

**U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
RECORD OF DECISION
WEST ANTELOPE FEDERAL COAL LEASE APPLICATION
WYW151643
CONVERSE COUNTY, WYOMING**

INTRODUCTION

Antelope Coal Company filed an application with the Bureau of Land Management (BLM) to lease a tract of Federal coal as a maintenance tract for the Antelope Mine on September 12, 2000. The tract is referred to as the West Antelope Lease By Application (LBA) Tract. A maintenance tract is a tract of Federal coal that is adjacent to and can be mined by an existing coal mine. The Antelope Mine is located in northern Converse County and southern Campbell County, Wyoming, approximately nineteen miles south-southeast of the town of Wright (Attachment 1-Figure 1). The West Antelope LBA Tract is adjacent to the Antelope Mine, which is operated by Antelope Coal Company, a subsidiary of Kennecott Energy Company.

The West Antelope LBA Tract was assigned case file number WYW151643. As applied for, it includes approximately 3,542.190 acres and Antelope Coal Company estimates that the tract as applied for includes approximately 293.9 million tons of in-place Federal coal reserves in Converse and Campbell Counties, Wyoming. The tract was applied for under the Code of Federal Regulations (CFR) at 43 CFR Subpart 3425.

BACKGROUND

The Lease By Application Process

Antelope Coal Company has a permit approved by the Wyoming Department of Environmental Quality, Land Quality Division (WDEQ/LQD) and a Mineral Leasing Act (MLA) mining plan approved by the Secretary of the Interior to conduct surface coal mining operations on their existing Antelope Mine leases. The mine also has an air quality permit approved by the Wyoming Department of Environmental Quality, Air Quality Division (WDEQ/AQD), which allows up to 32 million tons of coal per year to be mined through the year 2017.

Under the LBA process, maintenance tracts are nominated for leasing by companies with adjacent existing mines. Antelope Coal Company has previously leased Federal coal adjacent to the Antelope Mine using the LBA process. In 1997, they were issued a maintenance lease for the Antelope LBA Tract; in 2000, they were issued a maintenance lease for the Horse Creek LBA Tract. To process an LBA the BLM evaluates the quantity, quality, maximum economic recovery (MER) and fair market value (FMV) of the Federal coal and evaluates the environmental impacts of leasing and mining the Federal coal. A Federal coal lease provides the lessee the mining rights but does not authorize mining. The impacts of mining are considered in the environmental analysis because mining is a logical consequence of issuing a maintenance

lease. The *South Powder River Basin Coal EIS* evaluates the impact of leasing five tracts of Federal coal, including the West Antelope LBA Tract, in the Powder River Basin of Wyoming (Attachment 1-Figure 1). The Office of Surface Mining Reclamation and Enforcement (OSM) is a cooperating agency on the EIS because OSM is the Federal agency which administers programs that regulate surface coal mining in accordance with the Surface Mining Control and Reclamation Act of 1977 (SMCRA). The U.S. Department of Agriculture, Forest Service is a cooperating agency on the EIS because three of five Federal coal tracts considered in the South Powder River Basin Coal EIS include portions of the Thunder Basin National Grassland administered by the Forest Service. The West Antelope LBA Tract does not include any lands administered by the Forest Service.

By law and regulation the LBA process is an open, public, and competitive leasing process; bidding is not restricted to the applicant. Antelope Coal Company applied for the West Antelope LBA Tract, which is contiguous to and could be mined as a maintenance tract for the Antelope Mine. In the *South Powder River Basin Coal EIS*, the alternatives analyzed in detail assume that the applicant will be the successful bidder if a competitive sale is held. As shown in Attachment 1-Figure 1, the West Antelope LBA Tract is not adjacent to any other existing surface coal mines.

