II. PROPOSED ACTION AND ALTERNATIVES

A. Alternative No. 1: Proposed Lease Sale To Be Mined With Existing Mining Operation-Proposed Action

Under this alternative, the WBT tract would be offered for competitive leasing as applied for subject to standard and special lease stipulations. The boundaries of the tract would be consistent with the tract configuration designated in the TBCC lease application as amended (See Figure 3). Coal resources for the proposed lease are estimated at roughly 400 million tons underlying approximately 3225 acres.

The special lease stipulations required would be as follows:

Section 15. SPECIAL STIPULATIONS - 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 resource 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 construction, the find will be reported to the Authorized Officer immediately. Construction 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

Coal mining operations conducted on leases issued within producing oil and gas fields shall not interfere with the economic recovery of oil and gas, except as determined by BLM. The rights granted in this lease may be subject to prior existing rights of oil and gas leases encumbering all or part of the same acreage. BLM retains and may invoke authority to alter or modify as it deems appropriate and necessary, coal operations on the lands covered by this lease to avoid interference with these prior existing rights.

If TBCC acquired the lease, the lease would be mined as part of the existing Black

Thunder mining operation. A new Mine and Reclamation plan would be developed to show a logical mining sequence into the acquired lease. Based on the location and movement of the existing pits, it is estimated that coal removal within the acquired lease area would begin in approximately April 1993. Topsoil removal would begin in approximately January 1993. Both these dates assume the appropriate mining permits are obtained in a timely fashion.

The TBCC application for the coal in the West Black Thunder tract was based on the fact that it is a logical western extension of its current BTM operation. In reviewing TBCCs application, the BLM considered the tract configuration and whether additional coal should be added to the tract or removed from the tract on the basis of the geology of the coal in that area. BLM's review of the tract configuration resulted in two potential variations to the proposed action, which are discussed below. Neither of the proposed variations would have significantly different environmental impacts from the proposed action. A decision was made to add the coal between the proposed tract and Highway 450 to avoid a potential bypass of that coal in the future, which is option A, discussed below. Highway 450 is a barrier which increases both the impacts and the expense of mining, so additional acreage was not added north of the highway. Additional acreage was not added to the west because in that direction, the coal is generally deeper and becomes more difficult and less economic to mine, and therefore, lower in value. Extending the mine to the south would add to the distance which the coal would have to be transported to mine facilities, which would increase both expenses and impacts.

The first variation, which is referred to as Option A, would be an alteration to the lease boundary proposed by the BLM to maximize coal removal and avoid bypassing coal. With this option, the north boundary of the WBT tract would be extended northward to within about 200 feet of Wyoming State Highway 450 (Figure 3). Additional affected area, all in Section 7, T43N, R70W, would be around 400 acres (approximately 268 acres would be added to the area to be mined, plus approximately 120 acres of additional disturbance associated with mining). This option would add approximately 33 million tons of coal to the lease. Alternative 1, the proposed alternative, with Option A included, is the preferred alternative of the BLM.

A second variation of the proposed action, herein called Option B, would be to divide the WBT tract into two tracts, with each tract subject to a separate competitive lease sale. A discussion of this variation is included in the EA because the portion of the WBT tract located in Sections 29, 32, and 33 is within an exploration license area applied for by Shell Mining Company, which owns the North Rochelle Mine adjacent to and south of the BTM. Exploration licenses allow interested parties to collect information on coal quality and thickness in areas of unleased federal coal.

The BLM is charged with maximizing revenues from lease sales while considering the impacts to other resources. The option to subdivide the tract was not selected as the preferred alternative because a) dividing the tract and offering it as two smaller tracts would make the WBT tract less attractive to a buyer interested in a potential new stand alone mining operation, and b) a lease application has not been submitted by Shell or any other interested party for a portion of the WBT tract.

B. Alternative No. 2: No Action

Under this alternative, the coal lease application would be denied and the tract would not be offered for sale. This would result in the elimination of future royalty revenues on approximately 400 million tons of coal (433 million tons under Option A) to the federal government, half of which would go to the State of Wyoming. Total royalty revenue on 400 million tons of coal would be $200 to $250 million at a price of $4.00 to $5.00 per ton, which is the current estimated spot price for the BTM. Economic losses would also affect the individual communities. TBCC's current mine plan (TBCC, 1990, Table III.C.4.1) shows coal production declining after year 1996 and ceasing after 2017. It is reasonable to assume that employment at the BTM, and the associated economic benefits to the local communities would also begin to decline sometime after 1996 without the acquisition of additional reserves.

This alternative would also result in the elimination of the impacts resulting from mining the proposed lease area. The coal could become economically unrecoverable in the future due to changes in the coal industry, in which case, the economic value of the coal resource would not be realized.

C. Alternative No. 3: Proposed Lease Sale For A New Stand-Alone Mine

Under this alternative, the WBT tract would be offered for competitive leasing subject to standard and special lease stipulations. The boundaries of the tract would be consistent with the tract configuration designated in the TBCC lease applications as amended, or consistent with the tract configuration proposed by the BLM under Option A or Option B (See Figure 3). The lease-by-application process is a competitive leasing process, so it is possible that a party other than TBCC could acquire the coal lease and open a new mine.

The same special lease stipulations would be required as for Alternative No. 1 (see section II.A. of this report).

Development of a stand-alone mine would require the construction of new surface facilities including offices, shop facilities, warehouses, coal processing facilities, coal loadout, and railroad spur that would not be required if the tract were developed as an extension of the existing BTM. The cost of these facilities could exceed $100 million.

There are 25 mining operations in the Powder River Basin of Montana and Wyoming at this time, including the currently idle Kerr-McGee Clovis Point Mine. It is not known if it would be economically feasible to open a new mine in the Powder River Basin at this time. However, due to the size of the WBT coal reserve, a stand-alone mine is considered a possible option. The environmental impacts of a stand-alone mine on this WBT tract are described in Section IV of this Environmental Assessment.

D. Alternative No. 4: Postpone Lease Sale

Under this alternative, the WBT tract would be offered for competitive leasing at an unspecified later date. The BLM has the option of postponing the lease sale on the assumption that coal prices will be higher in the next few years. Higher coal prices have been predicted for Powder River Basin coal as a result of incentives favoring low sulfur coal in the Clean Air Act of 1990. The potential advantage of waiting for higher coal prices is that the bonus bids received by the government could increase as coal prices increase.

There are several potential disadvantages to postponing the lease sale until prices go up. If the sale were postponed beyond the time WBT could be mined in logical sequence with the BTM (i.e., after the adjoining acreage on the existing lease was mined and reclaimed), the costs and impacts of mining the tract would be increased, whether it was mined by TBCC or as part of a new operation. An increased mining cost could actually result in a lower bonus bid.

Also, most revenues to the Federal government from coal leasing accrue from royalty payments, not bonus bids. Royalty payments are a percentage (12.5 percent) of the price of the coal when it is sold. If the coal is leased now, royalty payments will increase as coal prices increase. There is a significant time lag that exists (typically several years) between deciding to lease and bringing the coal to market, due to the time required to conduct the leasing, collect baseline data, obtain the required permits and initiate a logical mining plan. This means that any price rise which occurs in the future may not be fully taken advantage of by waiting for prices to rise before leasing.

Finally, having demonstrable reserves assists an operator in negotiating better prices for long term contracts, which translate into higher royalty payments to the Federal government.