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Approval of a coal-mining lease to the El Paso Natural Gas Company covering 8,762 acres of tribally owned land on the New Mexico portion of the Navajo Indian Reservation was announced today by the Bureau of Indian Affairs, Department of the Interior.

The Texas Company has indicated its intention to use the strip-mined coal in a conversion plant, to be located on the reservation that would produce motor-fuel components and gaseous hydrocarbons. If the plan proves feasible, up to 200 jobs would be provided, mainly for Navajos.

The acreage being leased is part of a larger area of 85,760 acres on which the company was granted an exclusive prospecting permit by the Navajo Tribe nearly four years ago. Exploration by the company has shown about 519,000,000 tons of strippable coal in the whole area and approximately 135,000,000 tons in the acreage being leased.

Details of the lease were worked out jointly by tribal and company representatives. The royalty rate is 15 cents per ton for all the mined coal consumed as fuel in the coal-conversion plant or converted into motor fuel components on the reservation. The rental is $1 per acre per year, the standard rate for such leases on Indian tribal land. The lease provides for restoration and rehabilitation of coal-stripped areas.

Approval was also given to the company's offer of a $90,000 bonus for a three-year option to lease an additional 13,880 acres in the prospecting area. P.N. 21894-63