain such reasonable conditions as the Secretary may require, including conditions to insure the protection of the environment, and shall be subject to all applicable Federal, State, and local laws and regulations. Upon violation of any such conditions or laws the Secretary may revoke the exploration license. An exploration license shall confer no right to a lease under this Act.

(2) A licensee may not remove any coal for sale but may remove a reasonable amount of coal from the lands subject to this Act included under his license for analysis and study. A licensee must comply with any rules and regulations of the Federal agency having jurisdiction over the surface of the lands subject to this Act.

(3) An applicant for an exploration license shall submit to the Secretary an exploration plan. The exploration plan will set forth, in the degree of detail established in regulations issued by the Secretary, specific work to be performed,

the manner in which it will be performed and compliance with environmental, health and safety standards of all Federal, State, and local laws and regulations. As promptly as possible after submittal of the plan, the Secretary shall approve or disapprove the plan or require that it be modified. No exploration license shall be issued prior to approval of the exploration plan by the Secretary.

(4) The licensee shall furnish to the Secretary copies of all data (including, but not limited to, geological, geophysical, and core drilling analysis) obtained during such exploration. The Secretary shall maintain the confidentiality of all data so obtained until after the areas involved have been leased or until such time as he determines that making the data available to the public would not damage the competitive position of the licensee, whichever comes first.

(5) Any person who willfully conducts coal exploration for commercial purposes on lands subject to this Act without an exploration license issued hereunder shall be subject to a fine of not more than \$1,000 for each day of violation. All data collected by said person on any Federal lands as a result of such violation shall be made immediately available to the Secretary, who shall make the data available to the public as soon as it is practicable.

SEC. 5. Section 7 of this Act of February 25, 1920 (41 Stat. 439; 30 U.S.C. 207), is hereby amended to read as follows:

SEC. 7. (a) (1) A coal lease shall be for a term of ten years and for so long thereafter as coal is produced annually in paying quantities from that lease. Any lease which is not producing in paying quantities at the end of the primary ten-year term shall be terminated. A lease shall require payment of a royalty in such amount as the Secretary shall determine of not less than 10 per centum of the sale price as defined by regulation of the products produced except the Secretary may determine a lesser amount in the case of coal recovered by deep mining operations. The lease shall include such other terms and conditions as the Secretary shall determine. Such royalties and other terms and conditions of the lease will be subject to readjustment at the end of its primary term of ten years and at the end of each five-year period thereafter if the lease is extended.

(2) For the purposes of this subsection the term "paying quantities" means that quantity of coal which would pay a profit to the lessee if we operated the mine and marketed the coal.

(b) Leases shall be subject to the conditions of diligent development and continued operation of the mine or mines. With respect to all new leases and existing leases in effect at the time of the enactment of this Act, the condition of diligent development and continued operation cannot be satisfied by advance royalties in lieu thereof: *Provided however*, That where production is prevented by strikes, elements, or casualties not attributable to the lessee, the Secretary may, if in his judgment the public interest will be served thereby, provide for payment in advance of a minimum royalty in lieu of continuous production; *provided further*, that the Secretary may permit suspension of operation under any such lease for a period not to exceed six months at any one time, when he finds, pursuant to general regulations prescribed by the Secretary, adopted after the proposed rulemaking procedure specified in the Administrative Procedure Act, 5 U.S.C. 553, that market conditions are such that the lease cannot be operated except at a probable loss.

(c) No later than three years following the issuance of any lease pursuant to Section 2(a) (1), the Secretary shall review development progress under each and every lease issued. If the Secretary finds, pursuant to general regulations prescribed by the Secretary adopted after the proposed rulemaking procedure specified in the Administrative Procedure Act, 5 U.S.C. 553, that no reasonable, and not speculative, assurances exists that coal will be produced in paying quantities from the lease under review within the remaining years of the primary term, the lease shall be deemed terminated.

SEC. 6. Section 35 of the Act of February 25, 1920 (41 Stat. 450), as amended (30 U.S.C. 191), is further amended by striking the period at the end of the proviso and inserting in lieu thereof the language as follows: "*: And provided further*, That all moneys paid to any State from sales, bonuses, royalties, and rentals of coal deposits and oil shale in public lands may be used by such State and its subdivisions for planning, construction and maintenance of public facilities, and provision of public services, as the legislature of the State may direct, giving priority to those subdivisions of the State socially or economically impacted by the development of the resource involved.

SEC. 7. The Director of the Office of Technology Assessment is authorized and directed to conduct a complete study of coal leases entered into by the United

States under section 2 of the Act of February 25, 1920. Such study shall include an analysis of all mining activities, present and potential value of said coal leases, receipts of the Federal Government from said leases and recommendations as to the feasibility of the use of deep mining technology in said leased area. The Director shall submit the results of his study to the Congress within one year after the date of enactment of this Act.

SEC. 8. Section 27(a)(1) of the Act of February 25, 1920 (30 U.S.C. 184 (a)(1)), is amended as follows:

SEC. 27. (a)(1) No person, association, corporation, or any subsidiary, affiliate, or persons controlled by or under common control with such person, association, or corporation shall take, hold, own, or control at one time, whether acquired directly from the Secretary under this Act or otherwise, coal leases or permits on an aggregate of more than forty-six thousand and eighty acres in any one State, but in no case greater than an aggregate of one hundred thousand acres in the United States: *Provided*, That any person, association, or corporation currently holding, owning, or controlling more than an aggregate of one hundred thousand acres in the United States on the date of enactment of this Act shall not be required on account of this subsection to relinquish said leases or permits: *Provided, however*, That in no case shall such person, association, or corporation be permitted to take, hold, own, or control any further Federal coal leases or permits until such time as their holdings, ownership, or control of Federal leases or permits has been reduced below an aggregate of one hundred thousand acres within the United States.

"c. The Commission is authorized to issue licenses to persons applying therefor for utilization and production facilities useful in the conduct of research and development activities of the types specified in section 31 and which are not facilities of the type specified in subsection 101b. The Commission is directed to impose only such minimum amount of regulation of the license as the Commission finds will permit the Commission to fulfill its obligations under this Act to promote the common defense and security and to protect the health and safety of the public and will permit the conduct of widespread and diverse research and development.

"d. No license under this section may be given to any person for activities which are not under or within the jurisdiction of the United States, except for the export of production or utilization facilities under terms of an agreement for cooperation arranged pursuant to section 123 or except under the provisions of section 109. No license may be issued to any corporation or other entity if the Commission knows or has reason to believe it is owned, controlled, or dominated by an alien, a foreign corporation, or a foreign government. In any event, no license may be issued to any person within the United States if, in the opinion of the Commission, the issuance of a license to such person would be inimical to the common defense and security or to the health and safety of the public.

"SEC. 105. ANTITRUST PROVISIONS—

"a. Nothing contained in this Act shall relieve any person from the operation of the following Acts, as amended, 'An Act to protect trade and commerce against unlawful restraints and monopolies' approved July second, eighteen hundred and ninety; sections seventy-three to seventy-seven inclusive, of an Act entitled 'An Act to reduce taxation, to provide revenue for the Government, and for other purposes' approved August twenty-seven, eighteen hundred and ninety-four; 'An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes' approved October fifteen, nineteen hundred and fourteen; and 'An Act to create a Federal Trade Commission, to define its powers and duties, and for other purposes' approved September twenty-six, nineteen hundred and fourteen. In the event a licensee is found by a court of competent jurisdiction, either in an original action in that court or in a proceeding to enforce or review the findings or orders of any Government agency having jurisdiction under the laws cited above, to have violated any of the provisions of such laws in the conduct of a licensed activity, the Commission may suspend, revoke, or take such other action as it may deem necessary with respect to any license issued by the Commission under the provisions of this Act.

"b. The Commission shall report promptly to the Attorney General any information it may have with respect to any utilization or special nuclear material or atomic energy which appears to violate or to tend toward the violation of any of the foregoing Acts, or to restrict free competition in private enterprise.

"c. (1) The Commission shall promptly transmit to the Attorney General a copy of any license application provided for in paragraph (2) of this subsection,

and a copy of any written request provided for in paragraph (3) of this subsection; and the Attorney General shall, within a reasonable time, but in no event to exceed 180 days after receiving a copy of such application or written request, render such advice to the Commission as he determines to be appropriate in regard to the finding to be made by the Commission pursuant to paragraph (5) of this subsection. Such advice shall include an explanatory statement as to the reasons or basis therefor.

"(2) Paragraph (1) of this subsection shall apply to an application for a license to construct or operate a utilization or production facility under section 103: *Provided, however,* That paragraph (1) shall not apply to an application for a license to operate a utilization or production facility for which a construction permit was issued under section 103 unless the Commission determines such review is advisable on the ground that significant changes in the licensee's activities or proposed activities have occurred subsequent to the previous review by the Attorney General and the Commission under this subsection in connection with the construction permit for the facility.

"(3) With respect to any Commission permit for the construction of a utilization or production facility issued pursuant to subsection 104 b. prior to the enactment into law of this subsection, any person who intervened or who sought by timely written notice to the Commission to intervene in the construction permit proceeding for the facility to obtain a determination of antitrust considerations or to advance a jurisdiction basis for such determination shall have the right, upon a written request to the Commission to obtain an antitrust review under this section of the application for an operating license. Such written request shall be made within 25 days after the date of initial Commission publication in the Federal Register of notice of the filing of an application for an operating license for the facility or the date of enactment into law of this subsection, whichever is later.

"(4) Upon the request of the Attorney General, the Commission shall furnish or cause to be furnished such information as the Attorney General determines to be appropriate for the advice called for in paragraph (1) of this subsection.

"(5) Promptly upon receipt of the Attorney General's advice, the Commission shall publish the advice in the Federal Register. Where the Attorney General advises that there may be adverse antitrust aspects and recommends that there be a hearing, the Attorney General or his designee may participate as a party in the proceedings thereafter held by the Commission on such licensing matter in connection with the subject matter of his advice. The Commission shall give due consideration to the advice received from the Attorney General and to such evidence as may be provided during the proceedings in connection with such subject matter, and shall make a finding as to whether the activities under the license would create or maintain a situation inconsistent with the antitrust laws as specified in subsection 105a.

"(6) In the event the Commission's finding under paragraph (5) is in the affirmative, the Commission shall also consider, in determining whether the license should be issued or continued, such other factors, including the need for power in the affected area, as the Commission in its judgment deems necessary to protect the public interest. On the basis of its findings, the Commission shall have the authority to issue or continue a license as applied for, to refuse to issue a license, to rescind a license or amend it, and to issue a license with such conditions as it deems appropriate.

"(7) The Commission, with the approval of the Attorney General, may except from any of the requirements of this subsection such classes or types of licensees as the Commission may determine would not significantly affect the applicant's activities under the antitrust laws as specified in subsection 105a.

"(8) With respect to any application for a construction permit on file at the time of enactment into law of this subsection, which permit would be for issuance under section 103, and with respect to any application for an operating license in connection with which a written request for an antitrust review is made as provided for in paragraph (3), the Commission, after consultation with the Attorney General, may, upon determination that such action is necessary in the public interest to avoid unnecessary delay, establish by rule or order periods for Commission notification and receipt of advice differing from those set forth above and may issue a construction permit or operating license in advance of consideration of and findings with respect to the matters covered in this subsection: *Provided,* That any construction permit or operating license so issued shall contain such conditions as the Commission deems appropriate.

STATEMENT OF BECKY BOGARD, LEGISLATIVE REPRESENTATIVE, AMERICAN PUBLIC POWER ASSOCIATION

My name is Becky Bogard. I am the Legislative Representative of the American Public Power Association. APPA is a national service organization representing more than 1,400 local publicly owned electric utilities in 48 states, Guam, the Virgin Islands, and Puerto Rico. I appreciate the opportunity to appear before your committee to discuss proposals for amending the coal leasing laws.

In October, 1974, over 44 percent of the nation's electricity was generated by burning coal. Although much of this coal is from the East, where there are no Federal coal leases, an increasing amount is coming from the West where there are large amounts of Federally owned coal—approximately 50 percent of total national reserves—and a large number of existing leases. Demand for Western coal will continue to grow because such coal is generally lower in sulfur content, making it a desirable fuel to meet air quality requirements for steam electric power plants and because it is generally lower priced.

A number of APPA members currently operate or are planning facilities which would use such Western coal, probably from Federal lands. APPA believes that it is necessary to review the operation of the Federal coal leasing program and make some significant changes in it if the supply of this coal is to meet the demands of the nation's consumer owned utilities at reasonable market prices. While there have been some proposals for administrative changes in the current program, we do not believe they are significant, and think that it is time for Congress to clarify its objectives for the mineral leasing program. Legislative changes should be designed to achieve two goals: (1) the stimulation of production from existing coal leases and (2) the elimination of concentration of existing leaseholders.

PRODUCTION FROM EXISTING LEASES

According to a 1974 Council on Economic Priorities Study entitled "Leased and Lost", 89 percent of the existing 474 coal leases on Federal and Indian lands in the Western states are inactive. One might think that production has not commenced because there has been insufficient time for the leaseholders to develop their leases or because coal prices are too low to merit development now. Neither of these seems to be the reason.

As for the time needed for development, it should be noted that 64 percent of these Western coal leases were issued between 1960 and 1970. Surely there has been time for the leaseholders to obtain equipment and commence production from more than 11 percent of these leases.

It does not appear that a decreasing price of coal has been the factor discouraging development either. Prices remained rather stable until about 1969. Since then dramatic price increases have occurred. A recent study on coal pricing undertaken by APPA, the National Rural Electric Cooperative Association and the Tennessee Valley Public Power Association found that prices after 1969 began to rise "phenomenally and rapidly." By 1974, the average price of all coal except anthracite was approximately three times what it had been in 1967. The study concluded that the price increases cannot be fully explained by increases in the cost of production.