Recent Coal Leasing Activity in the Wyoming Powder River Basin

Since decertification of the Powder River Federal Coal Region in 1990, twelve Federal coal leases in Campbell and Converse Counties, Wyoming, have been issued after competitive sealed-bid sales using the LBA process. These leases include approximately 30,414 acres and 3.476 billion tons of mineable coal. Eleven of the new leases were issued to the following existing mines for the purpose of extending operations at those mines: Jacobs Ranch Mine (2), Black Thunder Mine (2), North Antelope/Rochelle Complex (3), Eagle Butte Mine (1), North Rochelle Mine (1), and Antelope Mine (2). In 1992 the West Rocky Butte Tract adjacent to the existing Rocky Butte lease was leased to the Northwestern Resources Company who planned to start a new mine. Caballo Coal Company, a subsidiary of Peabody Holding Company, Inc. and operator of the adjacent Caballo Mine, now holds both of the Rocky Butte leases.

In 1974, 1979, and 1981 the BLM prepared three regional EISs analyzing the impacts of surface coal mining in the Wyoming portion of the Powder River Basin. In 1984 a fourth regional EIS was prepared and issued in draft form, but it was not made final and the proposed actions were not implemented. All of the mines in operation in the Wyoming portion of the Powder River Basin, including the Antelope Mine, were included in the 1981 and 1984 EIS analyses. Since the 1990 decertification of the Powder River Federal Coal Production Region, the BLM has prepared six environmental assessments (EAs) and seven EISs to evaluate the impacts of leasing tracts of Federal coal in the Powder River Basin in Wyoming. Most recently, the *Final South Powder River Basin Coal EIS* was mailed to the public in December 2003 and the *Final West Hay Creek Coal Lease Application EIS* was mailed to the public in June 2004.

Pending Coal Leasing Applications and Other Proposed Projects
In the Wyoming Powder River Basin

There are eight pending maintenance lease applications in the Wyoming portion of the Powder River Basin including the West Antelope LBA Tract. The pending lease applications currently include approximately two billion tons of Federal in-place coal. In addition to the West Antelope LBA Tract, the pending applications and applicant mines are: NARO North, North Antelope/Rochelle Complex; Little Thunder, Black Thunder Mine; West Roundup, North Rochelle Mine; West Hay Creek, Buckskin Mine; Maysdorf, Cordero-Rojo Mine; West Extension, Eagle Butte Mine; and North Extension, Belle Ayr Mine. A lease for the NARO South LBA Tract was issued to Powder River Coal Company, effective September 1, 2004, after a sealed bid sale was held on June 29, 2004.

The Jacobs Ranch Mine, Black Thunder Mine, North Rochelle Mine, North Antelope/Rochelle Complex, and Antelope Mine form a contiguous group of mines located in Campbell and Converse Counties, east and southeast of Wright, Wyoming (Attachment 1-Figure 1). The five tracts of Federal coal evaluated in the *South Powder River Basin Coal EIS*, including the West Antelope LBA Tract, are associated with this group of mines.

In addition to the ongoing coal leasing and mining, oil and gas leasing and development are occurring in this area. Both conventional and coal bed natural gas (CBNG) wells have been drilled around and within this group of mines. Conventional and CBNG resources are currently being recovered from Federal, State, and private oil and gas leases in this area, and additional CBNG drilling and development is currently proposed. Federal oil and gas lease ownership in the West Antelope LBA Tract is described in Figure 3-18 and Table 3-13 of both the draft and final *South Powder River Basin Coal EIS* documents. Table 3-13 was updated between the preparation of the draft and final EIS documents to reflect changes in lease ownership. Federal oil and gas lessees and private interests identified by Antelope Coal Company were included on the mailing list for the EIS; they were notified of the date and time of the scoping meeting that was held in October of 2001 and the public hearing that was held in March 2003; they received copies of the Draft and Final EIS documents. BLM received a request for information about the West Antelope LBA Tract from one oil and gas operator while the *Draft South Powder River Basin Coal EIS* was in preparation; BLM also received one comment letter on the *Final South Powder River Basin Coal EIS* from a conventional oil and gas operator in this area expressing concerns about the impact that the proposal to lease the Federal coal in the West Antelope LBA Tract would have on an existing gas gathering pipeline that crosses the tract. The comment letter received on the Final EIS and BLM's response to that letter are included in Attachment 2.

