



SUSANA MARTINEZ
Governor
JOHN A. SANCHEZ
Lieutenant Governor

NEW MEXICO ENVIRONMENT DEPARTMENT

Harold Runnels Building
1190 South St. Francis Drive (87505)
P.O. Box 5469, Santa Fe, NM 87502-5469
Phone (505) 827-0187 Fax (505) 827-0160
www.nmenv.state.nm.us



RYAN FLYNN
Cabinet Secretary
BUTCH TONGATE
Deputy Secretary

Certificated Mail – Return Receipt Requested

October 15, 2014

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

Re: Lee Ranch Coal Company, El Segundo Mine, Minor Non-Municipal Individual Permit; SIC 1221; NPDES Compliance Evaluation Inspection; NPDES NM0030996; September 18, 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 Daniel Valenta at 505-827-2575 or at daniel.valenta@state.nm.us.

Mr. Mitch Knapton
El Segundo Mine - NM0030996
October 15, 2014
Page 2 of 2

Sincerely,

/s/Bruce 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

SECTION A - PERMIT VERIFICATION

PERMIT SATISFACTORILY ADDRESSES OBSERVATIONS.
DETAILS:

S M U NA (FURTHER EXPLANATION ATTACHED No)

1. CORRECT NAME AND MAILING ADDRESS OF PERMITTEE.

Y N NA

2. 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 NA

4. ALL DISCHARGES ARE PERMITTED.

Y N NA

SECTION B - RECORDKEEPING AND REPORTING EVALUATION

RECORDS AND REPORTS MAINTAINED AS REQUIRED BY PERMIT.
DETAILS:

S M U NA (FURTHER EXPLANATION ATTACHED Yes)

1. ANALYTICAL RESULTS CONSISTENT WITH DATA REPORTED ON DMRS. **No reported discharges / no analytical results**

Y N NA

2. 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 No)

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 NA

2. TREATMENT UNITS PROPERLY MAINTAINED.

S M U NA

3. STANDBY POWER OR OTHER EQUIVALENT PROVIDED. **Gravity flow through the plant.**

S M U NA

4. ADEQUATE ALARM SYSTEM FOR POWER OR EQUIPMENT FAILURES AVAILABLE. **Red light comes on if power failure.**

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 NA

7. SPARE PARTS AND SUPPLIES INVENTORY MAINTAINED.

S M U NA

8. OPERATION AND MAINTENANCE MANUAL AVAILABLE.

Y N NA

STANDARD OPERATING PROCEDURES AND SCHEDULES ESTABLISHED.

Y N NA

PROCEDURES FOR EMERGENCY TREATMENT CONTROL ESTABLISHED.

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
4. QUALITY CONTROL PROCEDURES ADEQUATE. **Permittee would need to review and may need to update written procedures prior to discharge.** 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. 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

**EL Segundo Mine
Lee Ranch Coal Company
Compliance Evaluation Inspection
NPDES Permit No. NM0030996
September 18, 2014**

Further Explanations

Introduction

On September 18, 2014, a Compliance Evaluation Inspection (CEI) was conducted by Daniel Valenta accompanied by Sandra Gabaldon, both of the State of New Mexico Environment Department (NMED), Surface Water Quality Bureau (SWQB) of the Lee Ranch Coal Company, El Segundo Mine, operated by Peabody Energy Western Coal Company, located north of Milan, 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 NM0030996 which regulates discharge from several outfalls to unclassified Kim-me-ni-oli Valley Tributary in Segment No. 20.6.4.97 *State of New Mexico Standards for Interstate and Intrastate Surface Waters, 20.6.4 New Mexico Administrative Code (NMAC)*, thence to Chaco River, a tributary of San Juan River of the San Juan River Basin. East of NM 502 and the Continental Divide, discharges are to unclassified Inditos Draw in Segment 20.6.4.97 NMAC, thence to Voght Draw, thence to Arroyo Chico, thence to Rio Puerco (East), thence to the Rio Grande.