All of these Federal leases were issued subject to the requirement of the existing mineral leasing law for "diligent development and continued operation". However, reference to the requirement of diligent development is lacking in the Department of Interior's standard coal lease form and, until recently, the Department had not offered any guidance to those responsible for policing the leases about the meaning of either terms. Even that guidance, in the form of a rulemaking proposed on December 11, 1974, only listed the tasks involved in diligent development but did not specify any outside time limit for accomplishing the tasks and bringing the lease into production.

According to a recent report entitled "Onshore Lease Management Program Study for the U.S. Geological Survey" by the National Aeronautics and Space Administration and a support team from Martin Marietta Corporation, this lack of guidance has caused the U.S.G.S. Conservation Division to "make a choice between two favorites: development and production vs. accommodation of industry." The report observes that the Division has chosen the latter. This, in effect, has allowed leaseholders to sit on the nation's coal while consumers pay increasing prices for electricity generated from coal.

CONCENTRATION OF EXISTING LEASEHOLDERS

APPA believes that the vast accumulation of Federal leaseholds by a small number of companies is a situation which must be corrected by amendments to the Minerals Leasing Act of 1920. According to the 1974 CEP report, 70% of Federal and Indian coal leases are held by only 15 companies. These fifteen include seven of the largest 15 coal companies and five large oil companies.

The bidding system employed by the Department of the Interior has been one reason that few large companies have been able to accumulate large numbers of acres of coal lands. If the bidding has been on a competitive basis, there have been few bidders. The Department has traditionally employed a bonus bidding system requiring that the entire bid be paid by the company upon receiving the lease. When there has been competition in bidding for leases, these front-end costs have been high and permitted only large companies with large capital resources to obtain leases.

The small number of large Federal leaseholders may have effected price competition by controlling production from the leases. According to the CEP study, 93% of these leases are not producing coal, although APPA understands that as soon as the Department of the Interior is permitted to resume approval of mining plans, there are several large companies which will begin producing from their leases. It seems ironic that the Mineral Leasing Act of 1920—originally passed out of fear that coal monopolies similar to the oil monopolies of those days would develop—has been administered in a way which has allowed the massive accumulation of resources by a few companies.

It is not that the tools for preventing the growth of potential monopoly power were left out of the law. Section 27 of the Mineral Leasing Law of 1920 clearly states that any lease which is part of an unlawful trust or combination shall be canceled and Section 30 provides that all leases shall have terms in them preventing monopoly. In fact, section 3(c) of the standard coal leasing form reserves to the Federal government the right "to promulgate and enforce all the provisions of section 30 of the act to insure the sale or production of said leased lands to the United States and to the public at reasonable prices, to prevent monopoly and to safeguard the public welfare."

But just like the terms of the law requiring diligent development, these anti-monopoly provisions have never been enforced by the Department of the Interior. It is because the Department has had the ability to prevent these situations from occurring and has failed that APPA believes the problems in the coal leasing program cannot be solved by the proposed administrative action but must be accomplished by new directions from Congress.

APPA has the following comments about HR 3265:

1. *Bidding System.*—Reformation of the bidding system may be one of the key elements in stimulating competition in the coal leasing program. Because of the requirements for large, front-end capital for the Department of Interior's bonus bidding system, small entities have many times been precluded from even trying to obtain leases. Under the provisions of HR 3265, calling for deferred bonus bidding, these entities might only be required to initially raise a small percentage of the total capital needed.

We are concerned, however, that no royalty bidding is permitted. While fears that this type of bidding will work against production and limit returns to the Federal Treasury may be warranted, it is possible to build safeguards into the terms of the lease to prevent this. Perhaps a minimum payment could be specified which reflects a minimum anticipated coal production from that lease, barring unforeseen circumstances. Royalty bidding is particularly attractive to the small organization which may want to get into the coal business but may find it easier to pay as it goes rather than coming up with large amounts of capital.

At a minimum the Department of the Interior should not be precluded from experimenting with this method and other bidding systems to determine if it brings reasonable returns to the Federal Treasury and works to stimulate production.

2. *Production from Existing Leases.*—APPA suggests that production from existing leases can be most easily stimulated by prohibiting companies now holding economically developable leases which are not being developed from obtaining more leases. Such a provision in the leasing laws would automatically halt the accumulation of coal reserves by fuel companies and simultaneously give them incentives to develop existing leaseholds.

Amending the law in this manner also eliminates the legal problems which might be created by the absence of diligent development terms in existing leases. It also avoids the cumbersome requirement of judicial cancellation for non-compliance with existing lease terms.

Interestingly enough, the Department of the Interior is currently using such a mechanism in its interim leasing program. Under the terms of that program, "need criteria" were established for deciding if an applicant should be granted a lease during the unofficial moratorium on leasing. "If the applicant has coal resources under federal lease or permit that could easily satisfy the same demonstrated need by virtue of quantity, quality, location, economics of mining, etc., then no short-term need exists for the government to provide the applicant with additional resource at this time." But more to the point of encouraging production from existing leases is the fact that the guidelines state that "with few exceptions, if the applicant also has non-producing Federal leases within the States, he would be precluded from acquiring additional federal leases under the short-term criteria."

3. *National Lid on Leaseholds.*—HR 3265 prescribes a 100,000 acre national limit on the amount of leases held by any one company. The idea of a national "lid" on leaseholds is a good one. It will provide an incentive for production from existing leases and prevent excessive holdings of resources by large companies. However, if the object of the national lid is to place a limit on the amount of coal a company can hold, APPA suggests that a better measure of the amount of holdings is the estimated recoverable coal reserves held by any one entity. The variation of tons of coal per acre is great enough to make the number of acres here a relatively meaningless figure. Guidance from Congress on the maximum amount of reserves which can be held would be more useful.

4. *Diligent Development and Continuous Operations.*—Section 5 of HR 3265 provides that all leases are subject to diligent development and continued operation. These terms cannot be satisfied by payment of advance royalties except in certain specific situations and in those prescribed by the Secretary as being in the public interest. In the past the Secretary of the Interior has routinely accepted minimum royalty payments in lieu of both diligent development and continued operation even though the Mineral Leasing Act of 1920 specifies such payments in lieu of continued operation only.

APPA believes this provision of HR 3265 will stimulate production from all future leases by giving the Congressional guidance needed to clarify the intent of the mineral leasing law regarding royalty payments in lieu of development and operation of leases. We suggest, however, that the Secretary of the Interior be required to prescribe what the "public interest" conditions are for such payments. This could be accomplished by a rulemaking procedure as provided by the Administrative Procedures Act.

5. *Elimination of the Prospecting Permit With Preference Right.*—One of the standard practices of the Department of the Interior has been to offer prospecting permits with a preference right to a lease. This means that the permittee, after some exploration, can apply to the Department for a lease and will receive it if the Department determines there are economically developable resources. Forty-five percent of the existing leases were awarded in this manner and there are numerous permits still pending.

Congress originated this permit system because there was a lack of data about the Federal coal resources. It hoped that the prospect of a lease would stimulate private enterprise to undertake this task. Apparently the system has not been wholly satisfactory. The Department of the Interior found it necessary to initiate the Energy Minerals Allocation Recommendation System to determine what minerals are available on the Federal domain and suggest a program for their ordered development.

Section 4 of H.R. 3265 allows a more limited program of exploration permits to continue so that the Department can have the benefit of some private determination of coal resources. But the new proposal is structured to eliminate the automatic lease issuing of the past which has been in large part responsible for some of the accumulation of reserves by large coal companies.

6. *Pre-Leasing Review of Anti-competitive Activities.*—As mentioned earlier, there is existing authority in the Mineral Leasing Act of 1920 to prohibit the resources on Federal lands from being used in an anti-competitive manner. The mechanism provided for enforcing this section is the cancellation of the lease by judicial determination rather than by administrative procedures. This provides no preventive for an anti-competitive situation but only a remedy once such situation has occurred.

APPA believes that H.R. 3265 should include a provision which would allow for an anticipatory review of those practices currently prohibited by the Mineral Leasing Act of 1920. This procedure should be similar to the pre-licensing anti-trust review of applications for nuclear power plants.

Under the Atomic Energy Act, the Nuclear Regulatory Commission must make a finding "as to whether the activities under the license would create or maintain a situation inconsistent with the antitrust laws." The Nuclear Regulatory Commission may refuse or condition a license to the applicant utility to prevent anti-competitive activity.

A similar type of review before granting a lease would prevent the possible disposal of the nation's resources in an anti-competitive manner.

Such a review would also complement section 523(e) of H.R. 25, the Surface Mining Control and Reclamation Act of 1975. That section of the bill requires the Secretary to adopt a program which would insure all classes of coal purchasers some access to coal from Federal lands. It is intended to assist small coal purchasers who might otherwise be denied access to coal from Federal lands.

Examination of past price discrimination activities and selling practices, which go to the heart of the small purchasers' denial of coal, would be examined in a pre-leasing review. If the lease applicant was believed to be engaging in these or other anti-competitive activities, either the lease would not be granted or it could be conditioned in such a manner to prevent continuation of the alleged practice.

7. Preference Leasing for Small, Non-Integrated Organizations.—APPA believes that the committee should explore the desirability of granting leases on a preference basis to small, non-integrated organizations, such as consumer owned utilities. Such action would be solely to stimulate competition in the coal industry by allowing new entries. If the organizations were non-profit, this preference right would have the advantage of offering the nation's resources to organizations which will develop them and sell them at the lowest cost to the consumer.

The major precedent for disposal of national resources in this manner is in the Federal hydroelectric program. State and local governments and non-profit electric cooperatives have the first opportunity to obtain power generated at Federal projects. This anti-monopoly feature has supported competition in the utility industry.

Additionally, there is a precedent for preference leasing by the Federal government. The Atomic Energy Commission in its uranium leasing program offered a certain amount of leaseholds on a preference basis to small businesses. In that program there were specific tracts set aside for those who qualified for a preference.

In the coal leasing program, there could be specific tracts set aside or the program could be structured so that any qualifying organization whose bid offers a reasonable return to the Federal Treasury for coal resources would be eligible to obtain a lease on a preference basis. These organizations would, of course, be subject to the same terms and conditions of development as other lessees.

8. Congressional Policy Statement.—To support these changes in the coal leasing program, APPA suggests that Congress adopt a statement of policy indicating that the purposes of the mineral leasing laws are to encourage the orderly development of coal on Federal lands, to promote competition and discourage monopolization of these resources, and to provide a fair return to the United States from the leasing and disposition of Federal coal resources.

STATEMENT OF KENNETH HOLUM, GENERAL MANAGER, WESTERN FUELS ASSOCIATION, INC.

Western Fuels Association, Inc., was incorporated under the laws of the State of Wyoming in June 1974. Representatives of Basin Electric Power Cooperative of Bismarck, North Dakota, and Tri-State Generation and Transmission Association of Northglenn, Colorado, were the Association's original incorporators.

Tri-State and Basin Electric are two of the consumer-owned electric systems participating in a regional bulk power supply system called the Missouri Basin Power Plan. The group plans to build a large and efficient steam electric generating station near Wheatland, Wyoming, to serve the growth needs of consumer-owned electric systems in seven states.

Western Fuels was created by the two participants in MBPP to secure the coal needed for the Laramie River Station and to arrange for the delivery of the coal

to the point of use. The articles of incorporation and the original participants anticipate that additional consumer-owned systems will affiliate with Western Fuels to secure similar services. Cajun Electric Power Cooperative of New Roads, Louisiana, already has done so. We expect additional municipal electric systems and rural electric cooperatives to join Western Fuels in the near future.

As a Washington based resources consultant, I was assigned the responsibility of securing the resources necessary to make the Laramie River Station a reality. When Western Fuels was created I became the organization's general manager and committed most of my time to this new responsibility.

My experience seeking and securing western coal for consumer-owned electric systems have lead me to conclude that this Committee is well advised to consider the nation's present policies for coal land leasing and to enact substantial changes in these policies.

We are familiar with the positions advocated by the American Public Power Association and the National Rural Electric Cooperative Association and urge the Committee to give these views careful consideration.

Before commenting on coal land leasing, may I observe that Western Fuels believes that strip mined reclamation legislation should be enacted and that individuals owning the surface over federal coal should be given equitable and reasonable protection. This Committee, the Congress and the Executive Branch of our Federal Government have wrestled with these difficult questions over a long period of time. We do not propose to advocate a particular position at this late date.

We do, however, urge that these questions be resolved and that the Congress and the Administration agree that the leasing of federally owned coal resources should be reinstituted in the near future.

On the basis of our experiences, we respectfully suggest that you consider the following ideas that we believe will move in the direction of making certain that a publicly owned resource is put to work meeting an appropriate share of the nation's legitimate energy needs. To accomplish these objectives, we suggest that the legislation enacted by the Congress:

(1) provide for either deferred bonus or royalty-type bidding so that small companies may compete;

(2) stipulate that companies or individuals holding federal coal leases that have not made a diligent effort to develop those leases may not participate in future auctions;

(3) require companies that wish to compete in lease sales to provide appropriate assurances to the Secretary of the Interior that they have a legitimate need for the coal and a plan and the resources required to meet that need. (If leases are secured for the purpose of providing utility coal, the Secretary should know in advance of the sale that the bidder has a market available for at least 60 percent of the coal involved in the acquisition. If the prospective bidder plans to use the resource for gasification, liquification or some other purpose, the Secretary should know in advance that the bidder has the related resources necessary to make the plan a reality.)

(4) guarantee that the leased resource is committed to meeting the public's energy needs by directing the Secretary of the Interior to ascertain three years after leasing that the lessor is proceeding diligently to develop the leasehold. If he finds that diligent development is not proceeding, the legislation should direct the Secretary to cancel the lease.

We believe that there are legitimate and urgent public interest requirements for energy that can and should be satisfied by the careful and proper use of publicly owned coal resources.

We know, and the members of this Committee know, that many present leaseholders are making a diligent effort to develop their leaseholds and to perfect their preference-right prospecting permits so that the coal may be made available to meet the nation's energy requirements. We believe these individuals and companies should be recognized and encouraged.

