Indian Affairs - Office of Public Affairs

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Interior Secretary James Watt approved on April 4 a coal mining agreement between the Crow Indian Tribe of Montana and the Shell Oil Company.

Under the agreement Shell will begin mining an estimated 210 million tons of coal from a 2,560 acre tract in the Youngs Creek area of the Crow reservation.

The tribe will receive $12 million in pre-production payments and a royalty, subject to adjustment, of 12 1/2 percent. An annual minimum royalty of $3 million, beginning in 1986, is guaranteed under the contract. The agreement also gives the tribe a 50 percent participation in an incremental profit sharing plan, but this is not expected to be implemented in the first 20 years of operation.

The agreement includes a joint venture alternative for the tribe for the subsequent development of other coal areas on the reservation. This kind of agreement was only recently allowed under provisions of the Indian Minerals Development Act of 1982, signed into law by President Reagan December 22.

After 90 percent of the coal in the Youngs Creek area is mined, the tribe and the company could develop additional tracts under the joint venture agreement. If the tribe does not want to participate, the company could exercise an option to mine additional land.

In a section dealing with tribal sovereignty issues, the agreement states that the company would pay the tribe a severance tax equal to the existing Montana tax of 30 percent, less whatever is required to be paid to the State.

Though the Crow tribe has coal being mined on land it owns outside the boundaries of the reservation, this agreement would bring the first mining on the reservation.

An environmental impact statement on the project has been completed.