Section 4.1.2.1 of the Final EIS includes a summary of an analysis of CBNG resources in the Federal coal tracts evaluated in the *South Powder River Basin Coal EIS*, prepared by the BLM Wyoming Reservoir Management Group (WSO-RMG). The WSO-RMG estimated that, as of 2000, the coal in the West Antelope LBA Tract had an average content of nine standard cubic feet of CBNG per ton of coal and the estimated recoverable CBNG resource in the tract at that

time was approximately 2.645 billion cubic feet. There are currently no producing CBNG wells reported on the West Antelope LBA Tract under the selected alternative, but three CBNG wells are reported as having started drilling and there are approved permits to drill several additional CBNG wells on the tract.

There are currently no producing or abandoned conventional oil and gas wells on the West Antelope LBA Tract as applied for or under the selected alternative, but several oil and gas pipelines cross the tract (see Figure 3-23, *Final South Powder River Basin Coal EIS*). CBNG and conventional well information is based on the Wyoming Oil and Gas Conservation Commission database as of August 2004.

There are several mechanisms that can be used to facilitate recovery of the conventional oil and gas and CBNG resources prior to mining if the Federal coal in the tract is leased now:

- BLM will attach a Multiple Mineral Development stipulation to the Federal coal lease which states that BLM has the authority to withhold approval of coal mining operations that would interfere with the development of mineral leases issued prior to the coal lease [see Attachment 3(d)].
- Conventional oil and gas wells must be abandoned while mining and reclamation operations are in progress but could be recompleted or redrilled following mining if the value of the remaining reserves would justify the expense of reestablishing production.
- BLM has a policy in place on CBNG-coal conflicts (BLM Instruction Memorandum No. 2003-253), which directs BLM decision-makers to optimize the recovery of both resources and ensure that the public receives a reasonable return. This memorandum offers royalty incentives to CBNG operators to accelerate production in order to recover the natural gas while simultaneously allowing uninterrupted coal mining operations. In addition, this memorandum also states that it is the policy of the BLM to encourage oil and gas and coal companies to resolve conflicts between themselves; when requested, the BLM will assist in facilitating agreements between the companies.
- CBM production is not currently being reported from any wells on the West Antelope LBA Tract, but several wells are reported as drilling on the tract and additional wells have been permitted for drilling. Mining of the West Antelope LBA Tract cannot occur until the coal lessee has a permit to mine the tract approved by the Wyoming Department of Environmental Quality and a MLA mining plan approved by the Secretary of the Interior. Before the MLA mining plan can be approved, BLM must approve the Resource Recovery and Protection Plan for mining the tract. Prior to approving the Resource Recovery and Protection Plan, BLM can review the status of CBNG and conventional oil and gas development on the tract and the mining sequence proposed by the coal lessee. The permit approval process generally takes the coal lessee several years, during which time CBNG resources can be recovered.

- Prior to mining the Federal coal, the coal lessee can negotiate an agreement with owners and operators of existing oil and gas facilities on the tract, including owners and operators of oil and gas well and pipeline facilities, regarding removal and relocation of those facilities prior to mining.

Other proposed projects in the southern portion of the Wyoming Powder River Basin that have advanced to the planning and permitting stages and that could be completed in the foreseeable future include: the Wygen II coal-fired power plant at the Black Hills Corporation energy complex near the Wyodak Mine site in Gillette, Wyoming; the Two Elk coal-fired power plant, proposed by the North American Power Group (NAPG), which would be located east of the Black Thunder Mine; and a railroad line from the Powder River Basin to Minnesota proposed by Dakota, Minnesota, and Eastern Railroad (DM&E). The impacts of mining the West Antelope LBA Tract would not be expected to overlap with the impacts of building and operating the Wygen II power plant, due to the distance between the two projects. Construction and operation of the proposed Two Elk power plant and DM&E railroad line could be expected to have some overlapping impacts with the impacts of mining the West Antelope LBA Tract. Construction of the Two Elk Power Plant has been delayed while NAPG obtains funding and the required permits for construction and operation. The Surface Transportation Board (STB) released the Final EIS for the proposed DM&E Powder River Basin Expansion Project on November 19, 2001. On January 30, 2002, the STB issued a Record of Decision for the DM&E project. As a result of lawsuits that were filed against the project, several issues have been remanded to the STB for further review and action. Prior to commencing any construction activities, DM&E must obtain permits or approvals from other Federal agencies including the BLM, the Forest Service and the Army Corps of Engineers.