We know, and you know too, that a significant amount of the publicly owned coal that has been transferred to private ownership under existing law and policy is being held for speculative purposes and unreasonable profit. We believe that the suggestions we offer will assist the well-intentioned companies to do the job you want them to do while providing the Secretary of the Interior with the tools he made to prevent speculation in a publicly owned resource under his supervision and management.

Thank you.

Mr. GRAHAM. Madam Chairman, members of the subcommittee, we very much appreciate this opportunity today to have smaller entities such as cooperatives, municipalities and companies associated therewith, to speak and express our views on this legislation.

My name is David Graham. I am corporate counsel of the NRECA which represents approximately 1,000 electric cooperatives throughout 46 States.

I would like to introduce Miss Becky Bogard, the legislative representative of American Public Power Association, and the general manager of Western Fuels, Mr. Ken Holum—to my right. Each of us would like to make a short presentation to conserve the time of the committee.

Miss Bogard will address some of the reasons we see strong need for this legislation, and I will address some of the recommendations we would like to make with regard to the bill that is presently drafted, and Mr. Holum would also like to make a short statement. Then we will be available for questions if there is an opportunity for them.

Miss Bogard?

Miss BOGARD. I would like to ask, Madam Chairman, that all of our statements be inserted in the record.

Mrs. MINK. Yes; they have been.

STATEMENT OF BECKY BOGARD, LEGISLATIVE REPRESENTATIVE, AMERICAN PUBLIC POWER ASSOCIATION

Miss BOGARD. We have all been working together on changes for the Coal Leasing Act because we believe that is necessary to review the operation of the Federal coal leasing program and make some significant changes in it if the supply of this coal is to meet the demands of the Nation's consumer-owned utilities at reasonable market prices. While there have been some proposals for administrative changes in the current program, as you have just discussed with the Department of the Interior representatives, we do not believe that they have been significant, and we think that it is time for Congress to clarify its objectives for the mineral leasing program.

Legislative changes should be designed to achieve two basic goals: The stimulation of production from existing coal leases, and the elimination of the concentration in the number of existing leaseholders. According to a 1974 Council on Economic Priorities study entitled "Leased and Lost," 89 percent of the existing 474 coal leases on Federal and Indian lands in the Western States are inactive.

One might think that production has not commenced because there has been insufficient time for the leaseholders to develop these leases, or because coal prices have been too low to merit development. Neither of these seems to be the reason. As for the time needed for development, it should be noted that 64 percent of these leases were issued between 1960 and 1970. Surely there has been time for the leaseholders, if they were serious about development, to obtain equipment and commence production from more than just 11 percent of these leases.

It does not appear that a decreasing price of coal has been the factor discouraging development either. Prices did remain stable until 1969,

but since then dramatic price increases have occurred. A recent study on coal pricing that was undertaken by APPA, NRECA and the Tennessee Valley Public Power Association found that after 1969 coal prices began to rise phenomenally and rapidly. In 1974, the average price of all coal, except anthracite, was approximately 3 times what it had been in 1967. The study concluded that the price increases cannot be fully explained by increases in the cost of production.

All of these Federal leases were issued subject to the requirement of the existing mineral leasing law for diligent development and continued operation. However, references to the requirement of diligent development is lacking in the Department of Interior's standard coal lease form and, until recently, the Department has not offered any guidance to those responsible for policing the leases about the meaning of these terms.

Even that guidance, which was in the rulemaking I have discussed earlier, only listed the tasks involved in diligent development but did not specify any outside time limit for accomplishing the tasks and bringing the leases into production.

According to a recent report entitled "Onshore Lease Management Program Study for the U.S. Geological Survey" this lack of guidance has caused the U.S.G.S. Conservation Division to make "a choice between two favorites: Development and production versus accommodation of industry." The report observes that the Division has chosen the latter, and this, in effect, has allowed leaseholders to sit on the Nation's coal while consumers pay increasing prices for electricity generated from coal.

We also believe that the vast accumulation of Federal leaseholds by a small number of companies is a situation which must be corrected by amendments to the Minerals Leasing Act of 1920. According to the CEP report, 70 percent of all Federal and Indian coal leases are held by only 15 companies. These 15 include 7 of the largest 15 coal companies and 5 large oil companies.

The bidding system employed by the Department of the Interior has been one reason that only a few large companies have been able to accumulate large numbers of acres of coal lands. If the bidding has been on a competitive basis at all, there have been few bidders. In fact, 59 percent of all so-called competitive bids only attracted one bidder. The Department has traditionally employed a cash bonus bidding system requiring that the entire bid be paid by the company upon receiving the lease. So when there has been competition in bidding for leases, the system has resulted in large front-end costs and has permitted only large companies with large capital resources to obtain leases.

The small number of Federal leaseholders may have also effected price competition by controlling some production from the leases. According to the CEP study, 93 percent of these leases held by these large leaseholders are not producing coal, although we do understand that some of these large companies are ready to produce coal as soon as the Department can resume approval of mining plans. It does seem ironic that the Mineral Leasing Act of 1920, which was originally passed out of fear that large coal monopolies similar to the oil monopolies of those days would develop, has been administered in a way which has allowed this massive accumulation of resources by a few companies.

It is not that the tools for preventing the growth of the potential monopoly power were left out of the law either. Section 27 of the Mineral Leasing Act of 1920 clearly states that any lease which is part of an unlawful trust or combination shall be cancelled, and section 30 provides that all leases shall have terms in them preventing monopoly.

But just like the terms of the law requiring diligent development, these antimonopoly provisions have never been enforced by the Department of Interior. It is because the Department has had the ability to prevent these situations from occurring and has failed that we believe the problems in the coal-leasing program cannot be solved by proposing administrative action, but must be accomplished by new directions from Congress.

I would like to now turn this back to David Graham, and have him describe a few of these changes which we think would be appropriate to accomplish these goals.

**STATEMENT OF DAVID B. GRAHAM, CORPORATE COUNSEL,
NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION**

Mr. GRAHAM. I would like to note, Madam Chairman, Mr. Ed Weinberg of the company of Brownman, Weinberg and Palmer, an associate of Mr. Holum, seated at the table.

First, I would like to very briefly mention that we think there are some significant advantages offered in your proposed bill, 3265, over the present situation. We apparently differ with the Department of Interior, at least on several of these points.

First, we believe the idea of reducing the lease terms to 10 years is an excellent idea. We likewise believe that the 10-percent-royalty provision that you have in the bill, and renegotiating the terms of a lease after the primary term—5 years afterwards—is an excellent idea. We think that the provision in the bill regarding diligent development, continuous operation to narrowly restrict them, is a good idea. And finally, we like the national limitation of 100,000 acres on the amount of coal leases in various entities in control. We also like the 50-percent-area total acreage on deferred bonus plan. We think it is a vast improvement over the present situation.

I believe, however, that some other types of bidding are preferable, or at least have significant advantages, and I would like to mention these. As you noticed—you may or may not have noticed—I had attached a copy of a revised 3265 that we have jointly worked on to my statement. We took your present bill, as it is presently written, and made some suggested changes.

First, alternatives to cash bonus bidding. We strongly recommended that you delete the prohibition on royalty bidding that you have in 3265 because of lease royalty bidding which provides smaller firms with an opportunity to develop coal leasing which large front-end bonuses effectively preclude. We suggest that Congress provide greater guidance and encouragement to experiment with innovative leasing approaches.

To some extent the Department has divergent practices with the experimentation of the Outer Continental Shelf, which Secretary Horton referred to earlier, and there is not reason for not doing the same thing with the Federal coal leasing program.

We hope the subcommittee carefully examines alternative leasing programs such as profit sharing, coal pledges, rental payments, and royalty payments.

A National Science Foundation study which has not been released yet entitled "Legal and Economic Considerations in Federal Coal Leasing" has an excellent discussion of the various types of bidding that could be used in lieu of a large front-end royalty bidding. I wish to highly recommend it for a sort of "thinking-type" of document. I have supplied a copy of this to the chairman.

One of the conclusions is, leasing regimes which transfer risks to the public sector and minimize the dependence on financial markets would be most desirable and leasing regimes that compose the conditional or contingent payment would accomplish this; lump-sum bidding procedures do not accomplish this. I have a theory for this, partly in my statement and further in the report, but we're particularly impressed with a combination of percentage, royalty, lump sum, bonus payment approach—NRECA is. In this situation, the higher the royalty payment is, the higher returns to the Treasury.

Now, of course, a disadvantage of this, as this NSF study points out, is that the royalty payment is like a tax, and the effect would be to produce a lower production from given coal fields, unless you have certain safeguards. I would think these can be incorporated with a change in the fixed percentage royalty to a sliding-scale percentage royalty at a point where reserves become marginal so you don't discourage production and likewise utilizing diligent production requirements very strictly.

Now, with regard to development of existing leases, we think this is an extremely important point. We have proposed section 2(b) to the bill which would effectively stimulate production from these leases by prohibiting companies now holding economically developed leases from obtaining additional leases unless they could establish that they would develop these existing leases within 5 years or, in some cases, a little bit longer period of time.

The Department of Interior is currently utilizing a similar approach in its interim leasing policy where the bidders who satisfied "certain need criteria" qualified for Federal coal leases.

With regard to monopolization in any competitive practice, we suggest an addition which would prohibit producers of Federal coal in violation of existing admonitions in the act from receiving new leases. And these are in 30 U.S.C. 184(k) and 187.

Now, I would like to, at this point, briefly make some recommendations that are beyond those contained in this attached revision of 3265. I personally believe it is questionable, if not doubtful, whether H.R. 3265, or the new regs that Secretary Horton referred to, will solve the problem created by lack of enforcement of its leasing terms on diligent development and continuous operation.

At one time I was in the Environmental Protection Agency, and we utilized the compliance schedules to insure that State implementation plans were met on an orderly procedure, certain types of times schedules, and I think this type of thing can be very helpful with regard to diligent production and continuous operation, because then you have to meet certain schedules somewhere along the line. You cannot just delay indefinitely, which is the way it has worked, at least up to now.

My concern in continuing to place enormous discretion in the hands of the mining supervisor, which the earlier witnesses referred to, may not result in expeditious development and production of coal which is violently needed at this time, and we believe the compliance schedule might give you a new handle on this that you do not have right now.

To further emphasize antitrust review, on page 8 we would suggest a provision requiring mandatory antitrust reviews similar to section 105C of the Atomic Energy Act, because at present antitrust review provisions have not worked particularly effectively, as we can see with the concentration of coal leases in small number of leaseholders. I would attach also a copy of 105C for those not familiar with that provision.

Finally, I suggested something, a preference clause for the various members of the electric utility industry. Let me explain that one. That is kind of a surprise to some people, I would imagine, but I think that since competitive bidding has failed to stimulate price competition, and the electric utilities rates are rapidly escalating because of excessive fuel costs and electric utility industry as a whole burns 67 percent of the coal mined in this country, that some consideration be given to Federal coal land preference clauses for the members of the electric utility industry, cooperatives, municipals, industrials, and utilities not already owning significant coal reserves or affiliated with companies that do. Now that—of course that is a very important disclaimer.

I am not going to pick out individual companies, but we are well aware of various companies who have extensive holdings already. So I am not suggesting that for them, but I think the consumer might benefit from something like this. It seems like in order to have the competition for coal, if the members, co-ops, municipal, investor-owned did not have the—if they wanted to develop the coal themselves, they might develop some competition on price for coal if the companies that have all this tied up realize that someone else could produce it and would just be using it to produce electricity not selling to someone else for their—at another greater profit.

Now, of course, that is just an idea I had on that. We believe our suggestions incorporated within the bill would greatly facilitate the mining of coal in Federal leases and more competitive atmosphere.

This bill could thus provide a vital initial step for the development of this Nation's vast coal reserves and alleviate the energy problem facing this country, to some degree. A viable competitive energy market could be revised. Energy costs reflected through electricity rates, for example, could perhaps be at least stabilized, if not decreased to a degree. I certainly appreciate this opportunity to appear before the committee today.

Mr. Ken Holum would like to speak to you now.

STATEMENT OF KEN HOLUM, GENERAL MANAGER, FUELS ASSOCIATION, INC., ACCOMPANIED BY MR. EDWARD WEINBERG, COUNSEL, WESTERN FUELS

Mr. HOLUM. Thank you, Madam Chairman and members of the committee.

It is pleasant and stimulating for me to have an opportunity once again to appear before Representatives in the House Interior Commit-

tee. I find that we are meeting in a different environment than the environment we used to meet in when I appeared before subcommittees of this important committee on a rather regular basis back in the decade of the sixties, and I recognize too that I am appearing before you today to discuss a question which was completely foreign to me during that period of time.

I am happy to have with me an individual who accompanied me on many other hearings before Subcommittees of the House Interior Committee, Mr. Edward Weinberg.

I have a very brief statement. I think I can save the committee's time, but I am just asking that you consider it for the record and highlighting before you some of the views that the statement expresses.

The introductory part of my statement attempts to qualify me or express the reason that I feel qualified to bring to you the views that I bring to you today on behalf of Western Fuels. For the past 2½ to 3 years I have been responsible for a continuing effort to secure the resources necessary to make possible the construction of a large efficient thermoelectric generating plant to be owned by consumer-owned electronic systems in the seven States of the Upper Missouri Basin. Out of that effort a decision has been made to locate this large thermogenerating station in Wyoming.

In June 1974, realizing that the groups participating in what we call the Missouri Basin power project needed a wider range of opportunity if they were going to secure the basic fuel necessary with this generating station on a reasonable basis for a reasonable term. So they organized the organization that I represent here today, Western Fuels Association, Inc. We are a nonprofit Wyoming corporation. Our responsibility is to secure fuel and arrange for the delivery of that fuel to the point of use by consumer owned electric systems.

We have three members now, covering eight States, including the state of Louisiana, where we are sure we are going to have additional members in the very near future. It is an exciting, difficult, and a challenging responsibility.

