NTEC Navajo Transitional Energy Company, LLC

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BHP Billiton Mine Management Company

May 14, 2015

Mr. Mychal Yellowman
Pinabete Permit Team Leader
Office of Surface Mining Reclamation and Enforcement
U.S. Department of the Interior
1999 Broadway, Suite 3320
Denver, CO 80202-3050

**Re: MMCo Responses to Pinabete Permit (OSM Permit No. NM-0042-A-P01) Bond Technical Evaluation and Permit Updates (Pinabete Permit Revision 1504)**

Dear Mr. Yellowman:
BHP Billiton Mine Management Company (MMCo) submits for your review and approval a revision to the Pinabete Permit Application Package (OSM Permit No. NM-0042-A-P01). This submittal 1) responds to the Office of Surface Mining Reclamation and Enforcement's (OSMRE) technical evaluation (OSM ARMS No. 15/03/05-01, received April, 24, 2015) of the proposed Pinabete Reclamation Bond Calculation; 2) updates the officers and directors for the Navajo Transitional Energy Company (NTEC) and MMCo; and 3) updates the Section 11 Cultural, Historic, and Archaeological Resources to include the approved Section 106 Consultation Programmatic Agreement.

Responses to OSM's Reclamation Bond Technical Evaluation follow:

**OSM's Pinabete Reclamation Bond Technical Evaluation Comments (MIPPS No. NM-0042-A-P-01, WATS No, FPD08653, ARMS No. 12/04/03-01)**

**OSM Comment:** "This part of the application/document does not comply with the requirements of the applicable regulations or OSMRE cost estimating documents, and as there have been a number of submittals and meetings, OSMRE has set the initial bond amount.

[MMCo] must clarify whether the fuel tax was included in their local fuel cost.

The next step is for [MMCo] to determine what timeframe and amount the bond will posted. Upon notification of the choice, OSMRE will prepare the necessary draft bonding agreements based on the amount, as well as whether it will be a joint bond with the Navajo Mine."

**MMCo Response:**
MMCo, in consultation with NTEC, has adopted OSM's calculated reclamation bond amount ($21,139,007) for the end of the Year 1 permit term (June 2017). OSM's updated reclamation bond amount is described in detail in the updated Appendix 50.A "Office of Surface Mining Reclamation and Enforcement Detailed Reclamation Bond Calculation." NTEC is committing to review the reclamation bond annually with OSM.

NTEC will be utilizing three bonding instruments to cover the reclamation bond amounts for Navajo Mine (OSM SMCRA Permit No. NM-0003F) and the proposed Pinabete Permit (OSM SMCRA Permit No. NM-0042A-P). NTEC is not proposing to modify or revise its existing Zurich American Insurance Company bonding instrument ($163,000,000) for Navajo Mine. However, NTEC will obtain a new additional Liberty Mutual Insurance Company ($16,703,096) bonding instrument to cover the increase in the Navajo Mine reclamation bond amount. NTEC will then obtain a second new Liberty Mutual Insurance Company ($21,139,007) bonding instrument to cover the Pinabete Permit reclamation amount. The combined amount of all three bonding instruments would total $200,842,103 and cover the combined reclamation costs for both the Navajo Mine and the Pinabete Permit.

**OSM Comment:**
"..., [MMCo] needs to update and resubmit Section 50 of the permit to include and address the assumptions made in its cost estimate. As the Pinabete cost estimate is derived as a [residual] cost for a calculated cost for Area 4 North (Navajo Mine), it might be wise [to] show the Pinabete Mine cost estimate as a stand-alone estimate."

**MMCo Response:**
The text in Section 50 Bonding did not change as a result of the previous Pinabete bond calculation technical evaluation response submittals. MMCo did review the Section 50 Bonding text; its MMCo's opinion that the bond assumptions are adequately discussed in the section text and are consistent with the descriptions of the Navajo Mine Bonding (OSM SMCRA Permit NM-0003F) assumptions. The estimated reclamation costs for the Pinabete Permit area of Area 4 North are presented on Worksheet 16 found in Appendix 50.A and Table 50.4-1.