The proposed power plants and the DM&E railroad line and the ongoing and proposed oil and gas operations (including CBNG) are separate projects being developed independently of the issuance of a maintenance coal lease for the West Antelope LBA Tract. If these other projects are developed as proposed and the West Antelope LBA Tract is leased and mined as proposed, there would be some overlap in the impacts of constructing and operating those projects and the environmental impacts of mining the tract. The cumulative effects of all of these projects (the Wygen II power plant, the Two Elk power plant, the DM&E rail line, the ongoing and proposed oil and gas development and production, and the coal mining that would follow the leasing of West Antelope LBA Tract and other LBA tracts) are described in the *South Powder River Basin Coal EIS*. They were also described in the *Final Environmental Impact Statement and Proposed Plan Amendment for the Powder River Basin Oil and Gas Project* (BLM-WY 2003).

DECISION

The decision is to select Alternative 3 as described in Section 2.5.4 of the *South Powder River Basin Coal EIS*. Under Alternative 3, a lease for the West Antelope LBA Tract, Federal coal tract WYW151643, as modified by the BLM, would be issued to the successful qualified high

bidder, if the highest bid received at a competitive lease sale meets or exceeds the FMV as determined by the BLM and if all other leasing requirements are met. The competitive lease sale will be held under the regulations found at 43 CFR Subpart 3422, Lease Sales. As described under Alternative 3 in the EIS, Federal coal tract WYW151643 includes 2,809.13 acres more or less and Antelope Coal Company estimates that the modified tract contains approximately 202.3 million tons of in-place Federal coal resources in Converse County, Wyoming.

This decision is consistent with the *Approved Resource Management Plan for Public Lands Administered by the BLM Buffalo Field Office* (2001, amended 2003). I have incorporated by reference in this decision standard coal lease stipulations addressing compliance with basic requirements of the environmental statutes and have attached BLM special stipulations (Attachment 3).

The U.S. Fish and Wildlife Service has provided written concurrence for leasing the West Antelope LBA Tract pursuant to section 7(a)(2) of the Endangered Species Act of 1973, as amended (Attachment 4).

In the event that the bid or bids submitted at the competitive lease sale of the West Antelope LBA Tract do not meet or exceed the FMV as determined by the BLM, the BLM may schedule a follow-up sale. If needed, the BLM will consider additional re-offers.

Under the Proposed Action, it is assumed that the applicant will be the successful bidder on the West Antelope LBA Tract and that the coal will be mined, processed and sold by the Antelope Mine. If the tract is mined, it would be environmentally preferable to mine and reclaim the West Antelope LBA Tract as a maintenance lease in a logical sequence with the ongoing mining and reclamation operations at an adjacent existing mine. This would be consistent with the analysis of the impacts described in the EIS.

REASONS FOR THE DECISION

The reasons for selecting the Proposed Action are as follows:

- The decision to offer 2,809.13 acres containing approximately 202.3 million tons of in-place Federal coal reserves, in response to the coal lease application received on September 12, 2000, is in conformance with the BLM land use plan covering this area.
- The *South Powder River Basin Coal EIS* was prepared in response to applications BLM received to lease five tracts of Federal coal, including the West Antelope LBA Tract, to four existing mines in Wyoming. The environmental impacts of this decision were fully disclosed in that EIS. Public comment was addressed in the Final EIS.
- The purpose of the Antelope Coal Company application for the West Antelope LBA Tract was to allow them access to a continuing supply of low sulphur compliance coal

that would be sold to power plants for the purpose of generating power. Continued leasing of the low sulphur Powder River Basin coal enables coal-fired power plants to meet Clean Air Act requirements without constructing new power plants, revamping existing plants, or switching to other alternative fuels. Generally, the costs of constructing new power plants, retrofitting or revamping existing plants, or re-tooling and switching to other alternative fuels effect additional costs to energy customers.

