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NEW MEXICO ENVIRONMENT DEPARTMENT

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RYAN FLYNN
Cabinet Secretary
BUTCH TONGATE
Deputy Secretary

Certificated Mail – Return Receipt Requested

October 8, 2014

Mr. Mitch Knapton, General Manager/Chief Engineer
Lee Ranch Coal Company
Lee Ranch Mine
P.O. Box 757
Grants, New Mexico 87020

**Re: Lee Ranch Mine, Minor Individual Permit; SIC 1221; NPDES Compliance Evaluation
Inspection; NPDES NM0029581; September 10, 2014**

Dear Mr. Knapton:

Enclosed please find a copy of the report and check list for the referenced inspection that the New Mexico Environment Department (NMED) conducted at your facility on behalf of the U.S. Environmental Protection Agency (USEPA). This inspection report will be sent to the USEPA in Dallas for their review. These inspections are used by USEPA to determine compliance with the National Pollutant Discharge Elimination System (NPDES) permitting program in accordance with requirements of the federal Clean Water Act.

Introduction, treatment scheme, and problems noted during this inspection are discussed in the "Further Explanations" section of the inspection report.

You are encouraged to review the inspection report, required to correct any problems noted during the inspection, and advised to modify your operational and/or administrative procedures, as appropriate. If you have comments on or concerns with the basis for the findings in the NMED inspection report, please contact us (see the address below) in writing within 30 days from the date of this letter. Further, you are encouraged to notify in writing both the USEPA and NMED regarding modifications and compliance schedules at the addresses below:

Racquel Douglas
US Environmental Protection Agency, Region VI
Enforcement Branch (6EN-WM)
Fountain Place
1445 Ross Avenue
Dallas, Texas 75202-2733

Bruce Yurdin
New Mexico Environment Department
Surface Water Quality Bureau
Point Source Regulation Section
P.O. Box 5469
Santa Fe, New Mexico 87502

If you have any questions about this inspection report, please contact Erin Trujillo at 505-827-0418 or at erin.trujillo@state.nm.us.

Mr. Mitch Knapton
Lee Ranch Mine - NM0029581
October 8, 2014
Page 2 of 2

Sincerely,

/s/Bruce J. Yurdin

Bruce J. Yurdin
Program Manager
Point Source Regulation Section
Surface Water Quality Bureau

cc: Rashida Bowlin, USEPA (6EN-AS) by e-mail
Carol Peters-Wagnon, USEPA (6EN-WM) by e-mail
Racquel Douglas, USEPA (6EN-WM) by e-mail
Gladys Gooden-Jackson, USEPA (6EN-WC) e-mail
Brent Larsen, USEPA (6WQ-PP) by e-mail
Bill Chavez, NMED District I by e-mail
David Clark, Prg. Mngr, Coal Mine Reclamation, Mining & Minerals Div., EMNRD by e-mail
Emily C. Worthen, P.E., Mining Engineer I- Environmental P.E., Peabody Energy by e-mail



Form Approved
OMB No. 2040-0003
Approval Expires 7-31-85

NPDES Compliance Inspection Report

Section A: National Data System Coding

Transaction Code	NPDES										yr/mo/day					Inspec. Type	Inspector	Fac Type										
1	N	2	5	3	N	M	0	0	2	9	5	8	1	11	12	1	4	0	9	1	0	17	18	C	19	S	20	2
Remarks																												
B I T U M I N O U S C O A L S U R F A C E M I N E																												
Inspection Work Days						Facility Evaluation Rating						BI		QA		-----Reserved-----												
67						70						71		72		80												

Section B: Facility Data

Name and Location of Facility Inspected (For industrial users discharging to POTW, also include POTW name and NPDES permit number) Lee Ranch Mine, Lee Ranch Coal Company, a Division of Peabody Natural Resources Company north of Milan, New Mexico. From I-40, take Exit 79 in Milan, travel north at stop sign, turn left onto Old Hwy 66, turn right onto NM 605, cross railroad tracks, travel 14 miles pass NM 509, travel 8 miles toward San Mateo, follow road as it curves left, at Forest Access Road 4761 fork continue left (follow signs) to Lee Ranch Mine office. McKinley County	Entry Time /Date ~1015 hours / 09/10/2014	Permit Effective Date November 1, 2010
	Exit Time/Date ~ 1510 hours / 09/10/2014	Permit Expiration Date October 31, 2015
Name(s) of On-Site Representative(s)/Title(s)/Phone and Fax Number(s) -Emily Worthen, Environmental Engineer, Peabody Energy / Alternative Site 505-285-3065, Lee Ranch Mine 505-285-2845 -Chad Gains, Environmental Specialist, Peabody Energy / 505-285-2076 -Mike Nicholson, Environmental Manager, Peabody Energy	Other Facility Data Lee Ranch Mine Entrance Latitude 35.483740°, Longitude -107.663413° SIC 1221 (Sub-Bituminous Coal Mine)	
Name, Address of Responsible Official/Title/Phone and Fax Number Mitch Knapton, General Manager/Chief Engineer, Lee Ranch Coal Company, P.O. Box 757, Grants, New Mexico 87020, General Number 505-285-4651	Contacted Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