Western Fuels has not, up to this point—and I do not propose today to interject Western Fuels into a very serious work that this committee, the Congress, and the executive branch of our Government has been doing with respect to strip-mining reclamation legislation, nor with respect to surface owner protection.

I do want to say that Western Fuels believes that we should have good strip-mine reclamation legislation, that we should have appropriate protection for surface owners, that we should also make certain that the resource that belongs to the public is available for the public's use, and it seems to me that as I have listened to the discussion here this morning, that all of us are focused on three objectives that we seek to obtain from the proper management and proper development of this federally owned coal resource.

Certainly, I want to compliment this committee for addressing themselves to these problems. My brief experience in this area indicates to me that there is a very serious need for attention by the Congress and by the executive branch of our Government to the questions related to coal land leasing.

We seem to be groping for policies that have achieved a proper balance between three objectives in coal land leasing. One, the objective

of securing appropriate revenues to the Treasury of the United States for the use and development of a resource that belongs to all of us as citizens of the United States.

I think it appropriate, and I think everybody in this room has indicated—certainly, I share that feeling that this resource and public ownership should be managed in such a way as to enhance the competitive situation, our free enterprise system here in the United States.

And I think there is a third objective which is important in the minds of all of us, and that is that this rather large and important resource that is in public ownership should be used for the good of the public to meet an appropriate share of the public's energy needs on reasonable terms and rates be maintained as low as possible.

To meet these objectives, Western Fuel would go beyond two things I have already mentioned, strip-mine reclamation legislation and surface owner protection and suggest to the committee that as you address yourselves to these very difficult problems, that, first of all, my colleagues have already stressed—and you have considered it already here this morning—that you seek ways to provide opportunities for small systems. Western Fuels will always be a small and owner-financed organization. So this type of organization can, if we find it necessary to do so—and that is not Western Fuels' objective at the present time—but that ways do be provided, either through deferred bonus or royalty type bidding, the small owner-financed organizations can compete, and I think it is going to take a substantial amount of money to compete, if the Department of Interior were to proceed on a bonus-type leasing in the future.

We think it is very important that the coal resources that belong to the people should be put to use meeting the people's requirements.

It has already been suggested, and Western Fuels feels that it is worthy of very serious consideration by this subcommittee as you proceeded with this legislation, in order to achieve the diligent development that is obvious to your objective and in the national interest, that you should require in law that organizations that have substantial Federal coal leases at the present time and are not proceeding in the development of those leases may not participate in future options.

I would go beyond that and suggest to the committee that you make it the responsibility of the Secretary of the Interior as he offers additional coal lands for leasing to secure in advance of the actual auction, assurances from protective bidders that they have the resources, they have a legitimate public interest need for the resource. I have suggested, for instance, if they want coal for electric power generation, that they be able to assure the Secretary that they have a market for a large share of the coal that they are seeking, that if they want coal for gasification and liquefaction, that they have the tentative resource to develop the liquefaction or gasification plants that they want.

And finally, I think the Secretary of Interior should be instructed to go back after 3 years and be sure that this progress is being made and progress is not being made for these objectives that you have been assured prior to leasing would be attained, and the leases should be automatically cancelled.

We think that this type of program, properly implemented, can be a step, a real significant step, in moving forward for the diligent development at an appropriate level of these important publicly owned re-

sources in the West, and we would, of course, like to see coal land leasing reinstituted rather promptly to achieve those objectives.

Thank you very much.

Mrs. MINK. Thank you very much.

Does that conclude the presentations?

We certainly appreciate your participation in the hearings and I am pleased to note your general concurrence with the pending legislation, and will take your recommendations into consideration as we mark up the bill.

I would like to call on my colleagues if they have any questions.

Mr. Howe?

Mr. HOWE. I would just like to comment that I thought these statements were excellent on the part of all three of these witnesses.

I see Mr. Holum again, whom I remember as the Assistant Secretary of Interior at one time, and note your general feeling which concurs with a lot of my thoughts about how better to manage the coal leases and especially what to do on inaction and no production, that there ought to be some mechanism provided for cancellation of those leases—

Mr. HOLUM. Yes, sir.

Mr. HOWE [continuing]. And orderly review of them, at least, and looking toward, perhaps, a cancellation in the event of failure of some diligent developmental production.

I think that is all I have to say, Madam Chairman.

Mrs. MINK. Mr. Steiger, no questions?

Mr. Seiberling?

Mr. SEIBERLING. I have no questions, Madam Chairman, and I also want to commend the witnesses for some excellent statements, excellent suggestions, and I particularly like your emphasis on making it easier for independent operators to bid on mineral leases and for stimulating those who have already bid, to start production instead of owning the coal for speculative purposes; I commend you for the focus that you have given to this bill.

Thank you.

Mrs. MINK. Thank you very much.

Our final witness is Thomas C. Nelson, Deputy Chief, National Forest System, Department of Agriculture.

I believe you have a short statement for the committee this morning. Mr. Nelson.

Your comments will be inserted in the record. You may proceed.

[The prepared statement of Thomas C. Nelson follows:]

PREPARED STATEMENT OF THOMAS C. NELSON, DEPUTY CHIEF FOR NATIONAL FOREST SYSTEM, FOREST SERVICE, DEPARTMENT OF AGRICULTURE

Madam Chairman and members of the committee, thank you for the opportunity to present the views of the Department of Agriculture on H.R. 3265.

Our interest in this bill relates to the fact that the Department of Agriculture through the Forest Service is responsible for the administration of 187 million acres of Federal land within the National Forest System. The Mineral Leasing Act of 1920 applies directly to National Forest lands reserved from the public domain—approximately 140 million acres. Mineral leasing on 47 million acres of acquired National Forest lands is governed by the Mineral Leasing Act for Acquired Lands. That Act incorporates the leasing provisions of the Mineral Leasing Act of 1920 by reference. Approximately 6½ million acres of land within the National Forest System are known to be underlain with coal.

The Secretary of Agriculture is authorized and directed by law to develop and administer the renewable surface resources of the National Forests for multiple use and sustained yield of the several products and services that can be obtained therefrom. We are therefore in favor of legislation designed to minimize the impact of mineral development on surface resources and uses. As additional safeguards for arriving at a proper balance between coal development and other resource considerations, we urge that the committee amend the bill to include provisions covering the following points:

Point 1.—National Forests are Federal lands that are dedicated to specific uses and purposes. These are best expressed in the Multiple Use-Sustained Yield Act of 1960. We believe the final determination as to whether coal development should occur on National Forest System lands should rest with this Department, because we are in a better position to weigh the relative values of the various resources and uses of those lands. The Mineral Leasing Act for Acquired Lands recognizes this principle and provides that no mineral deposits covered by that Act shall be leased except with the consent of the head of the department having jurisdiction over the lands and subject to such conditions as he may prescribe to insure the adequate utilization of the lands for the primary purposes for which they were acquired or are being administered. We believe a comparable provision should be added to H.R. 3265, thereby establishing a uniform approach to leasing on all of the National Forest System lands.

Point 2.—In recognition of the responsibility of the Federal agency having jurisdiction over the surface of lands, section 4 of the bill appropriately provides that a person holding an exploration license must comply with that agency's rules and regulations. Exploration activities may result in significant surface disturbance and have considerable impact on surface resources and uses. Control of such activities can best be handled under the terms of the license. Therefore, we believe it should be a requirement that licenses contain such conditions as the Federal land administering agency deems necessary to protect surface resources and uses.

This concludes my prepared statement. I will be happy to respond to any questions you may have.

STATEMENT OF THOMAS C. NELSON, DEPUTY CHIEF, NATIONAL FOREST SYSTEM, DEPARTMENT OF AGRICULTURE

Mr. NELSON. Thank you, Madam Chairman and members of the committee.

We appreciate the opportunity to present the views of the Department of Agriculture on H.R. 3265.

In the interest of time and inasmuch as they are a part of the record, I would just like to make several short comments.

First, the Department of Agriculture plans to volunteer a report on this bill, but it has not yet been sent forward. However, my statement has been cleared by the Department and by the Office of Management and Budget.

Second, in relation to point 1 in our testimony, which deals with consent by the Secretary of Agriculture on leases and stipulations, if I might, sir, in its report on H.R. 3265 the Department of Interior suggests such a provision, and we concur in that language.

Finally, with relation to our second point, that is the requirement that exploration licenses contain such conditions as the Federal Land Adminstrating Agency deems necessary to protect service resources and uses, again, in its report on H.R. 3265, the Department of Interior suggests such a provision, and we concur in that language.

Thank you, Mr. Chairman, this concludes my remarks.

Mr. SEIBERLING [presiding]. Well, thank you.

Your remarks are not only cogently expressed but have the added virtue of being brief.

Any questions?

Mr. HOWE. I have no questions, Mr. Chairman.

Mr. SEIBERLING. Mr. Steiger?

Mr. STEIGER. I have no questions.

Mr. SEIBERLING. I have no questions.

Thank you very much, Mr. Nelson.

There being no further questions, the hearing is adjourned.

[Whereupon, at 11:40 a.m., the subcommittee adjourned to reconvene at the call of the Chair.]

[Additional statements supplied for the record follow:]

STATEMENT OF HON. FRANK E. EVANS, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF COLORADO

Madam Chairman, I am testifying in support of H.R. 3265, the Federal Coal Leasing Amendments Act of 1975.

Reform of the Federal coal leasing program is long overdue. Over the years, a speculative situation has been created through extensive leasing with insufficient competition. This has been based on an inadequate understanding of the value of the resources being leased combined with no assurance of development. The public has not received energy from its leased resources, the Treasury has not received a fair market return from the public's resources, and the public's land and water have not been protected.

This legislation remedies many of the problems with the existing program. I am particularly pleased with Section 6 of H.R. 3265, which will allow revenues returned to State and local governments to be used for public purposes in addition to schools and roads. The need to support the schools and provide for and maintain an adequate road system is obvious—but so is the need for other essential facilities and services that local government must provide. These local jurisdictions must bear the burden of providing vital services such as water and sewer systems, health and emergency services and police and fire protection.

There continues to be great concern in Colorado and other Western states with the rate at which Federal will be leased in the future and its impacts on the region.

The Senate Interior Committee reported last year there are currently outstanding coal leases covering almost 800,000 acres of Federal land, including over 15 billion tons of recoverable coal reserves. Applications for preference right leases have been filed for almost 300,000 acres of Federal land estimated to contain almost 7 billion tons of coal. Active prospecting permits cover almost 370,000 acres and additional pending lease applications cover over 500,000 acres. Coal production under Federal leases amounted to 2.0% of total U.S. production in 1973 or 12.9 million tons. Despite the current moratorium on issuance of new coal leases, the recoverable coal reserves on Federal lands already committed to development total more than 500 years of production at the estimated rate in 1975.

The rate and location of coal lease offerings ought to be related to our national energy needs, regional energy needs, secondary impacts, and site specific impacts. The effects of coal leasing cannot be considered independently of the impacts of other energy and related natural resource development in areas like Colorado and the rest of the Rocky Mountain region. Some procedure should be devised to insure that the cumulative impacts of energy development are fully and adequately considered before decisions to go forward are made. Western Colorado, for example, faces the possibility of simultaneous development of oil shale and expansion of coal leasing and development. Factors such as the availability of sufficient water to support the planned development, the capability of the area to absorb projected levels of population growth, the potential removal of agricultural land from production, and the compatibility of associated industrial growth with regional air and water quality plans must be assessed if we are to have orderly development.

Enough coal has already been leased that we should take the time to insure that future leasing is done in a manner that truly serves the best interests of the nation.

DEBEVOISE & LIBERMAN,
Washington, D.C. March 11, 1975.

HON. PATSY T. MINK,
Chairman, Subcommittee on Mines and Mining, Committee on Interior and
Insular Affairs, Longworth Office Building, Washington, D.C.

DEAR MADAM CHAIRMAN: Submitted herewith on behalf of the Santa Fe Pacific Railroad Company is a statement recommending repeal of section 2(c) of the Mineral Leasing Act of 1920 (30 U.S.C. § 202), which essentially prohibits the issuance of federal coal leases to railroad companies. We respectfully request that it be included in the official hearing record on H.R. 3265, amending certain coal leasing provisions of the Mineral Leasing Act.

Sincerely yours,

JEROME C. MUYS.

STATEMENT OF SANTA FE PACIFIC RAILROAD CO. ON NEED TO REPEAL SECTION 2(c)
OF MINERAL LEASING ACT OF 1920

Section 2(c) of the Mineral Leasing Act¹ prohibits any railroad company from obtaining federal coal leases, other than "for its own use for railroad purposes". Since all commercial railroads have converted from coal to diesel fuel the result is that no meaningful use of coal from federal leases is now possible for them. Section 2(c) also imposes restrictive acreage limitations on railroads which are not applicable to other lessees. The reason for these restrictions has long ceased to exist. They were placed on railroads because of the unfair advantage it was believed they might have over other coal producers because they owned their own transportation capability. However, there are other existing regulatory controls intended to prevent any possible transportation advantage of railroads. The "commodities clause" of the Interstate Commerce Act (49 U.S.C. § 1.(8)) clearly prohibits any railroad company from transporting in interstate commerce coal "mined or produced by it, or under its authority, or which it may own in whole or in part, or in which it may have any interest, direct or indirect."