- The LBA tract configuration under Alternative 3 provides for maximum economic recovery of the coal resource.
- When an application to lease Federal coal is submitted, the BLM must decide whether to process the application and hold a competitive sealed-bid lease sale for the coal or reject the application and not offer the coal for lease. Regardless of the decision, the BLM must notify the applicant in a timely fashion of its decision. The EIS provides the BLM with the information needed to meets its obligations to respond to an application in a timely fashion.
- A primary goal of the National Energy Policy is to add energy supplies from diverse sources including domestic oil, gas, and coal in addition to hydropower and nuclear power. The BLM recognizes that the continued extraction of coal is essential to meet the nation's future energy needs. As a result, private development of Federal coal reserves is integral to the BLM coal leasing programs under the authorities of the Mineral Leasing Act of 1920, the Federal Land Policy and Management Act of 1976 and the Federal Coal Leasing Amendments Act of 1976.
- The BLM coal leasing program encourages the development of domestic oil, gas, and coal reserves and reduction of the United States' dependence on foreign sources of energy. The leasing and subsequent mining of Federal coal reserves provide the United States, the State of Wyoming, and affected local counties with income in the form of lease bonus payments, lease royalty payments, and tax payments; production of Federal coal also provides the public with a supply of cost-efficient, low sulphur coal for power generation. The alternative selected meets the goals of the National Energy Policy and achieves the objectives of the Federal coal leasing programs managed by the BLM. It is supported by the Wyoming Governor and other State and local officials.

PUBLIC INVOLVEMENT

The BLM received the West Antelope coal lease application on September 12, 2000. On October 25, 2000, the Powder River Regional Coal Team (PRRCT) reviewed coal lease application WYW151643 at a public meeting in Cheyenne, Wyoming. The PRRCT recommended that the BLM process the application. The BLM published its Notice of Intent to Prepare the *South Powder River Basin Coal EIS* and a Notice of Scoping in the *Federal Register* on October 3, 2001, and in the *Gillette News-Record* on September 25, 2001, and October 2, 2001. Scoping notices were mailed to

Federal, State and local government agencies, voting and non-voting members of the PRRCT, conservation groups, commodity groups, and individuals who could be impacted by this lease application. The mailing list was jointly developed by BLM, Forest Service, and the applicants, including the Antelope Coal Company, for the five LBA tracts considered in the *South Powder River Basin Coal EIS*. On October 10, 2001, a public scoping meeting was held in Gillette, Wyoming.

The *Draft South Powder River Basin Coal EIS* was mailed to the public and other interested parties, in late January 2003. On February 7, 2003, the Environmental Protection Agency (EPA) published its Notice of Availability of the Draft EIS in the *Federal Register*. BLM published a Notice of Availability and Notice of Public Hearing in the *Federal Register* on February 20, 2003, and in the *Gillette News-Record* and *Douglas Budget* on February 5 and February 12, 2003. To solicit public comment on the Draft EIS, the proposed lease sale, and the FMV and MER of the Federal coal included in the five tracts under consideration, a formal public hearing was held on March 4, 2003, in Gillette, Wyoming. With the publication of the EPA's Notice of Availability in the *Federal Register*, the 60-day review and comment period on the Draft EIS started on February 7, 2003, and ended on April 11, 2003. The Final EIS was mailed to the public and other interested parties in December 2003. The BLM and EPA each published a Notice of Availability of the Final EIS in the *Federal Register* on December 24, 2003.

During the EIS scoping period the BLM received 12 written comments and one oral comment. Twelve written comments were received on the Draft EIS. Four parties commented at the March 4, 2003, public hearing. Twenty-one written comments were received on the Final EIS. The comments made on the Draft EIS with BLM responses are included in Appendix M of the Final EIS; the comments received on the Final EIS are summarized in Attachment 5. Attachment 2 includes written comments received on the Final EIS that directly reference the West Antelope LBA Tract and BLM responses to those comments. The written comments and the transcript of the formal hearing are on file at the BLM Casper Field Office and BLM Wyoming State Office, Cheyenne, Wyoming. All comments that were received during the EIS process were considered in the preparation of both the Draft and Final EISs, and in this Record of Decision.