Section C: Areas Evaluated During Inspection

(S = Satisfactory, M = Marginal, U = Unsatisfactory, N = Not Evaluated)

M	Permit	N	Flow Measurement	M	Operations & Maintenance	N	CSO/SSO
S	Records/Reports	N	Self-Monitoring Program	N	Sludge Handling/Disposal	N	Pollution Prevention
S	Facility Site Review	N	Compliance Schedules	N	Pretreatment	N	Multimedia
N	Effluent/Receiving Waters	S	Laboratory	N	Storm Water	N	Other:

Section D: Summary of Findings/Comments (Attach additional sheets if necessary)

1. See attached report and further explanations.

Name(s) and Signature(s) of Inspector(s) Erin S. Trujillo /s/Erin S. Trujillo	Agency/Office/Telephone/Fax NMED/SWQB/505-827-0418	Date 10/08/2014
Signature of Management QA Reviewer Sarah Holcomb /s/Sarah Holcomb	Agency/Office/Phone and Fax Numbers NMED/SWQB/505-827-2798	Date 10/08/2014

SECTION A - PERMIT VERIFICATION

PERMIT SATISFACTORILY ADDRESSES OBSERVATIONS
DETAILS: S M U NA (FURTHER EXPLANATION ATTACHED Yes)

1 CORRECT NAME AND MAILING ADDRESS OF PERMITTEE

 Y N NA2 NOTIFICATION GIVEN TO EPA/STATE OF NEW DIFFERENT OR INCREASED DISCHARGES **No reported discharge.** Y N NA

3 NUMBER AND LOCATION OF DISCHARGE POINTS AS DESCRIBED IN PERMIT

 Y N NA4 ALL DISCHARGES ARE PERMITTED **No reported discharge since 09/15/2009 (Outfall 092)** Y N NA

SECTION B - RECORDKEEPING AND REPORTING EVALUATION

RECORDS AND REPORTS MAINTAINED AS REQUIRED BY PERMIT

 S M U NA (FURTHER EXPLANATION ATTACHED Yes)DETAILS: **NetDMR subscriber agreement approved 09/15/2011. USEPA NetDMR report as of day of this CEI showed data (pH, TSS, Iron, Flow) for Outfall 086A "not received" for October 2011. Corrected/revised DMR appears needed.**1 ANALYTICAL RESULTS CONSISTENT WITH DATA REPORTED ON DMRs **No reported discharges / no analytical results** Y N NA2 SAMPLING AND ANALYSES DATA ADEQUATE AND INCLUDE **No sampling and analysis data** S M U NA

a) DATES, TIME(S) AND LOCATION(S) OF SAMPLING

 Y N NA

b) NAME OF INDIVIDUAL PERFORMING SAMPLING

 Y N NA

c) ANALYTICAL METHODS AND TECHNIQUES

 Y N NA

d) RESULTS OF ANALYSES AND CALIBRATIONS

 Y N NA

e) DATES AND TIMES OF ANALYSES

 Y N NA

f) NAME OF PERSON(S) PERFORMING ANALYSES

 Y N NA

3 LABORATORY EQUIPMENT CALIBRATION AND MAINTENANCE RECORDS ADEQUATE

 S M U NA

4 PLANT RECORDS INCLUDE SCHEDULES, DATES OF EQUIPMENT MAINTENANCE AND REPAIR

 S M U NA

5 EFFLUENT LOADINGS CALCULATED USING DAILY EFFLUENT FLOW AND DAILY ANALYTICAL DATA

 Y N NA

SECTION C - OPERATIONS AND MAINTENANCE

TREATMENT FACILITY PROPERLY OPERATED AND MAINTAINED

 S M U NA (FURTHER EXPLANATION ATTACHED Yes)DETAILS: **Domestic wastewater mechanical plant w/aeration and chlorination, then lined lagoon. Impoundment inspections (routine, quarterly). Wastewater treatment plant inspections described (weekly, monthly).**

