II. PROPOSED ACTION AND ALTERNATIVES

A. Alternative No. 1: Sale of Lease As Applied For To Be Mined With Existing Mining Operation

Under this alternative, the Eagle Butte LBA tract would be offered for competitive sale as applied for, subject to standard and special lease stipulations. The boundaries of the tract would be consistent with the tract configuration proposed in the AMAX lease application (See Figure 2). This alternative assumes that the applicant (AMAX) is the successful bidder on the tract.

Coal resources for the proposed lease have been preliminarily estimated at around 150 million tons. This estimate of coal resources is used for the draft and final EA because it is based on publicly available information. A more accurate estimate of recoverable reserves based on the geologic and engineering evaluation of the tract will be included in the sale notice when the tract is offered for sale. The legal description of the proposed coal lease lands as applied for under Alternative 1 by AMAX is as follows:

T. 51 N., R. 72 W., 6th P.M. Campbell County, Wyoming

Sec. 33: Lots 1-3 (All), Lots 6-10 (All), E1/2 Lot 11,
E1/2 Lot 14, Lots 15-16 (All);
Sec. 34: Lots 3-6 (All), Lots 9-16 (All)

TOTAL (applied for) 914.53 acres more or less

This legal description and acreage are based on approved U.S. Department of the Interior, Bureau of Land Management plats filed in Cheyenne, Wyoming.

The following special lease stipulations will be required when the lease is issued:

In addition to observing the general obligations and standards of performance set out in the current regulations, the lessee shall comply with and be bound by the following stipulations. These stipulations are also imposed upon the lessee's agents and employees. The failure or refusal of any of these persons to comply with these stipulations shall be deemed a failure of the lessee to comply with the terms of the lease. The lessee shall require his agents, contractors and subcontractors involved in activities concerning this lease to include these stipulations in the contracts between and among them. These stipulations may be revised or amended, in writing, by the mutual consent of the lessor and the lessee at any time to adjust to changed conditions or to correct an oversight.

(a) CULTURAL RESOURCES

(1) Before undertaking any activities that may disturb the surface of the leased

lands, the lessee shall conduct a cultural resource intensive field inventory in a manner specified by the authorized office of the BLM or of the surface managing agency, if different, on portions of the mine plan area and adjacent areas, or exploration plan area, that may be adversely affected by lease-related activities and which were not previously inventoried at such a level of intensity. The inventory shall be conducted by a qualified professional cultural resource specialist (i.e., archeologist, historian, historical architect, as appropriate), approved by the authorized officer of the surface managing agency (BLM, if the surface is privately owned), and a report of the inventory and recommendations for protecting any cultural resources identified shall be submitted to the Assistant Director of the Western Support Center of the Office of Surface Mining, the authorized officer of the BLM, if activities are associated with the coal exploration outside an approved mining permit area (hereinafter called Authorized Officer), and the Authorized Officer of the surface managing agency, if different. The lessee shall undertake measures, in accordance with instructions from the Assistant Director or Authorized Officer to protect cultural resources on the lease lands. The lessee shall not commence the surface disturbing activities until permission to proceed is given by the Assistant Director or Authorized Officer.

(2) The lessee shall protect all cultural resource properties within the lease area from lease-related activities until the cultural resource mitigation measures can be implemented as part of an approved mining and reclamation plan or exploration plan.

(3) The cost of conducting the inventory, preparing reports, and carrying out mitigation measures shall be borne by the lessee.

(4) If cultural resources are discovered during operations under this lease, the lessee shall immediately bring them to the attention of the Assistant Director or Authorized Officer, or the Authorized Officer of the surface managing agency. The lessee shall not disturb such resources except as may be subsequently authorized by the Assistant Director or Authorized Officer. Within two (2) working days of notification, the Assistant Director or Authorized Officer will evaluate or have evaluated any cultural resources discovered and will determine if any action may be required to protect or preserve such discoveries. The cost of data recovery for cultural resources discovered during lease operations shall be borne by the surface managing agency unless otherwise specified by the authorized officer of the BLM or of the surface managing agency, if different.