ALTERNATIVES ANALYZED IN DETAIL

The EIS analyzes four alternatives for the West Antelope LBA Tract in detail: the Proposed Action, Alternative 1 (the No Action Alternative), and Alternatives 2 and 3. These alternatives are summarized below. A full description of each of the alternatives analyzed in detail may be found in Chapter 2 of the EIS.

Proposed Action: Hold a Competitive Sale of Federal Coal Lands as Applied For

The lands that were applied for in the West Antelope LBA Tract would have been offered for lease at a competitive sale. As applied for, the tract includes approximately 3,542.190 acres, more or less in Campbell and Converse Counties, Wyoming (Attachment 1-Figure 2). Antelope Coal Company estimates that it includes approximately 293.9 million tons of in-place Federal coal. No lands within

the Antelope LBA Tract were found to be unsuitable for mining, but Antelope Coal Company's approved mining and reclamation plan avoids disturbing Antelope Creek, which is an intermittent stream flowing west to east through the LBA tract and the existing Antelope Mine, and an adjacent buffer zone. It is assumed that any coal resources included in the West Antelope LBA Tract that underlie Antelope Creek and the adjacent buffer zone would not be recovered. As a result, Antelope Coal Company estimates that approximately 245.6 million tons of Federal coal included in the West Antelope LBA Tract as applied for would be mineable. This alternative assumes that the applicant would be the successful bidder on the West Antelope LBA Tract and that the coal would be mined, processed and sold by the Antelope Mine.

Alternative 1: No Action Alternative

The application to lease the Federal coal included in the West Antelope LBA Tract would be rejected and the tract would not be offered for lease at this time. Currently permitted mining activity at the adjacent Antelope Mine will continue, with or without leasing the West Antelope LBA Tract, and portions of the tract adjacent to the existing mine will be disturbed to recover all of the coal in the existing leases, which are shown in Figure 2 of Attachment 1. Assuming that this tract will never be leased and coal removal and the associated disturbance will never occur, this alternative is the environmentally preferable alternative. However, selection of this alternative would not preclude future applications to lease all or part of the Federal coal included in this tract.

Alternative 2: Hold a Competitive Sale for a Tract

As Modified by BLM to Reduce the Potential for Bypass of Adjacent Unleased Federal Coal

Under Alternative 2, the West Antelope LBA Tract, as modified by BLM would have been offered for lease at a competitive sale. The size of the tract would have been increased to include an area between the tract as applied for and the existing mine, which may be isolated and bypassed if it is not mined with the tract as applied for (Attachment 1-Figure 2). Under the Alternative 2 reconfiguration, the West Antelope LBA Tract includes approximately 3,877.90 acres in Campbell and Converse Counties, Wyoming, and Antelope Coal Company estimates that it contains approximately 321.8 million tons of in-place Federal coal. Due to the presence of Antelope Creek, discussed above, Antelope Coal Company estimates that the West Antelope LBA Tract under Alternative 2 includes approximately 273.4 million tons of mineable Federal coal. This alternative assumes that the applicant would be the successful bidder on the West Antelope LBA Tract and that the coal would be mined, processed and sold by the Antelope Mine.

Alternative 3 (Selected Alternative): Hold a Competitive Sale for a Tract

As Modified by BLM to Increase Potential Competitive Interest In Unleased Federal Coal

In reviewing the West Antelope lease application, BLM evaluated the application area, the unleased Federal coal north of the application area, and the proposal for mining the tract submitted by Antelope Coal Company. Based on that evaluation, BLM's preferred alternative for the West

Antelope LBA Tract is to reduce of size of the tract as applied for and offer a smaller tract for sale (Attachment 1-Figure 2). BLM decided that removing some of the lands in the northern portion of the tract as applied for would be in the public interest because 1) the FMV of these lands is decreased by the fact that Antelope Coal Company is not proposing to mine them for many years; 2) these lands are not likely to be bypassed if they are not leased at this time, and 3) these lands could be combined with other adjacent unleased Federal coal north of the West Antelope Tract as applied for to create a tract that will potentially be of competitive interest in the future. By amending the boundaries, the BLM is removing about 733.06 acres from the West Antelope LBA Tract as applied for (see Attachment 1-Figure 2 and Table 1). With its boundaries amended, the West Antelope LBA Tract, as modified by BLM, will be offered for lease at a competitive sale.