1 TREATMENT UNITS PROPERLY OPERATED

 S M U NA2 TREATMENT UNITS PROPERLY MAINTAINED **Oil & water separator needed belt / Aerator not connected** S M U NA3 STANDBY POWER OR OTHER EQUIVALENT PROVIDED **Domestic wastewater mechanical plant** S M U NA4 ADEQUATE ALARM SYSTEM FOR POWER OR EQUIPMENT FAILURES AVAILABLE **Aerator not connected** S M U NA

5 ALL NEEDED TREATMENT UNITS IN SERVICE.

 S M U NA

6 ADEQUATE NUMBER OF QUALIFIED OPERATORS PROVIDED

 S M U NA7 SPARE PARTS AND SUPPLIES INVENTORY MAINTAINED **Oil & water separator needed belt** S M U NA8 OPERATION AND MAINTENANCE MANUAL AVAILABLE **Written documents not readily available on day of CEI** Y N NASTANDARD OPERATING PROCEDURES AND SCHEDULES ESTABLISHED **See above** Y N NAPROCEDURES FOR EMERGENCY TREATMENT CONTROL ESTABLISHED **See above** Y N NA

SECTION C - OPERATIONS AND MAINTENANCE (CONT'D)

9 HAVE BYPASSES/OVERFLOWS OCCURRED AT THE PLANT OR IN THE COLLECTION SYSTEM IN THE LAST YEAR? Y N NA
 IF SO, HAS THE REGULATORY AGENCY BEEN NOTIFIED? Y N NA
 HAS CORRECTIVE ACTION BEEN TAKEN TO PREVENT ADDITIONAL BYPASSES/OVERFLOWS? Y N NA

10 HAVE ANY HYDRAULIC OVERLOADS OCCURRED AT THE TREATMENT PLANT? Y N NA
 IF SO, DID PERMIT VIOLATIONS OCCUR AS A RESULT? Y N NA

SECTION D - SELF-MONITORING

PERMITTEE SELF-MONITORING MEETS PERMIT REQUIREMENTS S M U NA (FURTHER EXPLANATION ATTACHED No).
 DETAILS: **No reported discharge since 2009. Permittee would need to review and may need to update sample collection procedures prior to discharge.**

1 SAMPLES TAKEN AT SITE(S) SPECIFIED IN PERMIT Y N NA

2 LOCATIONS ADEQUATE FOR REPRESENTATIVE SAMPLES Y N NA

3 FLOW PROPORTIONED SAMPLES OBTAINED WHEN REQUIRED BY PERMIT Y N NA

4 SAMPLING AND ANALYSES COMPLETED ON PARAMETERS SPECIFIED IN PERMIT Y N NA

5 SAMPLING AND ANALYSES PERFORMED AT FREQUENCY SPECIFIED IN PERMIT Y N NA

6 SAMPLE COLLECTION PROCEDURES ADEQUATE Y N NA

a) SAMPLES REFRIGERATED DURING COMPOSITING Y N NA

b) PROPER PRESERVATION TECHNIQUES USED Y N NA

c) CONTAINERS AND SAMPLE HOLDING TIMES CONFORM TO 40 CFR 136.3 Y N NA

7 IF MONITORING AND ANALYSES ARE PERFORMED MORE OFTEN THAN REQUIRED BY PERMIT, ARE THE RESULTS REPORTED IN PERMITTEE'S SELF-MONITORING REPORT? Y N NA

SECTION E - FLOW MEASUREMENT

PERMITTEE FLOW MEASUREMENT MEETS PERMIT REQUIREMENTS S M U NA (FURTHER EXPLANATION ATTACHED No).
 DETAILS: **Part I.A of the permit requires estimate. Discharge would be pumped or flow over spillway of impoundments.**