Three times in the period 1957-1966 the Senate has passed legislation repealing section 2(c)². The Department of the Interior supported the bill on each occasion³ and it received unanimous bi-partisan support in the Senate Committee on Interior and Insular Affairs. In favorably reporting a bill to repeal section 2(c) in 1966, the Senate Interior Committee properly concluded that "the restrictions of section 2(c) have outlived their usefulness, are unnecessarily restrictive and discriminatory and there is no reason to continue them in effect."⁴

Unfortunately, the section 2(c) repealers passed by the Senate were never passed by the House. In 1966 and subsequently a principal reason for the failure of the House Interior Committee to act on the proposed repeal was Chairman Aspinall's well known and determined policy not to take up any significant public land law reform legislation until the Public Land Law Review Commission, created by Congress in 1964 to conduct a comprehensive review of public land policy, had completed its study and submitted its report and recommendations to Congress and the President. After careful consideration of the 2(c) issue, the Commission in its 1970 report, *One Third of the Nation's Land*, recommended it repeal. In general it recommended that "restrictions on public land mineral

¹ "No company or corporation operating a common-carrier railroad shall be given or hold a permit or lease under the provisions of this chapter for any coal deposits except for its own use for railroad purposes; and such limitations or use shall be expressed in all permits and leases issued to such companies or corporations; and no such company or corporation shall receive or hold under permit or lease more than ten thousand two hundred and forty acres in the aggregate nor more than one permit or lease for each two hundred miles of its railroad lines served or to be served from such coal deposits exclusive of spurs or switches and exclusive of branch lines built to connect the leased coal with the railroad, and also exclusive of parts of the railroad operated mainly by power produced otherwise than by steam.

Nothing in this section and section 201 of this title shall preclude such a railroad of less than two hundred miles in length from securing one permit or lease thereunder but no railroad shall hold a permit or lease for lands in any State in which it does not operate main or branch lines." 30 U.S.C. § 202.

² S. 2069, 85th Cong.; S. 1192, 87th Cong.; S. 3070, 89th Cong.

³ S. Rep. No. 576, 85th Cong., 1st Sess. 2-5 (1957); S. Rep. No. 1738, 87th Cong., 2d Sess. 3 (1962); S. Rep. No. 1408, 89th Cong., 2d Sess. 5 (1966).

⁴ S. Rep. No. 1408, 89th Cong., 2d Sess. 2 (1966).

activity that are no longer relevant to existing conditions should be eliminated so as to encourage mineral exploration and development". (PLLR Rept., p. 135). Specifically with respect to section 2(c), it recommended that "restrictions upon the leasing of public land coal deposits to railroad companies should be removed", reasoning as follows (*Id.* at 136):

The fears of monopolistic control which led to the enactment of the existing restrictions no longer are applicable. The importance of pipelines and truck transportation and the growing use of mine-mouth generation have materially reduced any competitive advantages railroads may once have had over other coal producers. Furthermore, it appears that other Federal laws, such as the antitrust laws are far more effective in regulating the competitive position of the railroads than the public land laws.

Relevant extracts from the study on federal coal leasing done by the University of Utah College of Law for the Commission discussing the background of section 2(c) and the pros and cons of its repeal are attached hereto as appendix A.

Consistent with its previous support of repeal of section 2(c), the Department of the Interior's proposed full scale revision of the Mineral Leasing Act in the 93rd Congress would have repealed those restrictions. (See S. 1040 and H.R. 5442, 93rd Congress, §§ 3(b), 101(a)(1), 102(a) and 123(a)(1).) It is obvious that section 2(c) is antithetical to the objectives of the Department and Congress to promote greater competition and more rational, environmentally sensitive decision-making in the federal coal leasing program.

There is no valid reason why railroads or railroad-affiliated natural resources companies ought not to be eligible to compete for federal coal leases on a non-discriminatory basis with all other eligible corporate applicants, such as large coal companies, electric utilities, natural gas pipelines, coal pipelines, and large integrated energy companies. Removing the artificial restraints of section 2(c) can only serve to improve the present competitive situation.

Similarly, in the checkerboard ownership areas in the West where railroad lands are located, economic efficiency and environmental considerations will usually dictate development of a mixed ownership tract as a "logical mining unit" under the Bureau of Land Management's planning program, but such development may be frustrated where railroad lands are involved because of the constraints of 2(c). In short, section 2(c) is the kind of outmoded public land legislation which can only hinder rational, efficient and environmentally sound development of public land resources, as did the unduly restrictive right-of-way provisions of the Mineral Leasing Act which Congress belatedly amended in 1973⁵ after the Alaskan pipeline project was held up by litigation over the issue for several years.⁶ Consequently, since the congressional purpose in enacting section 2(c) in 1920 is no longer valid, and since its restrictions may frustrate optimum development of intermingled federal, state and private coal lands in the West, Santa Fe respectfully contends that section 2(c) should be repealed.

APPENDIX A

EXTRACTS FROM LEGAL STUDY OF COAL RESOURCES ON PUBLIC LANDS, COLLEGE OF LAW, UNIVERSITY OF UTAH, DECEMBER 1968

(Prepared for the Public Land Law Review Commission by the National Technical Information Service—Pub. No. 196325)

1. RESTRICTIONS ON ISSUANCE OF FEDERAL COAL LEASES TO RAILROAD COMPANIES

A. *Existing law* (pp. 159-60)

"c. *Railroad limitations.*—Companies and corporations operating common carrier railroads are under special and very restrictive acreage limitations under the mineral leasing acts. Companies and corporations operating common carrier railroads may obtain coal leases or permits only for use for railroad purposes. Further, such companies are prohibited from holding permits or leases for more than 10,240 acres in the aggregate and they are further prohibited from holding more than one permit or lease for each 200 miles of railroad lines served or

⁵ 87 Stat. 576, 30 U.S.C.A. § 185 (1975 Supp.).

⁶ *Wilderness Society v. Morton*, 479 F. 2d 842 (D.C. Cir. 1972), cert. denied, 411 U.S. 917 (1973).

to be served from the coal deposits. This length limitation is exclusive of spurs or switches and also exclusive of branch lines built to connect the leased coal with the railroad. This limitation is also exclusive of parts of the railroad operated mainly by power otherwise than by steam.¹⁰⁴

"Under the present circumstances, in which practically all the railroads in the nation are now operated by diesel electric locomotives,¹⁰⁵ it is apparent that railroad companies are effectively precluded from leasing federal coal land.

"As originally enacted in 1920 the limitation concerning railroad companies was phrased only in terms of the number of permits or leases per amount of line which could be held by a railroad company. A railroad company could not hold more than one permit or lease for each 200 miles of railroad lines within the state where the coal was located. A 1944 amendment altered this to both a lease limitation and an acreage limitation.¹⁰⁶ The legislative history for this amendment indicates that this change was ostensibly made to permit railroads to obtain needed coal more easily.¹⁰⁷

"A regulation attempting to clarify the status of a company or corporation operating a common carrier railroad which might enter into a collective contract under section 201-1 was promulgated in 1967. This regulation says that if a railroad company enters into a collective contract or development contract with a federal lessee under this particular provision of law for the purpose of developing its own lands but not for development of any federal lands leased by the railroad, that the railroad company shall not be deemed to be given or to hold a lease by a virtue of any such arrangement between the working interest owners. The intent of this provision is to allow railroad companies to enter into agreements with others whereby the railroad owned lands and federal leases owned by the others could be operated under a cooperative prospecting development or operation contract without having the railroad company be considered thereby to be holding federal leases in violation of the law.¹⁰⁸

"The validity of this regulation has not been determined. Until this is done there may be a natural reluctance to make large investments based upon it. In addition it should be noted that section 201-1 prohibits apportionment of either royalty or production, two additional factors which might inhibit use of cooperative agreements."

B. Problem posed (pp. 230-31)

"1. *Limitations affecting railroad companies.*—At the time of the original enactment of the Mineral Leasing Act of 1920 there existed strong, adverse feelings about the participation of eastern and midwestern railroads in coal activities. As a result severe restrictions were built into the act limiting the acreage and use of coal from leased federal lands by railroads. Such coal can be used only for railroad purposes and the acreage limitation is severely limited. Recently all commercial railroads have converted from coal to diesel fuel, thus no meaningful use of coal from federal leases is now possible for them. This, however, is but part of the problem. Three of the western railroads received substantial land grants containing coal. These grants were in alternate sections in rows several miles wide on each side of the railroad right of way. The result is that ownership of coal lands in large areas is in a checkerboard arrangement. It is said that this checkerboard arrangement deters economic development both of the railroad and Government owned areas for present industrial, electric generation or other large uses. In any event, the use and acreage limitations imposed on railroad companies effectively preclude direct development by the three railroad companies involved of their lands, they argue, for it prevents the blocking up of sufficient acreage to permit direct or indirect participation in any large scale venture. They argue that the limitations thus inhibit development of all coal lands, whether state, federal, railroad, or private in these checkerboard areas.

"Recent regulations provide that railroads which commit their lands along with lands of nonrailroad federal lessees for cooperative development contracts will not be charged with the interests of the federal lessees. This is apparently intended to foster development of federal and railroad lands, but because of the high stakes involved in such large scale developments as might be undertaken for mine-mouth generation plants or unit-train operations, there is a natural reluctance to avoid

¹⁰⁴ 30 U.S.C. § 202 (1964).

¹⁰⁵ Except for one or more tourist attraction railroads.

¹⁰⁶ Act of June 13, 1944, ch. 244, 58 Stat. 275.

¹⁰⁷ H.R. Rep. No. 1540, 78th Cong., 2d Sess., 1 (1944).

¹⁰⁸ 43 C.F.R. § 3131.5-6 (1968). The statute is 30 U.S.C. § 201-1 (1964).

the hazard of a lawsuit to test the validity of the regulation. On the other hand, however, it has been argued that the elimination of these restrictions on the leasing of federal coal by railroads could result in the railroads having an unfair advantage over other coal producers because of the combining of both transportation and mining in one company."

C. Proposed amendment (pp. 288-89)

Restrictions on Railroad Leasing—Alternative No. 24:

Remove in whole or in part the limitations on railroad leasing and use of federal coal.

Issues or Problems To Be Solved.—For reasons deemed adequate in 1920, railroads were prohibited from using coal obtained under federal leases or permits held by them for any purpose other than railroad uses, and, in addition, the amount of federal land which a railroad could hold under lease or permit was drastically restricted. Although the acreage limitations have been somewhat modified the acreage limitation applied to railroads is much less (10,240 acres) than the general acreage limitation (46,080 acres per state). Three major railroads received coal lands as part of their land grants for construction of the railroad. These lands were in a checkerboard pattern on either side of the railroad right of way. When railroads used coal for motive power, they could use coal from their lands and some coal from federal lands advantageously. Now they are considerably more limited for coal is not used as a fuel for railroad locomotives. One additional law should also be noted. The Interstate Commerce Commission Act prohibits common carrier railroads from transporting certain articles, including coal, in which they have a legal or equitable interest except for railroad uses.⁵ It is contended by the railroads which own coal lands in the public land states that the cumulative effect of the checkerboard arrangement and the mineral leasing act restrictions is to limit severely their ability properly to utilize their own resources as well as to limit the utilization by the government of the interspersed federal coal resources. (p. 159)

Key Features.—Railroads are now prohibited from using coal from federal lands for anything but railroad uses purposes. They are stringently restricted as to the acreage of federal leases or permits which they can legally hold. The key feature of this possible modification is the amelioration or elimination of this difference in treatment between railroad companies and others.

Probable Advantages.—

- (1) Facilitate better conservation practices.
- (2) Permit more flexible use by the affected railroad companies of their own coal lands.
- (3) Tend to foster development of the federal and other lands within the checkerboard areas.
- (4) Foster development of western coals.

Probable Disadvantages.—

- (1) Permit more active participation in coal development by owners of very large coal reserves.
- (2) Potentially unfair competitive advantage incurring to the railroads owning these coal deposits because of the possibility of combined mining and transporting of their own product and that of others (ignoring for the moment the effect of the 'Commodities Clause' of the Interstate Commerce Commission Act.)"

STATEMENT OF SOUTHERN CALIFORNIA EDISON CO.

Southern California Edison Company is pleased to present its comments concerning the proposed legislation on Federal coal leasing amendment HR 3265.

Edison is a California corporation which generates and distributes electric energy to meet the needs of over seven million people in Central and Southern California. At the end of 1974, the Edison system generating capacity totaled approximately 12,500,000 kW, of which 1,687,800 kW was from coal-fired electric power generation (12.7 percent of total generating capacity). It is currently estimated that Edison's customers will require an additional 7 million kW of generating capacity for the remainder of the 1970's and another 15 million kW in the 1980's.

⁵ 49 U.S.C. § 1(8) (1964).

The Four Corners and Mohave generating plants located in New Mexico and Nevada, respectively, represent 12.7 percent of Edison's total generating capacity. These two plants utilize coal fuel which is obtained from the surface mining operations of Utah International, Inc. (Four Corners) in the Northwest region of New Mexico, and the surface mining operation of Peabody Coal Co. (Mohave) in the Northeast region of Arizona. At the end of 1974, at full load, Four Corners and Mohave were consuming approximately 19,000 and 16,000 tons of coal, respectively, per day.

There are several electric utilities which participate in the electric energy generated at these two plants. The percentage of Edison's participation in the electric energy generated at the Four Corners and Mohave plants is 48% and 56%, respectively. The units in which Edison participates at the two plants have a combined effective operating capacity of 3,180,000 kW.

It is imperative that the continuity of the coal fuel supply at these two plants not be interrupted. As indicated previously, these two plants supply 12.7 percent of Edison's generating capacity. If either or both of these plants were shut down because of the lack of coal fuel supply, the impact on Edison's customers, as well as the customers of the other utilities participating in the electric energy generated at the two plants, would be overwhelming. Power blackouts of great magnitude would almost certainly result.

Because of the above stated facts, Edison is concerned with any legislation affecting the exploration and mining of new coal deposits. This bill, HR 3265, among other things, amends 30 U.S.C. 201 by requiring an exploration license, establishing competitive bidding, stipulating an initial lease term of 10 years, and a maximum acreage limitation.

I

EXPLORATION LICENSE AND COMPETITIVE BIDDING

The exploration license is, in many ways, similar to the prospecting permit required under current law, with one significant adverse exception. The prospecting permit entitled the permittee, as a matter of course, to a lease if he could show that the land contained coal in commercial quantities. HR 3265 specifically states that the exploration license shall confer no right to a lease under the Act.

