

A. APPLICANT PROVIDED DESCRIPTION OF THE PROPOSED ACTION

The Office of Surface Mining Reclamation and Enforcement, Western Region (OSM) has received an application from Peabody Western Coal Company (PWCC) for the renewal of Permit AZ-0001D. This renewal application addresses mining operations during the period of July 6, 2010, through July 5, 2015, for the Kayenta Mine located in Navajo County, Arizona (Map A-1). This environmental assessment (EA) is being prepared in compliance with the National Environmental Policy Act (NEPA) to analyze and disclose the probable effects of renewing the permit that authorizes mining operations for the Kayenta Mine from July 2010 to July 2015. The Council on Environmental Quality (CEQ) regulations give OSM discretion under 40 CFR 1501.3(b) to prepare an environmental assessment on any action in order to assist the agency in planning and decision making.

This approval would authorize the continuation of ongoing mining operations in coal resource areas N-9, J-19, and J-21 from July 6, 2010 through July 5, 2015. Surface coal mining and reclamation activities are authorized in up to five-year incremental periods to provide an opportunity for OSM to review the mine's compliance with applicable terms and conditions of permits. Federal regulations in accordance with the Surface Mining Control and Reclamation Act (SMCRA) grant a right of successive renewal within the approved boundaries of an existing mining permit.¹ Based on 30 CFR 774.15(c)(1), OSM must approve a complete and accurate application for a permit renewal unless it finds, in writing that at least one of the following criteria exists:

- (1) The terms and conditions of the existing permit are not being satisfactorily met;
- (2) The present surface coal mining and reclamation operations are not in compliance with the environmental protection standards of the Act and the regulatory program;
- (3) The requested renewal substantially jeopardizes the operator's continuing ability to comply with the Act and the regulatory program on existing permit areas;
- (4) The operator has not provided evidence of having liability insurance or self-insurance as required in [30 CFR 800.60];
- (5) The operator has not provided evidence that any performance bond required to be in effect for the operation will continue in full force and effect for the proposed period of renewal, as well as any additional bond the regulatory authority might require pursuant to subchapter J of [Title 30, Volume 3, Chapter VII of the Code of Federal Regulations]; or
- (6) Additional revised or updated information required by the regulatory authority has not been provided by the applicant.

¹ 30 CFR 773.19(d) & 30 CFR 774.15(a); 30 USC 1256(d)(1).

OSM has determined that PWCC has submitted a complete and accurate application for permit renewal. Consequently, OSM's jurisdiction to deny the renewal request is limited to the criteria listed above. Preliminary review by OSM has not identified that any of the six criteria has been met for denial, and therefore OSM does not have the authority to deny the permit renewal.