1 PRIMARY FLOW MEASUREMENT DEVICE PROPERLY INSTALLED AND MAINTAINED
 TYPE OF DEVICE Y N NA

2 FLOW MEASURED AT EACH OUTFALL AS REQUIRED Y N NA

3 SECONDARY INSTRUMENTS (TOTALIZERS, RECORDERS, ETC) PROPERLY OPERATED AND MAINTAINED Y N NA

4 CALIBRATION FREQUENCY ADEQUATE Y N NA
 RECORDS MAINTAINED OF CALIBRATION PROCEDURES Y N NA
 CALIBRATION CHECKS DONE TO ASSURE CONTINUED COMPLIANCE Y N NA

5 FLOW ENTERING DEVICE WELL DISTRIBUTED ACROSS THE CHANNEL AND FREE OF TURBULENCE Y N NA

6 HEAD MEASURED AT PROPER LOCATION Y N NA

7 FLOW MEASUREMENT EQUIPMENT ADEQUATE TO HANDLE EXPECTED RANGE OF FLOW RATES Y N NA

SECTION F - LABORATORY

PERMITTEE LABORATORY PROCEDURES MEET PERMIT REQUIREMENTS S M U NA (FURTHER EXPLANATION ATTACHED No).
 DETAILS: **Contract laboratory not inspected. If discharge, then TRC (Outfalls 034/034A) & pH would need to be conducted on site to meet 40 CFR 136.3 Table II holding times (15 minutes). No reported discharge/ no sample collection/no analysis.**

1 EPA APPROVED ANALYTICAL PROCEDURES USED (40 CFR 136.3 FOR LIQUIDS, 503.8(b) FOR SLUDGES). Y N NA

SECTION F - LABORATORY (CONT'D)

- 2 IF ALTERNATIVE ANALYTICAL PROCEDURES ARE USED, PROPER APPROVAL HAS BEEN OBTAINED Y N NA
- 3 SATISFACTORY CALIBRATION AND MAINTENANCE OF INSTRUMENTS AND EQUIPMENT Y N NA
Permittee would need to review and may need to update written procedures prior to discharge.
- 4 QUALITY CONTROL PROCEDURES ADEQUATE Y N NA
- 5 DUPLICATE SAMPLES ARE ANALYZED ___ % OF THE TIME Y N NA
- 6 SPIKED SAMPLES ARE ANALYZED ___ % OF THE TIME Y N NA
- 7 COMMERCIAL LABORATORY USED **Contract updates in progress per on-site representative** Y N NA

LAB NAME
 LAB ADDRESS
 PARAMETERS PERFORMED

SECTION G - EFFLUENT/RECEIVING WATERS OBSERVATIONS. S M U NA (FURTHER EXPLANATION ATTACHED No).

OUTFALL NO	OIL SHEEN	GREASE	TURBIDITY	VISIBLE FOAM	FLOAT SOL	COLOR	OTHER
Various	No Discharge						

RECEIVING WATER OBSERVATIONS **No flow / No discharge observed**

SECTION H - SLUDGE DISPOSAL

SLUDGE DISPOSAL MEETS PERMIT REQUIREMENTS S M U NA (FURTHER EXPLANATION ATTACHED No).

DETAILS: **Treated domestic wastewater flows to lagoon.**

- 1 SLUDGE MANAGEMENT ADEQUATE TO MAINTAIN EFFLUENT QUALITY **No discharge/no effluent reported** S M U NA
- 2 SLUDGE RECORDS MAINTAINED AS REQUIRED BY 40 CFR 503 S M U NA
- 3 FOR LAND APPLIED SLUDGE, TYPE OF LAND APPLIED TO: _____ (e.g., FOREST, AGRICULTURAL, PUBLIC CONTACT SITE)

SECTION I - SAMPLING INSPECTION PROCEDURES (FURTHER EXPLANATION ATTACHED No).

- 1 SAMPLES OBTAINED THIS INSPECTION Y N NA
- 2 TYPE OF SAMPLE OBTAINED
 GRAB _____ COMPOSITE SAMPLE _____ METHOD _____ FREQUENCY _____
- 3 SAMPLES PRESERVED Y N NA
- 4 FLOW PROPORTIONED SAMPLES OBTAINED Y N NA
- 5 SAMPLE OBTAINED FROM FACILITY'S SAMPLING DEVICE Y N NA
- 6 SAMPLE REPRESENTATIVE OF VOLUME AND MATURE OF DISCHARGE Y N NA
- 7 SAMPLE SPLIT WITH PERMITTEE Y N NA
- 8 CHAIN-OF-CUSTODY PROCEDURES EMPLOYED Y N NA
- 9 SAMPLES COLLECTED IN ACCORDANCE WITH PERMIT Y N NA