Table 1: Description of lands to be offered for competitive sale under the Selected Alternative

T. 40 N., R. 71 W., 6th P.M., Converse County, Wyoming

Section 3: Lots 15 through 18;

Section 4: Lots 5 through 20;

Section 5: Lots 5 through 7, 10 through 15, 19, and 20;

Section 9: Lot 1;

Section 10: Lots 3 and 4.

T. 41 N., R. 71 W., 6th P.M., Converse County, Wyoming

Section 28: Lots 9 through 16;

Section 29: Lots 9 through 11, 14 through 16;

Section 32: Lots 1 through 3, 6 through 11, 14 through 16;

Section 33: Lots 1 through 16.

The total surface included in the tract as modified is 2,809.13 acres more or less. Antelope Coal Company estimates that it contains approximately 202.3 million tons of in-place coal. Under the selected alternative, the West Antelope LBA Tract lies entirely within Converse County.

Antelope Creek, an intermittent stream, flows from west to east through the West Antelope LBA Tract and the existing Antelope Mine. As discussed under the Proposed Action and Alternative 2, above, and in Section 2.5.1 of the Final EIS, ACC's approved mining plan avoids disturbing the portion of Antelope Creek that flows through the existing mine and an adjacent buffer zone. It is assumed that any coal resources included in the modified West Antelope LBA Tract that are beneath Antelope Creek and the adjacent buffer zone would not be recovered. As a result, Antelope Coal Company estimates that about 183.2 million tons of the coal in the modified tract would be mineable. BLM's estimate of the mineable tons of Federal coal in the tract will be included in the sale notice for the tract.

Alternative 3 for the West Antelope LBA Tract assumes that Antelope Coal Company would be the successful bidder on the tract if a lease sale is held and that the tract would be mined as a maintenance lease for the Antelope Mine.

ALTERNATIVES CONSIDERED BUT NOT ANALYZED IN DETAIL

Further descriptions of these alternatives may be found in Chapter 2 of the Final EIS.

Alternative 4: As under the Proposed Action, BLM would hold a competitive coal lease sale for the tract as applied for and then issue a lease to the successful bidder. This alternative assumed that the applicant would not be the successful bidder, and that the Federal coal would be developed as a new stand-alone mine. BLM estimates that 500 to 600 million tons of coal would be needed to attract a buyer interested in constructing a new mine in the Wyoming Powder River Basin. This alternative was considered and eliminated from detailed study because the current economics of mining in the Powder River Federal Coal Region appear to make construction of a new mine economically unfeasible on a tract of Federal coal of this size.

Alternative 5: The BLM would have postponed a sale of the West Antelope LBA Tract to potentially increase the benefits to the public if coal prices increase within the Powder River Basin or to allow recovery of additional CBNG resources in the tract prior to mining.

This alternative was not analyzed in detail because it would not produce significantly different impacts than other alternatives analyzed in detail. Royalty and tax payments are collected at the time the coal is sold. They increase as coal prices increase, which allows the United States to benefit if coal prices have increased by the time of mining. There are no conventional oil and gas wells on the tract and mining would not disturb any conventional oil and gas resources within the tract. If there are economically recoverable conventional oil and gas resources in the area of the tract, they could be recovered after the coal is mined and the tract is reclaimed. Drilling for CBNG resources on the tract is occurring and recovery of a substantial portion of those resources from the tract would be anticipated after lease issuance because, as discussed in the Background section above, express terms of the proposed lease will protect the right of the holder of the first mineral lease issued for the tract to recover any commercial quantities of CBNG. BLM has a policy in place on CBNG-coal conflicts, which will allow the agency to offer the Federal oil and gas lessee royalty reductions as incentives to accelerate production prior to the commencement of surface coal mining on the tract. Oil and gas pipelines on the tract will have to be removed and relocated prior to mining. The environmental impacts of mining the Federal coal at a later time as part of an existing mine would be expected to be similar and about equal to the Proposed Action. If a new mine start is required to recover the coal in this tract, the environmental impacts would be expected to be greater than if the tract is mined as an extension of an existing mine.