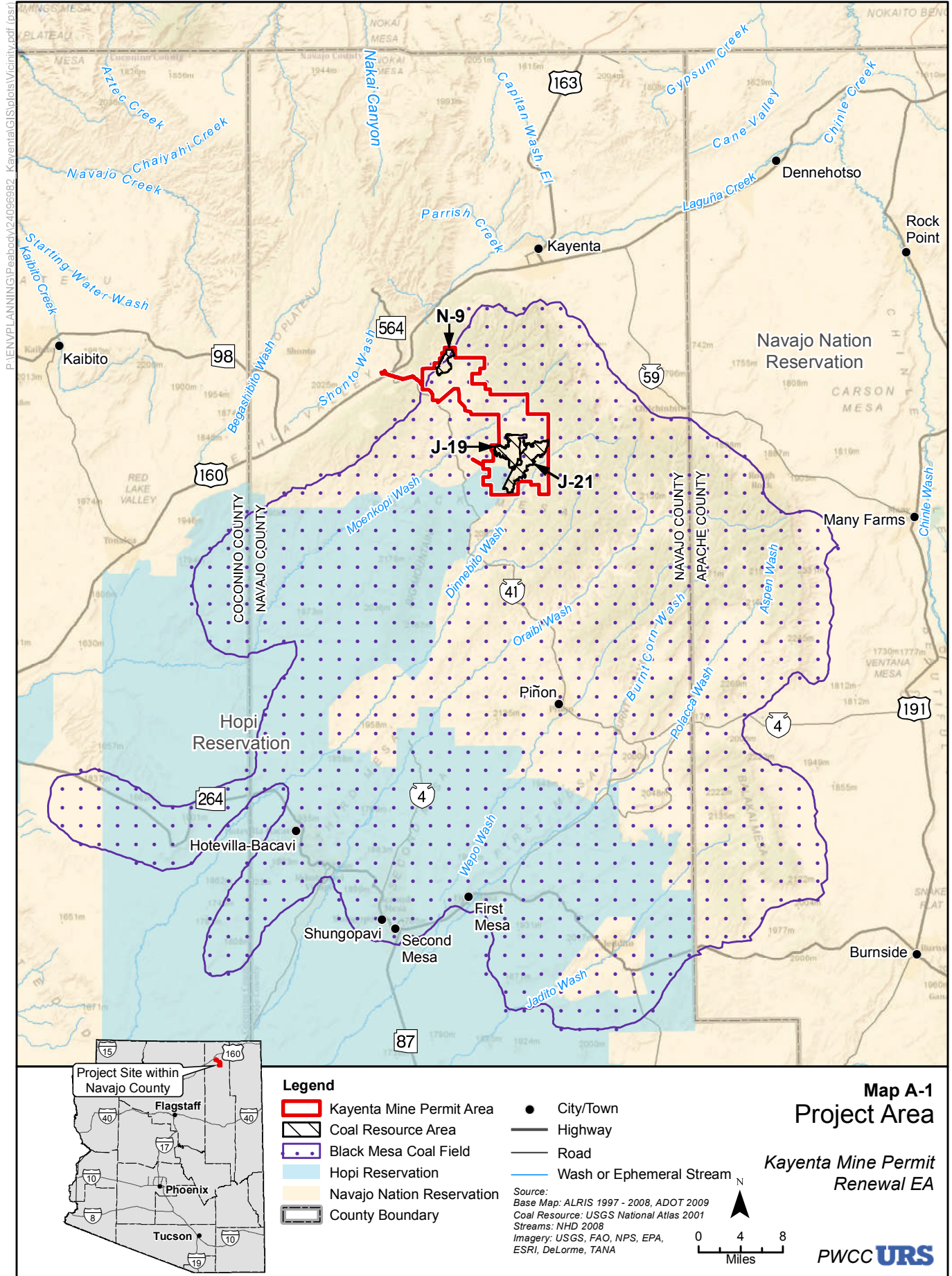
A.1 BACKGROUND INFORMATION

The Kayenta Mine permit area is located on about 44,073 acres of land leased within the boundaries of the Hopi and Navajo Indian Reservations in northern Arizona, near the town of Kayenta, in Navajo County (about 125 miles northeast of Flagstaff, Arizona) (Map A-1). The Kayenta Mine operation produces about 8.2 million tons of coal per year. The coal is delivered by electric railroad 83 miles northwest to the Navajo Generating Station, near Page, in northern Coconino County, Arizona.

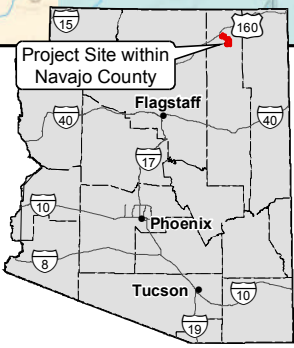
PWCC holds leases with the Navajo Nation and Hopi Tribe to mine up to 670 million tons of coal from the Kayenta Mine permit area. Federal authority to mine the leased reserves is only granted for specific coal resource areas at five-year intervals according to a mining and reclamation plan approved by the agency.

PWCC and its predecessor Peabody Coal Company have been conducting mining and reclamation activities within the 44,073-acre permit boundary of the Kayenta Mine since 1973. In 1990, OSM approved a life-of-mine (LOM) mining plan and granted Permit AZ-0001C under the Permanent Indian Lands Program, supported by an Environmental Impact Statement (EIS) (OSM 1990). OSM has renewed Permit AZ-0001C every five years and converted the permit number to AZ-0001D in 1995. OSM approved two revisions of Permit AZ-0001D in 2004 and 2005 to add N-11 Extension and N-9 to the mine plan sequence along with other operational approvals. If approved, the renewed permit will be Permit AZ-0001E. Kayenta Mine Permit AZ-0001D remains the official permit designation for the authorization to operate the mine. Under permit AZ-0001D, PWCC has current approval to mine in coal resource areas N-9, J-19, and J-21 (Map A-2). Reclamation is actively conducted in previously mined areas where the minable coal reserves have been exhausted (see Map D-5).