**Lee Ranch Coal Company
Lee Ranch Mine
Compliance Evaluation Inspection
NPDES Permit No. NM0029581
September 10, 2014**

Further Explanations

Introduction

On September 10, 2014, a Compliance Evaluation Inspection (CEI) was conducted by Erin S. Trujillo, accompanied by Daniel Valenta, both of the State of New Mexico Environment Department (NMED), Surface Water Quality Bureau (SWQB) at the Lee Ranch Coal Company, Lee Ranch Mine, operated by Peabody Energy Western Coal Company, located approximately 22 miles north-northeast of Milan and north of San Mateo, New Mexico in McKinley County.

The facility is classified as a minor industrial discharger under the federal Clean Water Act, Section 402, of the National Pollutant Discharge Elimination System (NPDES) permit program. It is assigned NPDES permit number NM0029581 which regulates discharge of treated sanitary wastewater; mine drainage (process plant associated areas, mine drainage areas and disturbed areas); and reclamation areas, brushing and grubbing areas, topsoil stockpiling areas, and regraded areas as defined in the Western Alkaline Coal Mining subcategory at 40 CFR 434.80 to receiving waters.

Discharges would be to unclassified Mulatto Canyon Arroyo identified in Segment 20.6.4.97 and unnamed tributaries and San Isidro Arroyo subject to unclassified Segment 20.6.4.98, thence to Arroyo Chico, thence to Rio Puerco (East), thence to the Rio Grande in Segment 20.6.4.105 *State of New Mexico Standards for Interstate and Intrastate Surface Waters, 20.6.4 New Mexico Administrative Code (NMAC)*.

Upon arrival and on-site mine specific safety orientation at the Lee Ranch Mine at approximately 1015 hours on the day of this inspection, the inspector made introductions, presented credentials and explained the purpose of the inspection to Emily Worthen, Environmental Engineer and Chad Gains, Environmental Specialist, Peabody Energy. The inspectors, Ms. Worthen and Mr. Gains toured portions of the facility. An exit interview to discuss preliminary findings was conducted on site following the tour with Ms. Worthen, Mr. Gains and Mike Nicholson, Environmental Manager, Peabody Energy. The inspectors left the mine at approximately 1510 hours on the day of this inspection. Additional information on the operations and maintenance of the sanitary wastewater treatment system was obtained from Jose Vega and Michael Molina, both Wastewater Operators I also with Peabody Energy, and Ms. Worthen by telephone on September 17, 2014.

The NMED performs a certain number of CEIs each year for the U.S. Environmental Protection Agency (USEPA), Region VI. The purpose of this inspection is to provide the USEPA with information to evaluate the Permittee's compliance with the NPDES permit. This inspection report is based on information provided by the Permittee's representatives, observations made by the NMED inspectors, and records and reports kept by the Permittee and/or NMED. Additional information was obtained from <http://www.peabodyenergy.com/content/278/Publications/Fact-Sheets/Lee-Ranch-Mine>.

Lee Ranch Mine has permit coverage under the industrial stormwater multi-sector general permit (NPDES tracking #NMR05A985 submitted 01/29/2001 (expired) and #NMR05GC30 submitted 01/05/2009 (active)). An industrial stormwater compliance evaluation inspection was not conducted on the day of this inspection.

Facility Description/Treatment Scheme

Lee Ranch Mine, located about 35 miles northwest of Grants, N.M., was opened in 1984 by Santa Fe Pacific Minerals to supply coal to Western Fuels Association and Tucson Electric Power under long-term contracts. Other customers include Arizona Public Service and Arizona Electric Power Cooperative. Mining operations included a combination of dragline, and truck and shovel for overburden removal to uncover between three and five coal seams ranging from one- to six-feet thick. Coal loading was done by front-end loaders. Coal was hauled from pits by truck to the processing plant for sizing, sampling, analysis and blending to customer specifications. Trains would be loaded from three 15,000-ton silos. A 60-inch belt conveyor would deliver coal from the silos to a batch weighing system that loads each car to capacity. On the day of this CEI, mining operations for coal removal were not active. Coal stockpiles existed on site for processing.