During MMCo's review we did notice that some of the dates included in the document are not consistent with OSM's calculated bond and its references. MMCo has revised the section text to correct the reference dates and bonding dates.

**Other Pinabete Permit Updates**
MMCo would like to take this opportunity to update a couple sections of the Pinabete SMCRA permit application package. These Sections include Section 1 Permitting History, Section 4 Permittee Ownership and Control, and Section 11 Cultural, Historic, and Archaeological Resources.

MMCo updated Appendix 1.A Initial Permit Application Package Submittal Form was updated to include an updated initial permit submittal form and Appendix 1.A Attachments 1 and 2. The updated Attachments 1 and 2 list the new and renamed permit documents which have been submitted to OSM as part of MMCo's response to technical evaluations.

MMCo has updated the Ownership and Control information found in Section 4 Permitttee Ownership and Control. Both Navajo Transitional Energy Company (NTEC) and MMCo have had changes to their officers and directors since the last update.

MMCo has updated the Section 11 Cultural, Historic, and Archaeological Resources section text and Appendix 1.A to include the recently finalized Section 106 Second Amended Programmatic Agreement for the Management

of Cultural and historic Properties in Area III, Area IV North, and Area IV South. The area of potential effect covered in this programmatic agreement includes all of the Pinabete SMCRA Permit area.

Instructions for the replacement of the revised Pinabete Permit Application Package files follow:

**Part 1 Legal, Financial, Compliance and Related Information**

Section 1 Permitting History

- Overwrite the "Appendix 1.A.pdf" file found in the Section 1 Appendices directory with the updated "Appendix 1.A.pdf" file.

Section 4 Permittee Ownership and Control

- Overwrite the "Section 4 Permittee Ownership and Control.docx" section text file with the updated "Section 4 Permittee Ownership and Control.docx" section text file.
- Overwrite the "Appendix 4.A.pdf" file found in the Section 4 Appendices directory with the updated "Appendix 4.A.pdf" file.
- Overwrite the "Appendix 4.B.pdf" file found in the Section 4 Appendices directory with the updated "Appendix 4.B.pdf" file.
- Overwrite the "Table 4.1-2.docx" file found in the Section 4 Tables directory with the updated "Table 4.1-2.docx" file.
- Overwrite the "Table 4.1-4.docx" file found in the Section 4 Tables directory with the updated "Table 4.1-4.docx" file.
- Overwrite the "Table 4.1-5.docx" file found in the Section 4 Tables directory with the updated "Table 4.1-5.docx" file.
- Overwrite the "Table 4.1-7.docx" file found in the Section 4 Tables directory with the updated "Table 4.1-7.docx" file.

**Part 5 Premining Environmental Resources Information**

Section 11 Cultural, Historic, and Archaeological Resources

- Overwrite the "Section 11 Cultural Resources.docx" section text file with the updated "Section 11 Cultural Resources.docx" section text file.
- Overwrite the "Appendix 11.A.pdf" file found in the Section 11 Appendices directory with the updated "Appendix 11.A.pdf" file.

**Part 7 Bonding**

Section 50 Bonding

- Overwrite the "Section 50 Bonding.docx" section text file with the revised "Section 50 Bonding.docx" section text file.
- Overwrite the "Appendix 50.A.pdf" file found in the Section 50 Appendices directory with the updated "Appendix 50.A.pdf" file.
- Overwrite the "Table 50.4-1docx" file found in the Section 50 Tables directory with the updated "Table 50.4-1.docx" file.

If you have any questions, please contact Matt Owens at 505-598-3229

Sincerely,

C. Kent Applegate
Superintendent, Environmental Projects
BHP Billiton Mine Management Company

Enclosure: CD

Cc: Clark Moseley, Navajo Transitional Energy Company