Under this bill, coal leases would only be awarded by competitive bidding. Coal exploration, however, is very expensive. One of the strongest incentives for spending large sums of money on exploratory activity is removed if there is no assurance of a lease when the licensee locates commercial quantities of coal.

Further, no lease may be held unless the lands containing the coal deposits have been included in a comprehensive land use plan prepared by the Secretary. It appears axiomatic that the Secretary would have to rely to a substantial degree upon the data, including core analysis, which the licensee must furnish to the Secretary under the exploratory license.

Realistically, much of the advantage that the licensee would obtain through the expenditure of his own funds would be lost under such a provision. The net result will be a reluctance to explore, leaving that responsibility up to the Government, which cannot, presumably, explore as efficiently as private industry.

At the very least, the licensee under the exploration license should be allowed to match the high bid obtained under competitive bidding for the coal lease. However, this is not particularly advisable, since it could potentially result in artificially high bidding.

This bill also provides for three public hearings between the time an exploration license is applied for and a lease is issued. The probable result of such a procedure is a significant delay in development of coal reserves, with attendant rising costs which would ultimately be passed on to the public as they consume the end product. It is in the best interest of both industry and the public to establish a single hearing procedure.

II

LEASE TERM AND ACREAGE LIMITATION

An initial lease term of 10 years with subsequent adjustments of the terms of lease every 5 years thereafter creates an uncertainty which inhibits the investment of high risk capital. An initial lease term of 20 years, with subsequent 10 year adjustment periods, is strongly recommended. Under the 10 year term, and considering the long lead times involved in mine development, a mining

entity would have barely begun to recoup an investment before it had to encounter different terms. Such an approach would make it difficult, if not impossible to obtain financing for a development project and at best would certainly increase the costs of obtaining high risk debt capital.

The limitation of 100,000 acres applied to control of Federal lands within the United States by one person, association, or corporation will create an industry which cannot achieve economies of scale. In much of the Western States the entire acreage limitation would be required to assure long-term supply for a small number of users. Electrical generation requires a proven and adequate source of coal for the life of the power plant to justify the necessary investment. Although it is desirable to facilitate the entry of small coal operators onto Federal lands, it should be done without precluding the existence of large producers who provide the needed stability in the long-term market.

III

CONCLUSION

We respectfully submit that any bill related to Federal coal leasing and prospecting permits must recognize the high-risk investment involved in coal exploration. We believe it is important that the incentive for coal exploration not be deleted from current law, i.e., the assurance of a coal lease where the explored land contains coal in commercial quantities, and of the acquisition of sufficient coal to allow efficient production and protect large capital investments. This is not to say that the applicant for the lease should not be required to comply with an established land use plan as provided for in this bill.

Thank you for the opportunity to present this statement.

STATEMENT OF CARL E. BAGGE, PRESIDENT, NATIONAL COAL ASSOCIATION

My name is Carl E. Bagge. I am president of the National Coal Association, which represents the major coal producing and coal sales companies of the nation. We appreciate the opportunity to present this testimony on H.R. 3265, a bill to amend federal coal leasing procedure. The subject before you is one of crucial importance to our industry.

For more than a century, western coal was a prisoner of geography. It lay too far from major markets. Railroads mined a moderate amount for their own use, but that market died with the steam locomotive. Relatively small amounts were mined for western steel mills and other industrial use. Even in days when the retail market was important in the East, there were not enough homes in the West to keep many miners at work.

Besides the vast distances and consequently high freight costs that separated western coal reserves and potential major customers, competing fuels effectively fenced in western coal. The Midwest and East were supplied from closer coal fields where the coal had a higher heat content—the fact that it also had a higher sulfur content did not matter at the time. Oil and gas from the Southwest blocked any southern movement, and southwestern gas captured the California market when the West coast's appetite for fuel outran its supplies. The Pacific Northwest had abundant hydro-electric power, plus gas from the mountain states and Canada.

But times have changed. The coal industry has undergone a dramatic revival throughout the nation, and nowhere do its prospects look brighter than in the West. In fact, the leasing of federal coal involves to a great degree the ability of the American coal industry to expand to meet energy self-sufficiency.

Big mining operations have come to the West, and from Washington state to Texas, big new power plants are being built to burn coal. The development of huge coal-fired generating plants in the Four Corners area of the Southwest to wheel clean power to major load centers as remote as Los Angeles has dramatized coal's vital role in giving the West power parity with the rest of the nation.

But western coal has more than a regional role to play in energy development. The low-sulfur content of western coal is winning it customers in the Midwest where the traditional coal supplies cannot be burned under existing or pending air pollution regulations.

Beyond the great contribution of western coal to direct power generation lies its promise as an enormous source of synthetic natural gas and oil. The American Gas Association sponsored an engineering survey of potential sites for commercial coal gasification plants which identified at least 176 possible sites, and most of them were in the West. Such a plant, to produce about 250 million cubic feet of gas per day, requires a supply of about 6 million tons of bituminous coal a year, or a larger amount of lower rank coals. For the minimum 20-year life of the plant, this means a block of at least 120 million tons of uncommitted coal reserves, and perhaps as much as 200 million tons.

Coal gasification will certainly not be a western exclusive, but it is hardly surprising that the largely untapped coal deposits of the West have produced so many candidate sites for these big coal gasification plants. In fact, the first plant on this commercial scale could be built near Farmington, New Mexico, where El Paso Natural Gas Company has already asked the Federal Power Commission to approve the construction of a 250 million cubic feet-a-day gasification plant, which would consume 8.8 million tons of subbituminous coal a year.

When coal gasification really takes hold, the coal industry must be ready to expand its production effort prodigiously, and the western coal fields will have to support a big share of that expansion. To do this we must have a realistic and workable coal leasing procedure. We do not believe H.R. 3265 would contribute to this goal.

Amending the 1920 leasing law

The coal industry opposes any legislation which would substantially amend the Mineral Lands Leasing Act of 1920. This law while perhaps not perfect, has proven to be a useful vehicle to accomplish a desired objective, and an extensive body of law has evolved which provides guidance for those operating on coal leases as well as the government and the courts. These precedents compensate in large measure for the minor imperfections and whatever vagueness exists in the language of the Act.

The basic approach of the 1920 law is sound. It provides a vehicle for development of the nation's coal resources while at the same time it provides the mechanism for the Department of Interior to develop regulations that would provide for the environmental protection of the public lands.

The problem is not with the basic law, but rather with its implementation. The present federal leasing program being implemented under the 1920 law is one of retardation of coal development. There have been relatively few leases granted over the last several years and only one prospecting permit. This policy of restriction is shocking in light of the need for America to achieve energy self-sufficiency.

The almost unlimited discretion given the Secretary by the Mineral Lands Leasing Act of 1920 amounts to near-total authority over whether or not western coal lands will be developed, irrespective of either the needs of the country or the will of the Congress. Granted, in many cases the Department of Interior has operated by default in the absence of specific statutory guidelines.

The use of bonus bidding as the sole method of implementing the statutory requirement of competitive bidding tends to inhibit competition by precluding the entry into western coal production of companies without sufficient present cash flow to justify large front ended leasing arrangements. We believe that within the protection of the rights of the people of the United States in whose names these lands are held, there should be some system developed to avoid the anti-competitive effects of the bonus bidding system. This, we believe, could be accomplished within the framework of the present law.

Although the coal industry favors retention of the 1920 leasing act, we do believe that the law should be amended in such a way as to spell out more specifically the guidelines within which the Department should operate and to redefine the leasing program within the need to develop America's indigenous energy resources. Accordingly, we concur with a finding of the Public Land Law Review Commission that "Congress should establish national policy on all public lands by prescribing the controlling standards, guidelines, and criteria, for the exercise of authority delegated to executive agencies."

Competitive bonus bidding

Historically, the public lands have been used by the federal government for development. Preemption and homestead laws had the underlying purpose of extending the area of settlement in the country and creating a class of citizens

who owned small farms and homesteads. The public lands were used to finance the extension of our railroad systems and thereby literally extend the area of the United States. Similarly, the Mining Law of 1872 provided for the development of natural resources in the context of the technology of the times, and it also encouraged the individual citizen participation in the development of those resources.

There has been a recent dramatic turn from the use of the public lands for development as is exemplified by the recent disposition of oil and gas leases on the Outer Continental Shelf. The emphasis now appears to be on the federal coffers. The only policy being given any serious consideration is the economic policy—a policy we see in the Executive Branch, flowing from the Office of Management and Budget, in the concept that there must be a “fair return” for the disposition of any resources—known or supposed—of the public lands. We submit that, although the nation is more sophisticated than in 1920, use of the public lands for development is not outdated. It merely needs refinement.

Under existing Bureau of Land Management practice, competition in bidding for coal leases is limited to a per-acre bonus paid at the time of the bid. The royalty is fixed and is paid as the coal is mined. The coal industry has been seriously concerned over this emphasis on bonus bidding. We believe that the result is in fact anti-competitive.

Since the enactment of the statute governing OCS leases, we have witnessed spiraling returns to the federal government for the leasing of these resources without any regard to the fact that the economics involved in leasing and development of the resources has necessarily placed these mineral resources at the disposal of only the very largest corporations. Much criticism has been leveled at the inordinate number of leases held by large corporations; yet, bonus bidding effectively precludes the acquisition of leases by small operators, and H.R. 3265 would continue the machinery for this over-reliance on bonus bidding in the future, since bonus bidding is “competitive,” and the Secretary of Interior is directed by the amendment to Sec. 2(a)(1) to award leases by that criteria. In short, bonus bidding operates to the distinct disadvantage of coal operators and is severely detrimental to the development of western coal resources on a sound competitive basis.

It is perhaps time to begin a retreat from the approach which puts the amount of cash bonus bid above all other considerations in the disposition of mineral resources in the public lands. We suggest that the Congress look into the advisability of a system by which royalty rates are bid competitively rather than the present system of bonus bids. Larger operators have an advantage under the bonus bid system in that they are able to tie up large sums in per-acre bonuses whereas smaller operators are not able to do so. Bidding on royalties to be paid out as the coal is mined would not require the tying up of large sums and would enable small entrepreneurs to compete with larger companies.

There is no certainty of fair return to the successful bidder under bonus bidding since he can have no complete idea of the quality of the known mineral prior to the actual mining of it. Some Outer Continental Shelf leases, for which large bonuses have been bid, have proved to be worthless. The only loss to the government in royalty bidding would be the loss of bonanzas for valueless leases.

The royalty bidding system would assure the government a fair return, but would not penalize the individual bidder if, in fact, the mineral resource disposed of did not exist or was of such quality that it was not economic to develop. The Secretary of Interior is presently studying the feasibility of royalty bidding and whether it is a viable alternative to bonus bidding. In October 1974 several oil and gas leases in the Outer Continental Shelf were awarded through both royalty and bonus bidding. A thorough examination of the results of operations under these leases will be required to determine whether royalty bidding will be in the public interest and assure that qualified operators are not restricted from bidding because of huge “front end” costs. The Secretary should be permitted to evaluate the data and the flexibility to determine the bidding methods as he does under the Outer Continental Shelf Lands Act.

The provision permitting deferred bonus payment will be of some help in offsetting the bonus “front-end” costs which can be so devastating to qualified operators who do not have the financial flexibility to cope with bonus bidding.

The royalty rate should not be set by statute but should be left to the discretion of the Secretary of Interior. Section 7(a) of H.R. 3265 provides that the Secretary of Interior shall have the discretion to determine royalty rates. We

support this concept in light of the varying mining conditions, marketability, and quality of coal that exists throughout the country. At the present time, royalty rates are uniform regardless of the coal produced.

H.R. 3265 provides only for competitive bidding with respect to the awarding of a lease. Section 201(a) of the current Act allows the Secretary of Interior not only to award leases by competitive leasing, but also "by such other methods as he may by general regulations adopt, to any qualified applicant." Essentially, this allows for a negotiated lease with a qualified party. Without this provision chaos would result.

Take for example a coal producer that has an existing operation on leased land on which operations will be completed during the ensuing five years. The leased land abuts additional federal lands suitable for the continuation of the mining operation. This operator should be permitted to lease the abutting land. Without such an allowance the land would fall prey to speculators knowing full well the coal producer must have the land to continue his operation. The price of the land, if subject to competitive bidding, would like be much higher with a resulting increase in the price to the consumer. The Secretary of Interior should be permitted to negotiate with the active producer for expansion of the original lease, taking into consideration the social and economic factors affecting the producer, his employees, the surrounding communities, the state and federal government.

Prospecting permits

When implemented, the practice of granting prospecting permits has proven extremely beneficial to both coal producer and the federal government. The current administrative embargo on the granting of permits should be lifted. Most certainly the Act should not be amended to eliminate the permit system. Section 4 of H.R. 3265 would repeal subsection 2(b) of the Mineral Leasing Act of 1920 which provides for prospecting permits. Amending the law in this manner would be ill-advised. Rather, the law should be amended to provide for more active prospecting.

The Minerals Lands Leasing Act permits the Secretary of the Interior to issue coal prospecting permits on land *only* in circumstances in which prospecting or exploratory work is necessary to determine the existence of workability of coal deposits in unclaimed, undeveloped areas. The Secretary has interpreted this to mean (1) that he is without authority to issue a prospecting permit for more detailed exploration on land where coal deposits are known to exist in workable quantity, (*Claude P. Heiner*, 70 I.D. 149 (1963)); (2) that is is not necessary that such detailed information be available concerning coal deposits for a determination to be made with some degree of assurance that a mining operation will be an economic success (*Sinclair Mines, Inc.*, A-27160 (1955), *Morris Kline*, A-27651 (1958)); (3) that a permit cannot be granted so that core drilling can be done to determine the coking qualities of coal, (*Malcolm N. McKinnon, et al.*, A-29588 (1963)); (4) that a permit cannot be granted so that a determination can be made whether the deposits are suitable for the intended development of a power plant calling for an investment of \$100 million or more, (*K. N. Garard*, A-29886 (1963)); and (5) that a prospecting permit cannot be issued to establish the existence of coal sufficient in extent, at mineable depths, and not subject to faulting and fracturing, as to insure feasibility of mining operations. (*Colorado-Ute Electric Association, Inc.*, A-29964 (1964)).