Water from private wells, approximately 200,000 GPD, is used for coal preparation plants and shops, drinking and sanitary, and dust suppression. Water was not used to process the coal according to the permittee on-site representatives. Flow from the wells enters an 180,000-gallon storage tank and/or an impoundment. Evaporation and sedimentation ponds are used to capture stormwater runoff. Domestic sewage treatment consists of aeration, chlorination and evaporation (pond or lagoon) with a 2 million gallon capacity. Water from truck wash, car wash and shop wash down flows through an oil and water separator then flows through a pipe to an on-site impoundment. No vehicle or equipment washing was occurring during this CEI.

Part I.A of the Permit requires monitoring and effluent limitations for discharges from two domestic sewage outfalls (Outfalls 034 and 034A) and from process plant associated areas, mine drainage areas and disturbed areas. Part I.B of the Permit lists all outfall locations which are associated with impoundments (Outfalls 001-004, 009, 015-016, 020-021, 024, 027-028, 032-034A, 037-039, 041-042, 044-045, 049-051, 054, 061-064, 066-067, 073, 076-080, and 085-099). Part I.B states *“Sampling taken in compliance with the monitoring requirements...shall be taken at the point of discharge prior to mixing with other flows.”* There has been no reported discharge since September 15, 2009, which occurred at Outfall 092.

The Permittee conducts annual and quarterly impoundment inspections which are associated with remaining outfalls. Surface pond inspection record keeping includes pond number, inspection type (annual or quarterly), date inspected, inspector, bottom elevations, water present, water elevation, water depth, photo reference and comments (e.g., notes of erosion on side slopes). Ponds are also indicated to be inspected routinely during periods of heavy precipitation.

Part I.A(c) of the Permit provides requirements for discharge from outfalls within the reclamation areas, brushing and grubbing areas, topsoil stockpiling areas, and regraded areas in the Western Alkaline Coal Mining subcategory at 40 CFR 434.80. Part I.A(c) states *“The permittee shall develop a site-specific Sediment Control Plan as described in Part II.E. Sediment Control Plan of this permit.”* Part II.E.2 states *“No later than three (3) months prior to any discharge from the above areas, the operator must submit a site specific Sediment Control Plan....”* The Permittee has not submitted a Sediment Control Plan.

Section A - Permit Verification - Overall rating of “Marginal”

There have been changes to the state Water Quality Standard segments of receiving waters described on the cover page of the permit since its effective date. The description of receiving waters in the permit cover page is also not complete.

Notes: The cover page of the NPDES permit states *“Lee Ranch Coal Company...is authorized to discharge...to receiving waters named Mulatto Canyon Arroyo in Segment No. 20.6.4.105 of the Rio Grande Basin.”* As described above, discharges from some impoundments may be to other receiving waters. Also, NMED completed an examination of the unclassified non-perennial stream segment Mulatto Canyon to determine the appropriate hydrologic classification through an Use

Attainability Analysis (UAA) as described in 20.6.4.15 NMAC. Following USEPA Technical Approval dated January 30, 2013, the Mulatto Canyon is subject to 20.6.4.97 NMAC.

Part I.B of the permit states, *“Locations may be revised by the permittee if it becomes necessary to eliminate or establish new holding ponds. For any revision, the permittee shall submit appropriate maps showing the holding pond locations.”*

The number and location of discharge points, in this case remaining outfalls and type of discharge associated with each outfall, as described in permit has been revised by the Permittee. The Permittee has not submitted maps showing the holding pond locations to USEPA (copy to NMED) based on a review of NMED files. Following the inspection in an e-mail from Ms. Worthen received on September 17, 2014, a response was provided to questions during the inspection on the status of outfall locations and types of discharges (see attached).

Section B - Recordkeeping and Reporting Evaluation - Overall rating of “Satisfactory”

NMED records include paper DMRs thru 2nd quarter (June) 2011. The Permittee’s NetDMR subscriber agreement was approved September 15, 2011. A USEPA NetDMR report as of day of this CEI showed data (pH, TSS, Iron, Flow) for Outfall 086A “not received” for October 2011. Corrected/revised DMR indicating “No Discharge” appears needed. The Permittee would need to contact NetDMR staff for instructions for correcting or revising DMRs. Contacts for EPA Region 6 are listed at <http://www.epa.gov/netdmr/>.

Section C - Operations and Maintenance - Overall rating of “Marginal”

Standard Conditions in Part III.B.3 of the Permit states *“The permittee shall at all times properly operate and maintain all facilities and systems of treatment and control (and related appurtenances) which are installed or used by permittee as efficiently as possible and in a manner which will minimize upsets and discharges of excessive pollutants and will achieve compliance with the conditions of this permit.”*

Impoundments may provide treatment should a discharge occur. Permittee on-site representatives described practices for impoundment maintenance following inspections (e.g., side slope repair and removing accumulated sediment). Schedules and/or dates of maintenance or repairs were not recorded according to permittee on-site representatives.