(5) All cultural resources shall remain under the jurisdiction of the United States until ownership is determined under applicable law.

(b) PALEONTOLOGICAL RESOURCES

If a paleontological resource, either large and conspicuous, and/or of significant scientific value is discovered during any surface disturbing activities, the find will be reported to the Authorized Officer immediately. Surface disturbing activities will be suspended within 250 feet of said find. An evaluation of the paleontological discovery will be made by a BLM approved professional paleontologist within five working days, weather permitting, to determine the appropriate action(s) to prevent the potential loss of any significant paleontological value. Operations within 250 feet of such a discovery will not be resumed until written authorization to proceed is issued by the Authorized Officer. The lessee will bear the cost of any required paleontological appraisals, surface collection of fossils, or salvage of any large conspicuous fossils of significant interest discovered during the operation.

(c) OIL AND GAS RESOURCES

The BLM realizes that coal mining operations conducted on leases issued within producing oil and gas fields may interfere with the economic recovery of oil and gas; just as oil and gas leases issued in a coal lease may inhibit coal production. BLM retains complete authority to alter and/or modify coal operations or oil and gas operations on lands covered by Federal leases so as to obtain maximum resource recovery of either or both resources with due regard to valid existing rights.

(d) RESOURCE RECOVERY AND PROTECTION

Any proposed bypass of Federal coal determined to be economically recoverable must have the written approval of the authorized officer of the BLM in the form of an approved modification to the Resource Recovery and Protection Plan (R2P2) prior to the Federal coal being bypassed (43 CFR 3482.2(c)(2)). Failure to comply with this requirement shall result in the issuance of a Notice of Noncompliance by the authorized officer. The Notice of Noncompliance will include the amount of damages to be assessed for the unauthorized bypass of Federal coal as determined by the authorized officer. The amount of damages, at a minimum, will be the amount of royalty to be assessed as determined by the authorized officer to compensate the Federal government for the unauthorized bypassed Federal coal.

(e) PUBLIC LAND SURVEY PROTECTION

The lessee will protect all survey monuments, witness corners, reference monuments, and bearing trees against destruction, obliteration, or damage during operations on the lease areas. If any monuments, corners or accessories are

destroyed, obliterated, or damaged by this operation, the lessee will hire an appropriate county surveyor or registered land surveyor to reestablish or restore the monuments, corners, or accessories at the same location, using surveying procedures in accordance with the "Manual of Surveying Instructions for the Survey of Public Lands of the United States". The survey will be recorded in the appropriate county records, with a copy sent to the authorized officer.

If AMAX acquired the proposed Eagle Butte tract, it would be mined as part of the existing Eagle Butte mining operation. A new Mining and Reclamation Plan would be developed to show a logical mining sequence into the acquired lease. The current Eagle Butte Mine plan indicates that a total of 5706 surface acres is currently permitted for disturbance by the existing mine as a result of mining or mining-related activities such as overstripping, roads and diversions (approximately 4690 acres will be disturbed by actual coal removal and approximately 1016 acres will be disturbed by related activities). Approximately 250 acres of the surface of the proposed lease would need to be disturbed by overstripping to mine the existing lease, but this disturbance is not yet permitted in the existing mine permit. Addition of the proposed lease would increase the currently permitted disturbance area by approximately 1210 acres (915 acres for actual coal removal plus 295 acres for mining-related activities). The total area of surface disturbance under the proposed action (the existing mine plus the proposed lease) would be 6916 acres (5706 acres currently permitted for disturbance plus 1210 additional acres with the LBA). Based on the location and movement of the existing pit, it is estimated that coal removal would begin in approximately 2003. Topsoil removal would begin in approximately 2002. Both these dates assume that the required mining permits are obtained in a timely fashion.

With or without the LBA tract, coal production at Eagle Butte is estimated to be 14 million tons per year until 2003, when it is projected to increase to 16 million tons per year (mmtpy). The addition of the LBA tract would extend the life of the mine by between 9 and 10 years, assuming that all of the estimated 150 million tons of coal are recoverable and that they are produced at a rate of 16 mmtpy. Employment is predicted to increase slightly over the life of the mine, as the overburden ratio and haul distance increase from the current situation, where both are minimal.