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>.

Upon arrival at the Lee Ranch Mine at approximately 1048 hours on the day of this inspection, the inspector made introductions, presented credentials and explained the purpose of the inspection to Ms. Emily Worthen, Mining Engineer-Environmental P.E., Peabody Natural Resources and Mr. Chad Gaines, Engineering Specialist. The inspectors toured portions of the facility with Ms. Emily Worthen and Mr. Chad Gains. The inspectors left Lee Ranch Mine at approximately 1355 hours.

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.

Facility Description/Treatment Scheme

El Segundo Mine, located in Northwest New Mexico adjacent to Lee Ranch Mine, opened in 2008. El Segundo is one of the most productive mines in the Southwest because of its low overburden ratio. Currently, El Segundo has long-term coal agreements with Arizona Public Service Company and Tucson Electric Power. Arizona Electric Power Cooperative and Western Fuels Association are supplied coal under shorter-term contracts.

**EL Segundo Mine
Lee Ranch Coal Company
Compliance Evaluation Inspection
NPDES Permit No. NM0030996
September 18, 2014**

El Segundo shipped 8.4 million tons of coal in 2013, and owns or controls approximately 167 million tons of coal reserves. At the mine a workforce of approximately 340 use dozers, shovels, and trucks to uncover between two and five coal seams ranging from 1.5- to 16-foot thick. Coal loading takes place daily and is done with the aid of end loaders. The coal is transferred to its four customers via the Burlington Northern Santa Fe Railway.

There has been no reported discharge since the permit effective date of February 1, 2009. There has been no discharge from the new impoundments described in the 2012 application according to the Permittee on-site representative.

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

Per Part 1.4.2 Outfalls Associated with Reclamation Areas

“(2) At least 6 months prior to entering into the reclamation process, the operator must submit a site specific Sediment Control Plan (Plan) to the permitting authority that is designed to prevent an increase in the average sediment yields from pre-mined, undisturbed conditions. The Sediment Control Plan must identify best management practices (BMPs) and also must describe specifications, construction specifications, and maintenance schedules, criteria for inspection, as well as expected performance and longevity of the best management’s practices...”

Finding:

- In discussing the above requirements that fall under the Sediment Control Plan (SCP) the permittee interprets this requirement to mean that unless the entire watershed has been reclaimed and no other type of disturbance related to mining exists they must comply with the more stringent mine drainage limitations and monitoring as described by the permit (E.g., Part I Section A.2) and no SCP is required. Attached to this report is an e-mail sent to NMED on 9/30/2014 with a detailed explanation of the permittees understanding of when a Sediment Control Plan is required. The new 2014 permit for the mine has been issued during the writing of this report. In the new permit the language has been clarified as to when a Sediment Control Plan is needed.
- There has been no reported discharge since the permit effective date of February 1, 2009. There has been no discharge from the new impoundments described in the 2012 application according to the Permittee on-site representative. All required Discharge Monitoring Reports (DMR) have been submitted via the Net DMR system.

NMED/SWQB
Official Photograph Log

Photo # 1

Photographer: Daniel Valenta	Date: 9-18-2014	Time: (error in time stamp)
City/County: 35 miles north of Milan, in Grants, McKinley County		
Location: Lee Ranch Coal Company, El Segundo Mine		
Subject: The El Segundo Coal Mine, 16,115 acre site. Note how flat the area is.		



NMED/SWQB
Official Photograph Log

Photo # 2

Photographer: Daniel Valenta	Date: 9-18-2014	Time: (error in time stamp)
City/County: 35 miles north of Milan, in Grants, McKinley County		
Location: Lee Ranch Coal Company, El Segundo Mine		
Subject: Shallow retention ponds are used to capture any stormwater/sediment not absorbed. These are used throughout the area and receive routine checks/maintance.		