An oil-water separator associated with vehicle or equipment washing was not operational. A belt was on order according to permittee on-site representatives.

Upon arrival at the domestic wastewater mechanical treatment plant on the day of this CEI, a pipe to connect the aeration system was observed to be disconnected. A Permittee on-site representative was able to immediately connect the aeration system to the treatment plant. Permittee representatives indicated on September 17, 2014 that additional or alternative connections for the aeration system were being evaluated.

Written documents (e.g., inspection record keeping, standard operating procedures, procedures for emergency treatment) for the domestic wastewater mechanical treatment plant were not readily available on the day of this CEI.

From: Worthen, Emily C. <EHydrusko@peabodyenergy.com>
Sent: Wednesday, September 17, 2014 11:53 AM
To: Trujillo, Erin S, NMENV; Valenta, Daniel, NMENV
Cc: Nicholson, Mike E; Gaines, Chad; Cochran, John N.
Subject: Lee Ranch Mine NPDES sediment control plan

Ms. Trujillo and Mr. Valenta,

In response to your question about the lack of a sediment control plan in our NPDES permit, I am confident the following information will provide sufficient answers to your question. The sediment control plan relates to discharges from areas where 100% of the mining disturbance has been reclaimed and drainage from the area meets the water quality requirements before any treatment. The sediment control plan must be submitted and approved before untreated discharge from reclaimed areas can be comingled with water from native areas.

According to part I C. of our existing permit (page 4 of part I) it is stated that;

“If any outfall discharge comingled drainages from reclamation areas (as defined in part II E of permit No. NM0029581) and non-reclamation areas, the discharge must comply with effluent limitations established in b) MINE DRAINAGE DISCHARGES FROM PROCESS PLANT, MINE DRAINAGE AND DISTURBED AREAS above and report accordingly”.

Lee Ranch Mine interprets this requirement to mean that unless the entire watershed has been reclaimed and no other type of disturbance related to mining exists we must comply with the more stringent mine drainage limitations and monitoring as described by the permit (IV. B of the permit).

Part II. E.1 of the permit refers to the sediment control plan and it states;

“This subpart applies to any outfall that 100% of its associated drainage is at western alkaline coal mining operations from reclamation areas, brushing and grubbing areas, topsoil stockpiling areas and regraded area where the discharge, before any treatment, meets all of the following requirements....”

This again indicates that there should be no mingling of drainage associated with mining activities with those of reclaimed areas. At this time the Lee Ranch Mine does not have any areas above existing outfalls that meet this requirement. All outfalls at Lee Ranch Mine continue to have mining related disturbance within the watershed and therefore are not subject to the requirements of 40 CFR 434.80 (Subpart H – Western Alkaline Coal Mining), including the development of a sediment control plan. Lee Ranch Mine is currently evaluating outfalls that are close to meeting the requirement and determining the time frame in which those outfalls may fall into that category. Once it is determined that an outfall has met the requirements for 100% of its watershed being completely reclaimed (or are only comprised of brushing and grubbing areas or temporary topsoil stockpile areas), Lee Ranch Mine will perform the appropriate modeling for the watershed using the same software used for the SMCRA permit. The modeling will be performed to demonstrate that the implementation of the selected BMPs for the area will not increase the average annual sediment loads over pre-mined, undisturbed conditions. This demonstration will be incorporated into a comprehensive sediment control plan that will be submitted to the New Mexico Mining and Minerals Division (MMD), EPA and New Mexico Environmental Department (NMED) for approval at least 3 months prior to any discharge from the area as required in part II E. 2 of the permit (No. NM0029581). Once approved, Lee Ranch Mine will submit a permit modification request to EPA for re-categorizing the outfall under 40 CFR 434.80 as specified in part II E.2 of the permit. Lee Ranch Mine will then comply with the BMP inspection and annual reporting requirement in the approved sediment control plan.

We can discuss further if you wish this afternoon on our call.

Emily C. Worthen , P.E.

Mining Engineer I- Environmental P.E.

Lee Ranch:505-285-2845

El Segundo: 505-285-3065

Cell: 505-240-4797

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