The AMAX application for the coal in the Eagle Butte LBA tract was based on the fact that it is a logical southwestern extension of the Eagle Butte Mine operation. No other existing operator is in a position to recover the coal reserves in this tract. The tract is bounded by the existing Eagle Butte leases to the north and east, and by U.S. Highway 14-16 and the Campbell County Airport to the west. As discussed above in Section I. B., the City of Gillette Buffer Zone limits mining to the south. If this coal is not mined in conjunction with the existing Eagle Butte lease, it is not likely that it will recovered in the future.

B. Alternative 2: Sale Of Lease As Amended By BLM To Be Mined With Existing Mining Operation

To prevent a potential coal bypass situation in the future, the BLM is considering adding additional lands to the tract (Figure 2). The legal description of the coal lease lands proposed for addition to the Eagle Butte LBA tract by the BLM is as follows:

T. 51 N., R. 72 W., 6th P.M. Campbell County, Wyoming

Sec. 28: W1/2 Lot 13;
Sec. 33: Lot 4, E1/2 Lot 5, W1/2 Lot 11, E1/2 Lot 12, W1/2 Lot 14

TOTAL ADDED TO LEASE BY BLM:	144.645 acres more or less
TOTAL APPLIED FOR:	914.53 acres more or less
TOTAL UNDER ALTERNATIVE 2:	1,059.175 acres more or less

This legal description and acreage are based on approved U.S. Department of the Interior, Bureau of Land Management plats filed in Cheyenne, Wyoming.

Under this alternative, the Eagle Butte LBA tract with amended boundaries would be offered for competitive leasing. Alternative 2 would add approximately 140 acres to the tract to provide for recovery of federal coal located between the Eagle Butte LBA tract as applied for and U.S. Highway 14-16. Alternative 2 is the preferred alternative of the BLM.

The special lease stipulations required for Alternative 1 would also be required for Alternative 2 (see special stipulations (a) through (e) listed under Alternative 1). In addition, the following special lease stipulation would be included if Alternative 2 is selected:

(f) COAL RESOURCES ADJACENT TO U. S. HIGHWAY 14-16

The lessee is required to recover all coal that is economically, legally, and administratively recoverable east of the center line of U.S. Highway 14-16 within the boundaries of the lease.

Alternative 2 also assumes that the applicant is the successful bidder on the tract if it is offered for sale. It allows for recovery of small wedges of coal east of Highway 14-16 that would not be recovered by mining the tract as applied for. This coal would be logically mined with the Eagle Butte LBA, and this coal could go unrecovered if not mined with the Eagle Butte LBA tract. Coal resources in this expanded area were preliminarily estimated at 34 million tons of federal coal. This preliminary estimate of coal resources in the expanded area is used in the draft and final EAs because it is based on publicly available information. A more accurate

estimate of coal resources underlying this area based on BLM's geologic and engineering evaluation of the tract will be included in the sale notice when the tract is offered for sale.

The boundary of the expansion area was designed to allow maximum recovery of the coal east of Highway 14-16. Much of the coal underlying the expanded area would not be recoverable due to a required buffer zone along Highway 14-16. No mining activities, including overburden stripping, can occur within 100 feet of the outside right-of-way of any public road. Additional coal reserves would be left in place beyond this buffer zone so that a stable highwall situation can be maintained. As a result, coal recovery would increase by only 6 million tons under this Alternative. The total surface disturbance under this alternative would be the 1210 acres, as in Alternative 1. No additional surface disturbance would occur under this alternative, because the surface of the land added under Alternative 2 would be disturbed by mining-related activity under Alternative 1.

Mining further west in the immediate area is not currently feasible because of the highway and the airport. Coal could potentially be recovered closer to the airport if Highway 14-16 were moved in the future. At this time, there does not appear to be a feasible alternate location for the highway as the existing Eagle Butte Mine is located east of the highway and the airport lies west of the highway. Airport safety considerations might also limit the extent of mining near the airport if a feasible alternate route for Highway 14-16 is located.

