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Further exploration of coal resources in the lands of the Navajo Indian Reservation that may lead to a development expenditure of more than $1,000,000 and employment of as many as 200 Indians is now definitely in prospect, the Department of the Interior announced today.

The exploration will be done by the El Paso Natural Gas Company under a preferential prospecting permit covering 85,760 acres on the New Mexico portion of the Navajo Reservation. The area lies immediately south of a 25,000-acre area which bas been under a coal mining lease held by the Utah Construction Company since the fall of 1957.

Commissioner of Indian Affairs Glenn L. Emmons ;aid that under terms of the new permit, El Paso will have a maximum of 18 months in which to select acreage for leasing that will provide a 60-year coal reserve. The leased area will be limited to 34,560 acres unless the Company can demonstrate its need for additional acreage to supply the 60-year reserve.

El Paso has indicated that it contemplates processing the coal for two major purposes. One will be production of gas to be mixed with natural gas carried in the Company's pipelines which already cross the area. The other will be production of liquid hydrocarbon components of motor fuels. Additional expected by-products include char, tar and chemicals.

The Company has stated that if sufficient reserves are discovered and it exercises its option to lease, it will spend "not less than $1,000,000” in development of the coal and construction of a pilot plant. Employment will be furnished, the Company estimated, to 50 Navajos during the initial mining and pilot plant period and this employment could be expected to increase to 200 Navajos under full- scale mining and processing operations.

If the lease is consummated after the prospecting period, it will run for 10 years and as long thereafter as the coal is produced in paying quantities.

Royalties for the tribe will be at the rate of 15 cents a ton for coal used as fuel or processed into gas or liquid motor fuel components and at the rate of 10 percent of the f.o.b. sales price on other products or by-products. The total royalty for these products, however, is not to exceed 30 cents per ton of the coal mined.

Rental payments of $1 per acre, which are to be made in advance each year under the lease, are to be credited against the royalty payments accruing in that particular year.

While the prospecting permit and the lease have not yet been put into effect, Mr. Emmons said that the two documents have been agreed upon by the tribe and the Company and have been found satisfactory by the Department. The Area Director for the Bureau of Indian Affairs at Gallup, New Mexico, W. Wade Head, has been authorized to give formal approval to the prospecting permit on behalf of the Department and is expected to do so in the next few days.