Indian Affairs - Office of Public Affairs

Media Contact: Nedra Darling, OPA-IA Phone: 202-219-4152
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Secretary of the Interior Cecil D. Andrus said today that he was approving "with great satisfaction" a renegotiated coal mining lease between the Navajo Indian Tribe and a partnership composed of the El Paso Natural Gas Company and the Consolidation Coal Company.

Peter MacDonald, Chairman of the Navajo Tribe, and officials of the Department concluded negotiations August 11, 1977 with Consolidation Coal Company and El Paso Natural Gas Company for a coal mining lease covering more than 40,000 acres on the Navajo Reservation.

The new terms include a 12 1/2 percent royalty, a $5.6 million advance bonus payment, and provision for review and adjustment of the royalty terms at the end of five years.

The land involved has actually been under lease since October of 1968 when the Navajo Tribe, Consolidation, and El Paso entered into their first coal mining lease. The original lease contained a primary term of ten years, a preference in employment for Navajos, and a royalty rate of 20 cents per ton for coal mined and used on the reservation.

Beginning in 1973, the Navajo Tribe and the two mining companies began negotiations for amending this original lease. Three years of negotiations culminated in a renegotiated lease calling for a $5.6 million advance royalty, an agreement guaranteeing Navajo training and employment in the mining operation, and a royalty of 8 percent of the value of the coal mined. Chairman MacDonald delivered this renegotiated lease in 1976 to the Secretary for approval.

On June 30, 1977, Andrus asked that the royalty rate be renegotiated in light of the Federal Coal Leasing Amendments of 1975 which require a 12 1/2 percent minimum royalty for the sale of coal on federal lands.

Drawing upon the resources of several Interior Department agencies, including the Bureau of Indian Affairs, the Bureau of Mines, and the U.S. Geological Survey, a financial analysis was completed which indicates that a 12 1/2 percent royalty rate will yield a substantially higher return to the Tribe while providing an adequate return to the companies. As a result of the analysis Chairman MacDonald requested that the Department assist the tribe in securing a substantially higher return for the Navajo Nation.

Both Interior Secretary Andrus and Chairman MacDonald have expressed great satisfaction over the agreement reached.

This agreement represents a "milestone" in Indian minerals development, Secretary Andrus said, "that reflects this Administration's commitment to both the concept of tribal self-determination and the nation's fiduciary responsibilities to Indian tribes and Indian resources. The tribe knew the terms under which it was prepared to accept this massive development, and this Department provided the technical expertise and information necessary for the Navajo Nation to negotiate the top dollar these resources would bring in fair and open dealing."

The agreement reached on August 11 will result in additional revenues of some $5 million to the Navajo Tribe in the first five years alone.