C. Alternative 3: No Action Alternative

Under this alternative, the BLM would reject the coal lease application, the tract would not be offered for sale. If this coal is not mined with Eagle Butte's current operation, it would be isolated by coal removal and reclamation on the north and east, the Gillette Buffer Zone on the south, and the airport on the west. As a result, over 150 million tons of coal could be bypassed for decades to come, if not forever. The impacts associated with extending the life of the existing mine by nine to ten years would be avoided. The potential income from the bonus bid, future royalties and taxes on over 150 million tons of coal, and the economic benefits of ten additional years of operation by the mine would be foregone. A portion of the surface of the proposed lease area (approximately 250 acres) would be disturbed due to overstripping to mine the contiguous Eagle Butte coal lease.

D. Alternatives Considered But Not Analyzed In Detail

1. Alternative No. 4: Proposed Lease Sale For A New Stand-Alone Mine

The lease-by application process is a competitive leasing process. LBA coal tracts are nominated for leasing by companies with an interest in acquiring them, but the coal is sold by a competitive bidding process which is not restricted to the company nominating the lease. If

a lease sale is held for the Eagle Butte tract, someone other than AMAX could be the successful bidder at that lease sale. The successful bidder would then have ten years to produce one percent of the estimated coal reserves or lose the coal due to failure to meet the diligence requirements of FCLAA.

Under this alternative, the Eagle Butte LBA tract would be offered for competitive leasing, subject to standard and special lease stipulations, but it is assumed that AMAX would not be the successful bidder. The same special lease stipulations would be required as for Alternative No. 1 (see section II.A. of this report). The boundaries of the tract would be consistent with one of the tract configurations designated in Alternatives 1 or 2 (see Figure 2). This alternative assumes that the successful bidder would acquire the lease in order to open a new stand-alone surface mine on the tract. The existing Eagle Butte lease lies between the LBA tract and the other coal mines north of Gillette. As a result, the tract probably could not be efficiently mined by one of these mines.

A stand-alone mine would require new surface facilities including offices, shop facilities, warehouses, coal processing facilities, and coal loadout, that would not be required if the tract were developed as an extension of the existing Eagle Butte Mine. The cost of these facilities could exceed $100 million. A further obstacle to the development of a new stand-alone surface mine on this LBA tract is the lack of an appropriate location for surface facilities within or adjacent to the tract. The LBA tract is physically constrained on all sides, the existing Eagle Butte coal lease borders the proposed tract on the north and east, Highway 14-16 and the Campbell County Airport border it on the west, and the City of Gillette buffer zone borders the tract on the south (Figure 2 and Figure 3). Placing the facilities on the tract itself would mean that the coal underlying the facilities would not be mined (which would significantly decrease the coal available for mining), or that the facilities would have to be moved at some point during the life of the mine to make the underlying coal available for mining (which would be very expensive).

A stand-alone mine would also require access to a rail line in order to haul the coal to its customers. Several existing mines lie between the Eagle Butte LBA and the existing main rail line. As a result, any railroad spur reaching the Eagle Butte LBA would have to be at least 10 miles long in order to avoid the existing mines. The estimated cost to build a rail line is $2 million to $3 million per mile.

If the site and railroad constraints could be overcome, it is not likely that the Eagle Butte tract contains sufficient reserves to economically justify opening a new mine for the following reasons:

--Acquiring the coal, permitting a mine and constructing facilities are very expensive undertakings requiring years to complete. During this time, there would be no return on these investments.

--Any operator acquiring this coal for a new start mine would have to compete for

customers with established mines in a market that is already very competitive.

--This tract is located in an area of relatively uniform overburden. None of the coal is located along the coal outcrop line. As a result, there is not an area with lower overburden, such as an outcrop area, to start mining. Most of the other mines in the basin are mining in areas with lower ratios of overburden to coal, which would put an operator opening a new mine on this tract at an additional economic disadvantage.