PWCC timely submitted an application to OSM to renew permit AZ-0001D in February 2010. For the purpose of this mine permit renewal, PWCC proposes to continue mining operations in coal resource areas N-9, J-19, and J-21 from July 6, 2010 through July 5, 2015. The proposed permit renewal does not include any revisions to the mining and operations plan or the addition of any new mining areas. For the proposed five-year renewal period, coal-mining operations are assumed to continue at the recent historical pace and existing facilities will be used for ongoing operations. A number of existing facilities such as temporary and approved permanent sediment- and water-control facilities, topsoil stockpiles, and some of the water wells are located throughout the Kayenta mine permit area and used for ongoing mining operations. The mine facilities are described in more detail in Appendix A. The only new mine facilities that are proposed to be constructed as part of the mining in N-9, J-19, and J-21 under the proposed renewal are sediment ponds, roads, utilities, and topsoil stockpiles as new areas in these three areas are mined.

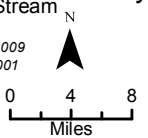


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- Legend**
- Kayenta Mine Permit Area
 - Coal Resource Area
 - Black Mesa Coal Field
 - Hopi Reservation
 - Navajo Nation Reservation
 - County Boundary
 - City/Town
 - Highway
 - Road
 - Wash or Ephemeral Stream

Source:
 Base Map: ALRIS 1997 - 2008, ADOT 2009
 Coal Resource: USGS National Atlas 2001
 Streams: NHD 2008
 Imagery: USGS, FAO, NPS, EPA,
 ESRI, DeLorme, TANA



Map A-1
Project Area

*Kayenta Mine Permit
 Renewal EA*



Facilities necessary for the Kayenta mining operations are located within the PWCC lease area but some are located outside the boundaries of the Kayenta Mine permit area. These facilities include administrative offices and infrastructure; maintenance shops; warehouses; bath houses; empty silos and cap magazines; coal-processing facilities; equipment storage areas; water diversions and culverts; sheds; utilities; fuel-storage and tank farms; environmental monitoring sites; wells; and surface conveyor systems. The mine facilities outside the Kayenta Mine permit area have been separately authorized by OSM as part of the Initial Regulatory Program and are authorized for use in Kayenta mining operations in accordance with SMCRA regulations. This Environmental Assessment includes effects from the use of all mine facilities, within and outside the permit area; to the extent such facilities are necessary to the mining operations that would be authorized by the proposed action.

Table C-1 illustrates the acres of surface disturbance that has occurred in the three coal resource areas subject to the renewal through July 2010. As of July 2010, 20,851 acres within the Kayenta Mine permit area have been disturbed by mining activities. In addition, annual groundwater use for domestic and mine-related purposes from the Navajo aquifer (N aquifer) would average 1,236 acre-feet per year (af/yr), which is 70 percent less than used prior to 2006. Coal-mining techniques and mine reclamation are described in more detail in Appendix A.

B. PURPOSE AND NEED FOR THE PROPOSED ACTION

OSM is the regulatory authority for mining operations on Indian lands in Arizona. Pursuant to the Indian Lands Program (30 CFR VII, Subchapter E), OSM must make a decision whether to approve or disapprove renewal of the subject permit application (AZ-0001D) based only on the criteria listed at 30 CFR 774.15(c)(1) (see Section A above). Federal authority to mine these reserves can only be granted in up to five-year increments, although the permit holder has a statutory right to successive renewals as long as certain regulatory criteria are met. PWCC seeks to exercise its right to renewal so that it may continue extracting coal in accordance with its long-term mining plan. PWCC has applied for the renewal of Permit AZ-0001D in order to continue ongoing mining operations in coal resource areas N-9, J-19, and J-21 through July 6, 2015. PWCC holds leases with the Navajo Nation and Hopi Tribe to mine up to 670 million tons of coal from reserves within the Kayenta Mine permit area; PWCC and its predecessors have been mining these reserves at an annual rate of approximately 8.2 million tons per year since 1973 in accordance with an approved long-term mining plan.

Map A-2 Kayenta Mine Permit Area PWCC Lease Area

Kayenta Mine Permit Renewal EA

Legend

- Kayenta Mine Permit Area
- PWCC Lease Area
- Permit Renewal Period Mine Area
- Coal Resource Previously Mined Area
- Future Mine Area
- Hopi Reservation
- Navajo Nation Reservation Chapter Boundary
- Wash or Ephemeral Stream
- Highway
- Rails
- PWCC Mine Road**
- Primary
- Ancillary
- PWCC Mine Road

Source:
 Base Map: ADOT 2009, ESRI 2010
 Project Data: PWCC 2006, 2010, 2011
 Imagery: USGS, FAO, NPS, EPA,
 ESRI, DeLorme, TANA