MITIGATION, COMPLIANCE AND MONITORING

If the West Antelope LBA Tract is leased, the lease will contain the standard coal lease stipulations and the attached BLM Special Stipulations (Attachment 3) regarding cultural resources, paleontological resources, threatened and endangered species, multiple mineral

development of oil and gas or coal resources or both, resource recovery and protection, and public land survey will be added to the coal lease.

After a Federal coal lease is issued, SMCRA gives the OSM authority to administer programs that regulate surface coal mining operations. The WDEQ regulates surface coal mining activities in Wyoming. If the Antelope Mine is the successful, qualified high bidder on Federal coal tract WYW151643, a permit revision must be approved by the WDEQ/LQD and a MLA mining plan revision must be approved by the Secretary of the Interior before the coal can be mined. The existing mitigation measures specific to the currently approved mine plan for the adjacent mine will be revised to include mitigation measures specific to mining WYW 151643 when the mining permit is amended.

If the successful, qualified high bidder does not operate an adjacent mine and proposes to construct and operate a new mine, then a new permit and a new mining plan must be prepared and approved before the coal can be mined. Before WYW151643 can be mined, mitigation measures and monitoring plans specific to a mining and reclamation plan must be attached to any revised existing or new mining and reclamation plan.

Prior to mining of the areas subject to the coal lease all practicable means to avoid or minimize environmental harm will be adopted as leasing stipulations or, consistent with normal practices, can be expected to be adopted as conditions of the mining permit. To ensure that the revised plan is in compliance with the leasing stipulations, BLM has a responsibility to review the Resource Recovery and Protection Plan prior to approval of the mining plan. Before any mining of the West Antelope LBA Tract can begin, the Resource Recovery and Protection Plan must be approved by the BLM, the permit, or permit revision, must be approved by WDEQ/LQD, and the MLA mining plan, or plan revision, must be approved by the Assistant Secretary of the Interior.

RECOMMENDED ALTERNATIVE

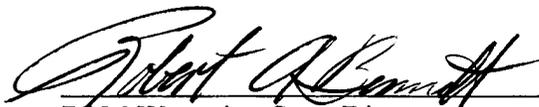
I recommend that, after a competitive lease sale, a lease for Federal coal tract WYW151643 and its associated 2,809.13 acres more or less be issued to the successful, qualified high bidder provided it is determined that the highest bid meets or exceeds the FMV of the tract as determined by the BLM and that all other leasing requirements are met. This is Alternative 3 with the modified tract configuration described in this record of decision. The competitive lease sale will be held in accordance with the requirements at 43 CFR Subpart 3422. The lease will be subject to the attached BLM special lease stipulations (Attachment 3).

Assistant Field Manager for Solid Minerals
Casper Field Office

Date

APPROVAL

I agree with the recommendation of the Assistant Field Manager for Solid Minerals and I approve the decision to offer Federal coal tract WYW151643 for competitive lease sale.



BLM Wyoming State Director

10/17/04
Date

Concur:



for Director, BLM

10-25-04
Date



for Assistant Secretary
Land and Minerals Management, DOI

10/25/04
Date

ATTACHMENTS

1. Figures 1. and 2.
2. Comment letters that specifically reference the West Antelope LBA Tract and BLM responses to those comments
3. BLM Special Coal Lease Stipulations for the West Antelope Federal Coal Lease Tract (WYW151643)
4. USFWS concurrence letter in response to BLM formal request for consultation for the five South Powder River Basin Coal Lease by Application Tracts under Endangered Species Act, Section 7.
5. Summary of comments received on the “South Powder River Basin Coal Final Environmental Impact Statement”