There are not sufficient coal reserves in the Eagle Butte LBA tract to economically justify a new mine start in the current market. Additional coal reserves are not accessible because of the constraints listed above. The tract is not accessible to other existing mines north of Gillette because the existing Eagle Butte lease lies between these mines and the LBA tract. Consequently, the probability of this tract being purchased by another company is very low, and Alternative 4 was not analyzed in detail. The environmental impacts of Alternative 4 would be greater than for Alternatives 1 or 2 because of new facilities, new employment, and an additional source of dust and blasting.

2. Alternative No. 5: Postpone Lease Sale

Under this alternative, the sale of the Eagle Butte tract would be postponed under the assumption that coal prices would rise in the future and that would increase the value of the coal so that the Federal government would receive a larger bonus bid up-front from the lease sale. The main source of revenue to Federal and state governments from the leasing and mining of Federal coal is the 12.5 percent royalty payment that is collected on all Federal coal at the time it is sold. However, an increase in spot and term prices could increase the fair market value of the coal in the ground, and thus result in an increase in bonus bids at the time the coal is leased.

Spot prices for Powder River Basin coal were at an all time low in 1993. A rise in new spot and term prices has been predicted by some for Powder River Basin coal as a result of incentives favoring low sulfur coal in the Clean Air Act of 1990. Production of Powder River coal increased significantly in 1993, after a decline in production in 1992. Spot prices have risen in early 1994 as a result of unexpected coal shortages in the basin, but the duration or extent of the coal shortages and the price increase is uncertain (Riley; Casper Star Tribune, March 14, 1994).

Since the 12.5 percent royalty payments are the major source of revenue to the Federal and state governments and they are collected when the coal is sold, the mechanism is already in place for government revenues to increase if coal prices rise. Postponement of the lease sale may mean that a price rise can't be fully taken advantage of, since there generally is a significant time lag (several years) between the time the prices escalate and the time additional coal could be brought to market to respond to that price rise. This lag is due to the time necessary for leasing, baseline data collection, permitting, and initiating a logical mining plan.

Also, postponement could result in lower royalty revenues to the government if the operator must sell the coal on the cheaper spot market, because he cannot anticipate having the reserves to negotiate higher-priced, long-term contracts.

The environmental impacts for Alternative 5 could be the same as for Alternatives 1, 2, or 3. If the sale is not postponed beyond the time when the tract could be logically mined with the existing Eagle Butte operations, the impacts would be the same as for Alternative 1 or 2. If the sale is delayed beyond the time the tract could logically be mined with the Eagle Butte operations, the impacts could be the same as for Alternative 3.

The mine plan for the Eagle Butte LBA tract, if mined along with the current Eagle Butte Mine coal lease, shows coal removal in 2003, with topsoil removal approximately one year in advance. Permitting, which is also a time-consuming procedure, would need to be done in advance of that. If coal sales increase, these dates could be earlier. Assuming that coal sales do not increase, the lease sale could be postponed several years and still be mined with the existing tract, in which case, the impacts would be the same as Alternative 1 or 2 (depending on the tract configuration). If coal prices were higher at that time, a delay could result in a higher bonus bid at the time of leasing. If coal prices were lower at that time, the bonus bid could be negatively affected. A delay would not result in higher royalty income for the coal, since that will automatically increase or decrease based on the price of coal. A delay could potentially have a negative effect on royalty income if the company had to rely on spot sales of the coal because they could not negotiate higher-priced contracts for the sale of the coal before it was leased.

If the sale were postponed beyond the time the LBA tract could be mined in logical sequence with the Eagle Butte Mine (i.e., after the adjoining acreage on the existing lease was mined and reclaimed), it would be infeasible for Eagle Butte to mine the tract. The tract is not accessible to other existing mines north of Gillette or economical as a stand-alone mine, as discussed in Alternative 4. Additional coal is not available to add to the tract because it is bounded on the north and east by the existing Eagle Butte lease, on the south by the Gillette buffer zone, and on the west by Highway 14-16 and the airport. In this case, postponing the lease sale could have the same impacts as Alternative 3 (the No Action Alternative), with the resulting reduction in the life of the existing mine and the loss of potential income from the bonus bid and future royalties from the tract.

For the above reasons, this alternative is not analyzed in detail.