The application of these interpretations has been that prospecting permits are practically impossible to obtain and potential lessees have often been forced to bid competitively on lands with no knowledge as to the marketability or even existence of continuing coal beds. Indeed, for over three years Interior has refused to grant any exploration permits for coal leases. This has seriously undermined the industry's ability and incentive to expand. The Department's policy regarding prospecting must be changed.

We oppose that portion of H.R. 3265 which would eliminate the issuance of prospecting licenses. However, we do believe this section should be amended to provide that information gathered as a result of such prospecting and provided to the Department of the Interior should be kept confidential for some specific period of time. Otherwise, information gathered at great expense by one company could be used to its competitive disadvantage by being provided to a competitor for the land in question. If exploration licenses are to be utilized, they should confer an exclusive right to explore. Multiple exploration licenses covering the same area would be duplicative and counter-productive to effective and efficient development.

Public hearings

Section 2(a) (2) of H.R. 3265 requires a comprehensive land use plan prepared by the Secretary of Interior in consultation with the state and local governments. In addition, there shall be provided the opportunity for comments from the public.

It is the obligation of the state and local governments to speak on behalf of their citizens. If the citizens are opposed to a given lease this view should be communicated to the government officials. These officials, during the consultation phase with the Secretary, should be in a position to express the views of those concerned—either in favor or in opposition. A separate public hearing on each land use plan relating to a new lease would be counter-productive, causing unnecessary delay and expense to all concerned. We do not believe that another hearing would contribute any measurable benefits.

The bill would amend the Act to provide that moneys paid to states or political subdivisions thereof "*may*" be used for planning, public facilities and public services. We believe these funds should be specifically earmarked by the states for public services in the communities adjacent to the mine. Certainly this should be true until such time as the tax base of the locality is expanded through the increased tax collections from the producing mine. In any event it is imperative that either through the state or the federal system, funds be channeled to the local jurisdiction that will support the work force of the mine.

The requirement that every lease must be producing in paying quantities at the end of ten years or be terminated is unrealistic. The bill must recognize a mining operation is often made up of several leases which will be mined over a 30 or 40 year period to supply an electric power plant or other use. The logical development of the mine might require that a particular lease not actually be mined for more than ten years even though it is part of a producing operation. The bill should recognize that these mining units exist and provide authority to unitize production so the non-producing leases in a producing operation will not be terminated. To require each lease to be producing in such a unit would disrupt logical development. The ten year lease term is also too short. As pointed out above, mining operations are made up of many leases and easements—private and federal. It can take many years just to put together a viable mining operation with enough reserves under several leases. It can take several more years to get the transportation facilities and the coal utilization plan authorized and constructed so that coal production from each lease within ten years could cause inefficient and unrealistic development. We recommend a twenty-year lease term which can be reviewed every ten years thereafter.

The public hearing procedures should also be rewritten to avoid duplication which affords no real benefit and can cause considerable delay.

Summary and conclusion

In summary, the coal industry opposes H.R. 3265 but recognizes the need for certain amendments that would provide for greater policy control and more effective guidelines for administrative discretion from the Congress.

This committee is uniquely endowed by its expertise in energy and public land matters to understand the great importance of western coal to the nation's future. The time has come for us to begin using this region's fantastic coal reserves to the extent necessary to free domestic gas and oil for space heating and transportation, and other uses for which they are especially suited. This would have the additional desirable effect of reducing our dangerous dependence on imported fuels. The time has come when we should be gasifying and liquefying coal in the West, rather than importing LNG from Algeria and transporting crude from Saudi Arabia.

STATEMENT OF J. ALLEN OVERTON, JR., PRESIDENT, AMERICAN MINING CONGRESS

Madam Chairman and members of the subcommittee: The American Mining Congress wishes to comment on H.R. 3265, a bill which would amend certain provisions of the Mineral Leasing Act of 1920. The development of coal on federal lands in the West is of great importance to the country and to the members of the American Mining Congress, and the bill presently being considered by your Subcommittee is a cause of considerable concern to us.

In commenting upon this proposed legislation, we are proceeding on the basis of certain assumptions as to the policy and goals of the federal government

upon which any amendment to the Mineral Leasing Act should be predicated. We sincerely hope that these assumptions are shared by the members of the Subcommittee, for they are basic to any solution to the problem addressed by the subject bill. Our assumptions are as follows:

1. The Congress should encourage the exploration for, and development of, federal coal by private industry as it is not the intention of the federal government to itself undertake exploration and mining. This policy was expressed in the Mining and Minerals Policy Act of 1970 (30 U.S.C. 21(a)) and hopefully is still the sentiment of the Congress.

2. Development of the low-sulfur coal on federal lands in the West is essential to the resolution of the nation's current energy dilemma, to the alleviation of its growing balance-of-payments deficit in international trade, and to the satisfaction of the requirements of air pollution laws.

3. It is desirable that coal on federal land be brought into the market place at a reasonable price and that competition in the coal mining industry be encouraged.

4. Environmental problems arising in connection with the development of Western coal are adequately covered by the provisions of laws already passed, namely the National Environmental Policy Act, the Clean Air Act, the Water Pollution Control Act and legislation requiring the reclamation of surface mined lands.

With these assumptions in mind, let us look at the subject bill. H.R. 3265 appears to be directed at two problems which have been alleged to exist in the present system for leasing federal coal, to wit:

- (a) That leases have been issued without adequate requirements for development or production by the lessee and, hence, many lessees have obtained leases for speculative purposes; and

- (b) That leases have been issued on a basis which does not afford a fair return to the United States for the resources leased.

We do not agree that either of these problems is of such magnitude that charges of the nature contemplated by H.R. 3265 are required.

In relation to the assertion that lessees have not used diligence in developing their leases, one must examine the realities of the present status of Western coal and likewise its situation in past years. Many Western coal deposits are remote from transportation facilities and, although low in sulfur content, are also relatively low in Btu content compared with Eastern coal. In order to market Western coal, either an expensive rail or pipeline connection must be constructed or the entire industrial facility using the coal must be located at or near the mine mouth. Western coal has in the past been used primarily for the generation of electricity in thermal electric plants, and it is anticipated that this, together with its use for the manufacture of synthetic natural gas and oil, will be its primary market in the future. It can be seen that for development of most Western coal deposits, an investment of many millions of dollars in transportation facilities or mine-mouth industrial facilities is required and that one does not open a coal mine in the West without first having an assured market for the coal to be mined. This contrasts with the Eastern situation, where there are many mines in existence relatively close to an extensive rail and water transportation network affording easy access to many consuming industries.

It is a matter of fact that there has not in the past been any substantial market for federal coal in the West, that what is now foreseeable as the market for this coal has only come about as a result of the recently developed standards for air pollution control and the nation's growing energy shortage, and that a substantial amount of time is required for the analysis of a coal deposit, development of mining plans, negotiation of sales contracts and the opening of a mine. These factors, rather than speculative motives on the part of lessees or dilatory action on the part of the Department of the Interior, are the major reasons why many outstanding federal leases presently have no coal production.

In examining the list of nonproductive federal coal leases, one should also keep in mind that in almost every instance a number of leases must be grouped together to constitute one property capable of being considered a logical mining unit, that many lessees are presently in the process of negotiating coal sales contracts and acquiring mining equipment (which now, due to unprecedented demand, has an exceptionally long manufacturers' lead time) and that in a number of cases leases are held by entities which are subsidiaries of public utility companies who have acquired the leases as a reserve for their future needs. In no event could such holdings by public utility companies be deemed to be speculative.

With respect to the contention that federal leases have been issued at royalty rates so low that there will be no fair return to the public, one should consider that all costs in the nature of bonuses, rents and royalties will be passed on by the lessee to the ultimate consumer of the coal and will result in higher prices to the general public for the electricity, gas or oil produced from the coal. Heavy economic burdens in leases for Western coal will tend to keep it out of the market place. Certainly the public interest in having an inexpensive, abundant supply of coal available must be equally as important as providing for high bonus, rent or royalty payments to the federal government.

With respect to the specific provisions of H.R. 3265, we have the following comments:

1. Section 2 of H.R. 3265 would require the Secretary to issue leases solely on a competitive bonus bidding system, specifically prohibiting royalty bidding. It would remove the Secretary's present flexibility in the issuance of leases and would, we believe, be inconsistent with the best interests of the country. The Secretary should be permitted to issue leases on a negotiated basis, as well as a competitive basis, so he can assure that an operator who may already own other coal lands, water rights, or other property interests which must necessarily be combined with a particular tract of federal coal in order to make a project will be able to control the essential federal tract. As mentioned above, the nature of the development of Western coal may require that an industrial facility costing hundreds of millions of dollars be sited in a remote location and, as a result, the consuming plant will often require a contract from the mine guaranteeing it a coal supply for the life of the plant—from 25 to 35 years. Consequently, a coal reserve of substantial size must be held by the mining company in order to make the project acceptable to the utility industry and to the financial community lending funds for the project. The economies inherent in large-scale mining operations also require the accumulation of substantial reserves in a single ownership; in many instances, if land ownerships are fragmented or checkerboarded, coal in those lands will not in fact be minable at all if they are not all leased to one operator. In addition, water is critical to the development of Western coal. If necessary water rights are held separately from coal, there may be no development resulting. These factors require that the Secretary have the power to negotiate leases with parties who may hold other property rights essential to the creation of a project.

This section also states that no bid shall be accepted which is less than the fair market value of the coal subject to the lease. This is a very confusing statement. Could it mean that any sale of the mined coal by the lessee at a price much in excess of the government's bonus plus the miner's cost results in a finding that the lease had been issued in violation of the statute? This provision should be omitted or clarified.

This section also provides for a system of deferred bonus payments. We would suggest that any such provision, or any provision permitting bidding on the basis of work commitments or minimum royalties, be left to the discretion of the Secretary. The section as written is entirely too restrictive and would not be conducive to the promotion of competition in the coal industry nor to the development of the leases issued.

Section 2 also states that leases shall be for 10 years. This is inconsistent with the provisions of section 5, which provide that the term shall be for 10 years and so long thereafter as coal is produced.

2. Section 3 of H.R. 3265 requires that the Secretary or the Secretary of Agriculture prepare a comprehensive land use plan prior to issuing a lease and that there be consultation with state and local governments. This would indicate that the decision whether to lease or not to lease will remain with the federal government even though the state or local government may have a land use plan inconsistent with such decision. However, under section 4 of H.R. 3265 there is a provision that an exploration license must comply with state and local environmental laws and regulations. Does this provision in section 4 require compliance with state or local land use regulations which may prevent exploration and/or mining? There seems to be some inconsistency between the two provisions, and we would question the desirability of permitting state and local desires to override the federal decision-making power with respect to federal lands. Certainly the federal government must give consideration to the requirements of the states or localities which will consume the end-product of the manufacturing process rather than just the desires of the state or locality where the mining will occur.

We also question the desirability of including in section 3 the requirement that the administrator of EPA concur in the issuance of the lease. It would seem that operations under the lease will be subject to the Water Pollution Control Act and the Clean Air Act, and EPA concurrence in lease issuance should not be required.

The last paragraph of section 3 states that no lease shall be issued without assurance that the Surface Reclamation Act of 1974 has been complied with. This is illogical since it is impossible to comply with that Act prior to obtaining a mining lease.

3. Section 4 radically changes the provisions of the Mineral Leasing Act relating to prospecting permits by eliminating the preferential right of permit holders to obtain a mining lease. We feel strongly that unless the federal government is to assume the major burden of prospecting for new coal reserves, there must be assurance that the prospector will be entitled to develop any minable deposit which he may discover. We doubt that, under the provisions of section 4 many parties would be inclined to apply for an exploration license. It is extremely doubtful that all economic reserves of coal in federal lands are now identified. This is true even with respect to shallow coal in a number of areas where surface exposure are far apart or where alluvium may cover the surface. As you know, although the general area of coal occurrence may be known, a known bed may vary in thickness and in quality, and considerable exploratory and development work is always required to determine if a given deposit can be economically mined. In addition, the system proposed by H.R. 3265 would, we believe, tend to favor companies with large capital resources which could afford to prospect in many areas on the assumption that they would be the successful bidder for at least one of such areas.

This section also provides that all exploration data obtained by a licensee shall be furnished to the Secretary. Under the provisions of section 2 of the bill, the Secretary must assess any land prior to offering it for lease, and it is not clear that such data would not be used in his assessment—which under section 2 is subject to public comment. It also is not clear whether such data must be considered by the Secretary in determining the "fair market value" of coal which, under section 2, would establish a floor for acceptable bids. These factors would also indicate that there would be little exploration done pursuant to this proposed system.

4. Section 5 provides that the lease shall have a term of 10 years and so long thereafter as coal is produced in paying quantities, the term "paying quantities" being related to profitability of the mine. The determination of whether the mine is profitable could be very difficult since the lease might be part of a mine including other lands—federal, state, or private—or might be held by a company operating a number of mines, thereby leading to many questions relating to the allocation of overhead, interest expenses, etc. We feel strongly that the primary term of 10 years is unrealistically short and that the continuance of the term should not be dependent upon profitability but upon production from any property within the logical mining unit of which the particular lease is a part.

The section also provides that a lease is conditioned upon diligent development and that this requirement cannot be satisfied by advance royalties in lieu thereof. Such a provision is also unrealistic (and probably unlawful as to existing leases). The concept of advance or minimum royalties is well established in the mineral industry and is quite common in leases on privately owned or state-owned lands. The present discretion of the Secretary to permit the payment of minimum royalties should be continued.