NMED/SWQB
Official Photograph Log

Photo # 3

Photographer: Daniel Valenta	Date: 9-18-2014	Time: (error in time stamp)
City/County: 35 miles north of Milan, in Grants, McKinley County		
Location: Lee Ranch Coal Company, El Segundo Mine		
Subject: Active mining area, note coal seam. Overburden is removed and stored behind active zone as the coal removal moves forward.		



NMED/SWQB
Official Photograph Log

Photo # 4

Photographer: Daniel Valenta	Date: 9-18-2014	Time: (error in time stamp)
City/County: 35 miles north of Milan, in Grants, McKinley County		
Location: Lee Ranch Coal Company, El Segundo Mine		
Subject: Outfall 018, lined lagoon where the treated sanitary water is stored.		



Mr. Valenta,

In regard to your comment about the sediment control plan in the El Segundo NPDES permit NM0030996, I am confident the following information will provide sufficient information to address any questions you may have. The El Segundo Mine is a relatively young surface coal mining operation, and consequently does not have any completely reclaimed watersheds above permitted outfalls in which runoff through these watersheds would not comeingle with mining related disturbance prior to discharge. Per our SMCRA permit (issued by the New Mexico Mining and Minerals Department – MMD), all water must be captured and treated using a sedimentation pond prior to any discharge. 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 40 CFR 434.61 Commingling of waste streams;

“Where waste streams from any facility covered by this part are combined for treatment or discharge with waste from another facility covered by this part, the concentration of each pollutant in the combined discharge may not exceed the most stringent limitations for that pollutant applicable to any component waste stream of the discharge.”

El Segundo 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 (e.g., Part I Section A.2 of the El Segundo permit).

When reclamation of any of the watersheds above approved NPDES outfalls becomes 100 percent complete, and there is no comingling of water from mining related disturbances in the watershed, El Segundo Mine can then demonstrate through modeling that our BMPs (grading, natural vegetation establishment and occasional rock check dams) are functioning and that our reclamation will not produce higher average annual sediment yields compared to pre-mining 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. Once approved, El Segundo Mine will submit a permit modification request to EPA for re-categorizing the outfall under 40 CFR 434.80. El Segundo Mine will comply with the BMP inspection and annual reporting requirement in the approved sediment control plan until such time that it is viable to request permission to remove the sediment control pond (outfall).

By the nature of the way we mine, El Segundo will have mine related disturbance intermingled with reclamation areas until such time as more reclamation has occurred and an entire watershed is ready for final bond release. We are mining upstream through the watersheds, so though there is reclamation present at the facility there is still comingling of waste streams and the more stringent limitations must be met by containing all flow from disturbed and reclaimed areas in sedimentation ponds to control flow from the mining area and contain all the sediment yielded from that flow.

On an important and related note, El Segundo Mine submitted comments to USEPA on October 24, 2008 on the original draft NPDES permit. On page 4 of those comments, El Segundo objected to the language proposed by USEPA in Section A.4 (2) of the original draft permit. In spite of these comments, the USEPA did not change the language and accordingly, the existing NPDES permit for the El Segundo Mine, which is under an administrative extension, contains a requirement to submit a site specific sediment control plan at least 6 months prior to entering into the reclamation process. For reasons discussed above, this requirement is not feasible at the El Segundo Mine because none of the watersheds above the outfalls are 100 percent reclaimed, and discharges from these outfalls would not meet the requirements of 40 CFR 434.61.

El Segundo Mine submitted an application for renewal of the NPDES permit on July 25, 2013, and a draft permit was issued on May 30 2014. El Segundo Mine submitted comments to USEPA on the May 2014 draft renewal of El Segundo's NPDES permit on June 30, 2014, and requested USEPA revise the draft permit and incorporate language for requiring sediment control plans under Western Alkaline Coal Mining (40 CFR 434.80) that was written into the Lee Ranch Mine NPDES permit (No. NM0029581). I have attached a copy of these comments for your information as I believe they provide additional explanation regarding the requirement for developing sediment control plans at the El Segundo Mine.

Please let me know if you have any further questions.

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