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Secretary of the Interior Cecil D. Andrus announced today his agreement with the Northern Cheyenne Tribe and Peabody Coal Company cancelling controversial coal leases and permits on the Northern Cheyenne Indian Reservation in southern Montana. The agreement resolves a long-standing dispute among the parties regarding coal development on the reservation.

"This agreement is another example of our affirmative exercise of Interior's trust responsibility to the Indian people," Secretary Andrus said. "Successful completion of the agreement removes a cloud from the Indian lands and at the same time will promote additional coal production in an environmentally sound manner to meet our Nation's future energy needs. Within the next year, similar agreements are expected to be negotiated with other coal companies holding disputed prospecting permits on the reservation, completely resolving any remaining questions of rights to coal on the Northern Cheyenne lands," Andrus said. Peabody's disputed leases and permits on the reservation which are cancelled under the agreement covered more than an estimated one billion tons of coal. The lands which Peabody may receive in return cannot, under the agreement, contain more than 130 million tons of recoverable coal. The agreement furthers the Department's policy of self-determination for the tribe, and returns control of the disputed lands to the Northern Cheyenne people. This cancellation agreement was developed under provisions of P.L. 96-401, signed into law on October 9, 1980. The Act establishes a process for resolving the long-standing dispute over the validity of the leases on the reservation, thus avoiding expensive and time-consuming litigation.

This was supported by the Department, authorizes and directs the Secretary to negot1ate agreements w1th the Northern Cheyenne Tribe and with parties holding leases and permits on the reservation to cancel the leases and permits in return for non-competitive Federal coal leases off the reservation. The cancelled leases were executed in 1969 and 1970, but no coal has been extracted during the intervening years because of protests by the tribe.

Today's agreement covers only the reservation coal leases and permits held by Peabody. Under the law, negotiations concerning the permits held by other companies must be completed by January 1, 1982. Under the agreement, Peabody's leases and permits on the reservation are cancelled and an off-reservation lease will be issued to the company if the tract is determined to be leasable in accordance with the procedures of the Federal coal management program. The lease will be only for lands environmentally acceptable for leasing and only for lands which round out an existing mining area controlled by Peabody. Also, Peabody agrees to pay the fair market value for the non-competitive lease. The lands identified for non-competitive leasing encompass about 11,000 acres, and lie in a checkerboard pattern of alternate sections of Federal and private coal with the private sections under the control of Peabody. If these lands are leased, Peabody will possess a tract of Federal and private coal large enough to mine economically.

More specifically, the three-way agreement calls for:

- Cancellation of six leases and three permits held by Peabody on the Northern Cheyenne Reservation;

- Issuance of a non-competitive Federal coal lease to Peabody for lands acceptable for leasing, as determined by land use planning;
- Payment by Peabody of the fair market value of the off-reservation leases less the company's investment on the reservation; investments will be audited by an independent auditor;
- Issuance to Peabody of a bidding certificate which can be used at competitive coal lease sales if the lands identified for the non-competitive lease are found to be unacceptable for leasing in the land use planning;
- Release to Peabody of escrow funds held by the Bureau of Indian Affairs and a second escrow agent, after audit;
- Extinguishment of any claim or liability between or among the signatories.
