The original documents are located in Box 3, folder: "Testimony, May 7, 1975, Senate Committee on Interior and Insular Affairs - Subcommittee on Minerals, Materials and Fuels" of the Frank Zarb Papers at the Gerald R. Ford Presidential Library.

STATEMENT OF

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BEFORE THE

SUBCOMMITTEE ON MINERALS, MATERIALS AND FUELS

OF THE

COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

UNITED STATES SENATE

ON

S. 391, LEGISLATION TO

AMEND THE MINERAL LEASING ACT

OF 1920 AND FOR OTHER PURPOSES

May 7, 1975

Mr. Chairman, Members of the Committee, I appreciate this opportunity to appear before you and provide the Federal Energy Administration's views on S.391, a bill "to amend the Mineral Leasing Act of 1920 and for other purposes."

FEA has no responsibility for issuing mineral leases or for their day-to-day administration. Our principal concern is that prospective legislation affecting domestic energy resources does not unduly hamper the development of these resources, and that it is consistent with sound environmental and regional requirements. Our comments on S.391, therefore, have been prepared against this background.

The President in his 1975 State of the Union Message called for increased use of our vast coal resources as an integral part of his program for attaining energy self-sufficiency.

One important aspect of the Administration's energy program is the substitution of coal for oil and natural gas wherever justified. Such substitution will create a rise in the demand for coal, and will also reduce demand for the more limited quantities of oil and gas. In order to help meet the increase in demand for coal, Federal lands should be available for leasing within the framework of acceptable environmental controls.

The ability of the American coal industry to expand to meet the Nation's future needs will depend in part on its ability to produce coal on Federal lands. As the Federal Government owns 60 percent of Western coal reserves, it can influence the Nation's ability to significantly increase coal production. Large mining operations have moved to the West, and sizeable new coal burning power plants are being built to generate electricity throughout the West. Further, there are many methods now being refined which would allow chemical complexes to convert coal into liquid or gaseous fuels. Actions we are considering today can help to determine the viability of a viable synthetic fuels industry by affecting coal supply.

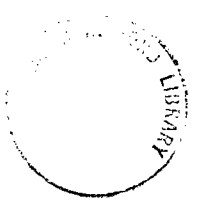
The American Gas Association, in a recently sponsored engineering survey, identified some 176 potential sites for commercial coal gasification plants. Most of them are in the West. A plant which produces 250 million cubic feet of gas per day requires some 6-10 million tons of coal a year. For the minimum 20-year life of the plant, this means putting together a block of at least 120 million tons of recoverable coal, and perhaps as much as 200 million tons.

The use of low sulfur Western coal is also of interest in those areas of the Midwest where traditional coal supplies cannot be burned without violating air quality regulations.

Thus, by making greater supplies of low sulfur Western coal available, we will have taken a major step toward the attainment of energy self-sufficiency while meeting the ambient air quality standards.

The President has directed the Secretary of the Interior to design a new program of coal leasing consistent with timely development and an adequate return on public interest, if proper environmental safeguards can be provided. The legislative proposal before you is another step toward making Federal coal available in a manner consistent with principles of good resource management, and we in FEA are in favor of S.391 if certain modifications can be made.

As now written, Section 2(a)(1) would authorize leasing tracts to be divided into 40 acres of multiples thereof. This is unnecessary. The acreage denomination was established when mining operations were significantly smaller and this provided the rationale for small lease size. It is our recommendation that Section 2(a)(1) be amended to allow the Secretary of the Interior to divide the leasing tracts into such size and form as he deems appropriate to the public interest.



We also recommend that a new section be included, giving specific authority for the Secretary to consolidate leases into logical mining units so that production within a unit rather than on a single lease would satisfy the renewal and diligence requirements. This authority, to unitize leases, would give the Secretary and leasees greater flexibility in planning the development of leases to permit maximum recovery of coal with minimum impact on the environment. The authority would be particularly valuable in planning for the development of lands where some tracts are federally owned and some privately owned. Mining units could then be designed to encompass private lands, thus ensuring the development of isolated Federal tracts which ordinarily might not be developed.

Section 3 should be amended by the insertion of a clause which would provide the Secretary with discretionary authority to extend an exploration license in order to provide greater flexibility in the development of lands for coal leasing.

There is no provision in the amendment outlined in Section 3 for the modification of an exploration plan after approval by the Secretary. Once exploration commences and information is compiled, modification could prove advisable. We, therefore, recommend that such a provision be included in this Section.

The definition of "paying quantities" contained on lines 14 through 17 of page 5 is too restrictive and might cause the termination of some coal leases before they could show a measurable profit to the leasee; such action would not always be in the best economic interests nor in the public interest of meeting national energy needs. We recommend that a provision be substituted for the proposed definition which would permit the Secretary discretion in determining whether sufficient quantities are being produced to justify the continued operation of the mine or mines.

We favor a provision within the suggested new Section 7(a)(1) of the Mineral Leasing Act of 1920 which would provide for rentals to be credited against royalties accruing for that year. The addition of this provision would provide incentive for early production.

This bill would also limit the circumstances under which the Secretary is authorized to seek advance royalty payments in lieu of continuous production under the lease. These restrictions should be removed. The Secretary should be given greater discretion in requiring advance royalty payments.

The bill as written (page 5, line 24) would require each leasee to submit a development and reclamation plan within one year of issuance of a coal lease. This is an overly stringent and even unrealistic requirement. To be meaningful, such a plan requires extensive baseline soil, hydrologic and stratigraphic data. There must also be sufficient time to drill test borings and core samples of both the coal seams and adjacent sedimentary strata. These tests are necessary to characterize the coal's quality, depth, and lateral extent, and they may require much longer than one year to complete and analyze. The vast amount of technical information that must be obtained and analyzed before a meaningful development and reclamation plan could be submitted could, in fact, require as much as five years. We, therefore, recommend amending the time limit that a development and reclamation plan be submitted to the Secretary to three years, and the addition of a requirement that approval by the Secretary be required before mining commences.

If Federal leasing is going to be totally successful, all agencies involved will need the cooperation of the States. Although Section 5 expands the manner in which States can use their share of the income from a lease, we feel that

even broader discretion should be granted. We feel that this section should be deleted and in its place language be inserted granting the States total discretion as to the expenditures of coal receipts from Federal land.

In summary, the Federal Energy Administration believes that the ability of industry to lease and mine Federal coal lands is important to our overall effort to attain energy self-sufficiency. We recognize also that this must be done with minimum impact on the environment and on regional infrastructures. S.391, modified as we have suggested, is a step toward accomplishing both worthy goals.

Thank you, Mr. Chairman, and Members of the Committee, for the opportunity of presenting our views.