In this regard the Subcommittee should realize that, as pointed out above, a mine will not be opened on Western coal until the market for the coal has been developed. Consequently, provisions placed in the leases will not have the effect of forcing production but will only have the effect of forcing termination of the lease if a market does not exist, in which event the government will have to re-let the property to another operator who will be faced with the same marketing problems as the original lessee. We would suggest that it is preferable to require the investment by the lessee of monies in the lease either in the form of minimum royalties or in the form of required expenditures and to permit the lease to remain in effect until market conditions permit production to be commenced.

The Mineral Leasing Act should be amended to permit unitization of federal coal leases with other federal leases and with holding on state, private or other lands. Such a provision would recognize the actual requirements of the mining

industry and would prevent the unnecessary and uneconomical openings of mines on different tracts merely to satisfy the provisions of individual leases requiring production by certain dates.

Section 5 also provides that lease terms will be subject to readjustment at the end of the primary term of the lease and at the end of each five-year period thereafter. As mentioned above the marketing of Western coal will in most instances require long-term sales contracts; the uncertainties created by this provision in H.R. 3265 will make it very difficult to give any assurance as to lease tenure or economics to the utility and financing industries which will be involved. We suggest that the present provisions of the Mineral Leasing Act with respect to adjustment of lease terms are adequate.

5. Section 8 would impose a new nationwide limit on the acreage which could be held under lease by any party. We question the desirability of such a limit in view of the present limits set forth in the statute on a state-by-state basis. The imposition of the 100,000-acre nationwide limit would seem to be extremely arbitrary in that coal leases in one area of the country will not necessarily be in competition with those in another area since their markets may be entirely different. The provision discriminates against companies who may be already at or near the proposed limit and who may be in dire need of additional federal coal to create logical mining units. In addition, the language in section 8 referring to "any subsidiary, affiliate, or persons controlled by or under common control with such person, association, or corporation" is thoroughly confusing. This concept seems to be adequately covered by 30 U.S.C. 184(e). We feel that section 8 should be deleted from the bill.

6. It would be helpful if Congress could give some guidance as to the applicability of the National Environmental Policy Act to the federal cost leasing system. As the law now stands, the Interior Department must make a determination as to which of its actions constitutes a major federal action requiring an environmental impact statement under NEPA. Because of NEPA's vague language as to what actions require an impact statement, the Department's determination is open to challenge in court, giving rise to all of the attendant delays in the judicial resolution of the question. It would seem highly desirable that the Interior Department be permitted to issue an environmental impact statement covering coal leasing in a large area with such impact statement satisfying the requirements of NEPA for all coal leases thereafter issued in such region. Certainly some guidance from Congress would be extremely helpful with respect to this problem and would facilitate progress in the leasing program.

We appreciate the opportunity of making these comments.

STATEMENT OF JAMES CANNON

Representative Mink and members of the Subcommittee on Minerals and Mining, it gives me great pleasure to share my opinions with you today on the proposed House Bill 3265 amending the Mineral Leasing Act of 1920. My name is James Cannon. I am the author of a study published by the Council on Economic Priorities in May, 1974, and entitled *Leased and Lost*. The study analyzes the Federal coal leasing program involving 463 public land leases and 11 Indian land leases between 1921 and 1973 in the states of North Dakota, Montana, Wyoming, Colorado, Utah, Arizona, and New Mexico.

In the past year, *Leased and Lost* has received widespread press coverage. The report has been praised for its accuracy and comprehensiveness by the Department of Interior and many other government agencies and business and public organizations. I have already testified before the Senate Subcommittee on Minerals, Materials, and Fuels when it was considering its own version of Mineral Leasing Act amendments.

After seven months of research into all aspects of the leasing program, we concluded that the leasing program has failed abysmally to carry out its objectives of promoting orderly and timely resource development while protecting the environment and assuring a fair market return to the public treasury. Weaknesses in the Mineral Leasing Act are largely to blame although the situation has been worsened by the Department of the Interior which has acted as if it is better to have leased and lost than never leased at all. The Mineral Leasing Act lacks the strength to compel the Department to carry out its objectives in the public interest. It sets minimum lease terms far too leniently and provides no mandate for comprehensive land or resource use planning prior to leasing.

I would like to speak today about several provisions of H.R. 3265 based on the data and conclusions found in *Leased and Lost*.

I strongly support the provision of the bill requiring that no less than half the competitive lease sales utilize the deferred bonus bidding system. The current system requires payment of the entire bonus bid prior to receiving the lease. This requires lessees to outlay the entire cost of a lease long before receiving any economic return on its investment. It, in effect, limits the participation in the leasing program by the smaller companies who are unable to raise large amounts of long term investment capital needed to compete with bids by "the majors". On the other hand, by demanding full payment within 10 years, the deferred bonus system provides an incentive for lessees to develop mining operations on leased land in order to recoup their gradually increasing investment.

H.R. 3265 provides that competitive leasing be done via the sealed bid method. This method has definite advantages over oral bidding which historically has been most commonly employed. In oral bidding, it is in the bidder's interest to start low. If no one else bids, this bid will win. If other bidders appear, there is another chance to offer a higher bonus. Under the sealed bid system, the applicant is more likely to submit a bid which more nearly reflects the true value of the lease because he knows he will not get another chance to up his offer.

Unlike the bill passed by the Senate last summer, H.R. 3265 does not abolish the preference right leasing system. I feel that this system no longer operates in the public interest and agree with the Senate that it should be abandoned. Although preference right leasing was justified a half a century ago when the country was interested in learning the extent of its mineral wealth in the vast empty spaces in the West, this interest is no longer pressing. Government maps now pinpoint literally billions of tons of coal on public lands, 15 billion of which have already been leased. Receipt of additional geological data from prospectors under the preference right system no longer justifies the giveaway of publicly owned coal.

In addition, preference right leasing fosters the speculative holding of leased land because it requires little outlay of capital prior to development. According to Interior's former Assistant Secretary Harrison Loesch, the low cost of obtaining a preference right lease "has been an incentive for an individual or a small company to obtain a preferential rights lease and then sit on it if there was no overriding reason for production." CEP found evidence of this: In 1973 coal mines were operating on only 3% of the Federal leases granted under the preference right system compared to mines on 17% of the leases issued after competitive leasing.

While it is true that preference right leasing provides a means for small companies to obtain leases, the deferred bonus bidding system should provide a fair means of leasing which will not exclude them. Therefore, I urge that the preference right system, outdated and ineffectual, be abolished. One of the greatest weaknesses in the existing leasing program is that lease terms are only adjusted at 20 year intervals. Important new Department of the Interior regulations, such as those governing reclamation procedures, can only be added to lease contracts at the end of each 20 year period. Over 67% of all coal leases issued under the Mineral Leasing Act have been issued since 1960, meaning that they will not start coming up for adjustment until 1980 at the earliest.

H.R. 3265 makes two important changes in the law which should do much to accelerate implementation of Departmental regulations. First, it reduces the length of time between adjustments to 10 years originally and then at five year periods thereafter. Secondly, it directs the Department of Interior to set royalties as a percentage of the selling price of coal, rather than as a set fee per ton of coal mined from leased land. If the price of coal varies, the royalty fee is adjusted automatically under the new system. Under the fixed royalty system currently in use, the royalty remains constant over the entire 20 years between adjustment. If the price of coal skyrockets, as it has in the past 5 years, the lessees still pay only the set royalty fee, keeping all the incremental revenue to themselves.

A major failure of the coal leasing program is that it has not been able to promote orderly and timely resource development, first because lease terms were set too leniently and permitted the speculative holding of land out of production and secondly because the law contains no mandate for land use planning prior to leasing.

Every lease sale has been held at the request of an industry applicant at sites chosen by them. H.R. 3265, by directing the Department of Interior to conduct

extensive land use planning prior to leasing with the aim of choosing lease sites according to social, environmental, and economic considerations, should go a long way toward a leasing system which minimizes rather than fosters unplanned, random, and uncoordinated western development practices.

The strengthening of the diligent production requirements will also aid the Department in promoting timely resource development. The loophole in the present law which allows lessees to satisfy the diligent production requirement by payment of one year's advance rental when combined with the low cost of holding leases undermines attempts by the Department to guarantee coal production from leased land. Consequently, the situation exists today where 89% of all leases are not now producing coal. 69% of all leases have never produced a single ton of coal.

H.R. 3265 hopes to prevent this obfuscation of resource development planning by making continuance of leases after 10 years contingent on the production of coal in paying quantities. I would respectfully urge that this clause be strengthened further by directing leaseholders to prepare development plans within a few years of the signing of a lease. Upon receiving approval from the Department of the Interior, the leaseholder should be required to produce coal at a rate estimated in the plan or forfeit the lease.

I also urge that the privilege now extended to leaseholders to assign their leases to another party be abolished by amendment to the Mineral Leasing Act. The assignment provision currently provides an incentive for a leaseholder to keep leased land out of production waiting for its value to increase at which time it can assign it to another party and retain an overriding royalty on future production. The purpose of the leasing program is to promote orderly and timely resource development. If a leaseholder is unable or unwilling to produce coal from the land, it should be returned to the government, reevaluated, and leased again if it is in the public interest to do so. If the value of a lease is enhanced with time, the public rather than the original leaseholder should receive the benefit of that increase reflected in a higher bid at its second leasing.

Finally, I would like to commend the drafters of H.R. 3265 for amending the Mineral Leasing Act so that states may use their share of the royalties for studying and providing desperately needed public services in areas affected by coal development. The socio-economic impacts of rapid urban development attendant to the opening of coal mines in sparsely populated areas is a problem of paramount concern. Greater attention and more resources must be devoted to reducing these impacts by the Federal and state governments and the current and potential industrial developers. Not nearly enough effort has been forthcoming on this aspect of western coal development, but this amendment in H.R. 3265 is one important step in the right direction.

STATEMENT OF KAISER STEEL CORPORATION

Kaiser Steel Corporation appreciates the opportunity to submit to the Subcommittee on Mines and Mining of the House Committee on Interior and Insular Affairs its views with respect to H.R. 3265, Federal Coal Leasing Amendments Act of 1975. Kaiser Steel has the only fully integrated major steel plant on the Pacific coast and is the largest steel producer there. Approximately 85% (about two million tons annually) of Kaiser Steel's coking coal requirements is supplied from mines at Sunnyside, Utah, and at York Canyon near Raton, New Mexico. Coal reserves associated with these mines are on properties owned in fee and leased under federal and state leases. The metallurgical coal produced at these mines is blended at Kaiser's steel mill with other grades of metallurgical coal purchased from others. Some of the metallurgical coal produced from these mines is sold to other steelmakers and noncoking coal from these mines is available for sale to others.

Kaiser Steel is of the opinion that any new legislation governing coal leasing should give the Department of Interior sufficient authority to encourage sound development and conservation practices and to take into consideration the economic conditions existing at the time individual leases are awarded. The requirement of Section 2 that every lease be issued on the basis of competitive bidding would defeat the sound practice of the Department in issuing new leases to a mine operator covering tracts adjacent to existing works for purposes of

logical expansion and recovery of resources which might not otherwise be developed. Such leases are usually of benefit only to the existing operator and competitive bidding for them would simply encourage private speculators seeking to profit from subsequent transfer of the lease to the existing operator. The Department of the Interior should be given the discretion to determine appropriate bidding methods and should not be limited to a bonus bidding system.

Under Section 5 of H.R. 3265, the primary term of each lease would be for ten years and for so long thereafter as coal is produced in paying quantities from that lease. The lease would be subject to readjustment at the end of its primary term of ten years and at the end of each five year period thereafter. Coal mining requires substantial capital investments, and a ten year period is wholly inadequate to justify capital investments of the magnitude required. A ten year primary lease term would clearly tend to discourage development and production of coal from federal lands. Frequent readjustment of the lease terms would disrupt sound economic planning and create an unnecessary burden for the lessee. We urge that the primary term be increased to 20 years, with readjustment periods each ten years thereafter.

Kaiser Steel believes that the requirement that *each lease* must annually produce paying quantities of coal after its primary term is unduly restrictive. This provision does not recognize the need of a large consumer of coal to assemble coal reserves in order to satisfy economic requirements and to mine those reserves in an orderly manner. Such a provision would force that consumer to proliferate token mines on every lease to preserve rights to the entire assembly of reserves. This practice would have an adverse conservation and environmental impact and would be wasteful of capital. Furthermore, the market test of paying quantities does not recognize that coal from a "captive mine" of a consumer may be diligently and continuously mined at or below wide-ranging market levels.

Section 5 would establish a minimum royalty of no less than 10% of the sale price of products produced provided that the Secretary may determine a lesser amount in the case of coal recovered by deep mining operations. A 10% royalty is substantially higher than rates traditionally paid to private owners. A royalty rate of this magnitude could stifle rather than stimulate coal production. Any such royalty would have to be passed on to the ultimate consumers in the form of higher prices, and would be highly inflationary. In addition, any such minimum royalty rate would tend to increase royalty rates charged by private owners and would tend to increase the market price for coal. We strongly believe that royalty rates should be left to the discretion of the Secretary.

We urge, therefore, that any new legislation in this field give the following discretionary authority to the Department of Interior:

(i) To adopt regulations which would (a) contemplate the assembly in broad economic units of coal-bearing lands, including private lands and federal and state leaseholds, (b) encourage diligent development and operation of such units as a whole in a proper manner and not on the basis of individual leases, and (c) permit retention of federal leases if the operator is engaged in such development of those units.

(ii) To permit the granting of leases without competitive bidding to a mine operator for the purpose of the logical extension or expansion of existing mines.

(iii) Authorize the Secretary to permit bidding on a royalty or bonus bidding system, or on such other basis as the Secretary deems appropriate.

(iv) Authorize the Secretary to establish appropriate royalty rates.

We also strongly recommend that the primary terms of new leases be for a period of 20 years and that such leases be subject to readjustment at the end of the primary term and at the end of each ten year period thereafter.

Kaiser Steel recognizes the needs for changes in coal leasing policies in the light of current conditions and the need to expand the nation's coal production. However, we firmly believe that care must be taken to assure that these new policies are flexible enough to encourage and not impede the development of new coal production.

