

CHAPTER 3

LEGAL, FINANCIAL, AND COMPLIANCE INFORMATION

Applicant/Operator Information

See Attachments 1 and 12 for identification of interests and compliance information pursuant to 30 CFR 774.12, 778.11, 778.12, and 778.14.

Applicant and Operator Pursuant to 30 CFR 778.11(b)

Audry Rappleyea, Manager  
Kayenta Complex  
Peabody Western Coal Company  
P. O. Box 650, Navajo Route 41  
Kayenta, Arizona 86033 (928) 677-3201

Surface and Mineral Owners - Leasehold Pursuant to 30 CFR 778.13(a)

The names and addresses of the owners of the surface and mineral property to be mined are:

The Navajo Tribe  
P.O. Box 308  
Window Rock, Arizona 86515 (Surface and Minerals)

The Hopi Tribe  
P.O. Box 123  
Kykotsmovi, Arizona 86039 (Minerals)

Property Owners - Contiguous Property Pursuant to 30 CFR 778.13(b)

The names and addresses of the owners of property contiguous to the proposed permit area are:

The Navajo Nation	The Hopi Tribe
P.O. Box 308	P.O. Box 123
Window Rock, Arizona 86515	Kykotsmovi, Arizona 86039

PWCC does not hold any current interests on options nor does PWCC hold any pending bids for lands contiguous to the existing permit area pursuant to 30 CFR 778.13(c).

Mine Safety and Health Administration Numbers Pursuant to 30 CFR 778.13(d)

Kayenta Complex	02-01195
J-7 Dam	1211-AZ-09-01195-11
J-2A Wild Ram Valley Dam	1211-AZ-09-01195-12
Kayenta Fresh Water Pond	1211-AZ-09-01195-01
N-14D Dam	1211-AZ-09-01195-02
N-14E Dam	1211-AZ-09-01195-03
N-14F Dam	1211-AZ-09-01195-04
N-14G Dam	1211-AZ-09-01195-05
N-14H Dam	1211-AZ-09-01195-06
J-16A Dam	1211-AZ-09-01195-07
J-16L Dam	1211-AZ-09-01195-08
J7-Jr Dam	1211-AZ-09-01195-09

Right of Entry Information Pursuant to 30 CFR 778.15

Peabody Western Coal Company (PWCC) operates the Kayenta Complex, that includes former mines separately designated as the active Kayenta Mine and inactive Black Mesa Mine on lands leased from the Navajo and Hopi Tribes. Three leases have been signed (two with the Navajo and one with the Hopi) which provide for mining activities on three separate but contiguous tracts of land.

The original lessee was Sentry Royalty Company, a Nevada Corporation (hereinafter "Sentry"). Sentry was a wholly owned subsidiary of Peabody Coal Company, an Illinois Corporation. Peabody Coal Company, an Illinois Corporation, was a predecessor of Peabody Coal Company, a Delaware Corporation. Sentry assigned the leases to Peabody Coal Company, an Illinois Corporation, February 5, 1968, prior to merging with the Illinois Corporation. Peabody Coal Company, an Illinois Corporation, assigned the leases to Peabody Coal Company, a Delaware Corporation, February 8, 1968, prior to re-incorporation into the Delaware Corporation. PWCC is successor in interest to Peabody (see Attachment 9). The transfers and assignments were made with the consent and approval of the Navajo and Hopi Tribes and the Secretary of Interior.

Sentry obtained the first coal mining lease, February 1, 1964, for approximately 24,858 acres of Navajo Reservation land (Lease Number 14-20-0603-8580). The 1964 lease area is within the area granted to the Navajo Tribe under the Executive Order of May 17, 1884. The Navajo Tribe has 100 percent surface and mineral interest in this area. On June 6, 1966, Sentry obtained a coal mining lease for approximately 40,000 acres of land in the Joint Mineral Use Area from the Navajo Tribe (Lease Number 14-20-0603-9910).

Because of the joint mineral interests of the two tribes in the Joint Mineral Use Area, Sentry obtained a separate lease, June 6, 1966, for the same area from the Hopi Tribe (Lease Number 14-20-0450-5743). The lease area for the 1964 lease and the Joint Mineral Use Area Leases are contiguous (Figure 1). Copies of the leases were provided to the Office of Surface Mining on January 6, 1981 as Appendices 11, 12 and 13, Volume 5, Mining and Reclamation Plan for the Black Mesa and Kayenta Mines.

The leases provide that PWCC may prospect, mine and strip leased lands for coal and kindred products, including other minerals, except for oil and gas, as may be found. Peabody also has the right to construct buildings, pipelines, plants, tanks and other structures; make excavations, openings, stockpiles, dumps, ditches, drains, roads, spur tracks, transmission lines and other improvements; and to place machinery and other equipment and fixtures and do all other things upon leased lands that may be necessary in the efficient operation of mining. PWCC may occupy that portion of the leased lands as is necessary to carry on mining operations including the right of ingress and egress and may develop and utilize water for the mining operations. A description of the land on the Black Mesa leased to PWCC may be found in Attachment 2.

On December 10, 1969, the Secretary of Interior with the consent of the Navajo Tribe granted the Navajo Project participants a right-of-way easement for the overland conveyor and coal loading site located outside the coal mining leases. On December 19, 1972 the Navajo Tribal Counsel Advisory Committee passed a resolution approving the granting of the right-of-way and easement to Peabody Coal Company. A description of the lands within the conveyor and coal loadout facility right-of-way may be found in Attachment 3. PWCC is successor in interest to Peabody Coal Company (see Attachment 3).

On June 24, 1994 PWCC submitted a Mine Support Facilities Right-Of-Way Application to the Bureau of Indian Affairs and Navajo Nation for four parcels of Navajo Tribal lands contiguous to two existing coal-mining leases located on the Black Mesa, Navajo County, Arizona. The

proposed right-of-way areas provide access for utilities, haul roads, maintenance roads, existing and additional sedimentation control ponds, and a rock borrow area which support the Kayenta Complex. The right-of-way application and grant of easement for these two parcels were approved by the Navajo Nation and Bureau of Indian Affairs on August 19 and 28, 1996, respectively. A description of these approved right-of-entry documents, as required by 30 CFR 778.15(a), is presented in Attachments 3a and 3b.

On September 7, 1984 the Bureau of Indian Affairs granted Peabody a right-of-way for a 69 KV electrical transmission line between Tracks 1 and 2 of the Joint Mineral Area leases. The location of the right-of-way is shown in Attachment 4. PWCC is successor in interest to Peabody Coal Company (see Attachment 4). The revocable use permit for all environmental monitoring sites is presented in Attachment 4a.

#### Liability Insurance Pursuant to 30 CFR 778.18

A certificate of liability insurance may be found as Attachment 5.

#### Permit Term and Area

The Kayenta Complex is operated pursuant to interim program authorization and permanent program permits (Figure 2 and Drawings 85110 and 85360) issued by the Office of Surface Mining Reclamation and Enforcement (OSM). Interim program authorization was issued on January 29, 1982 and Permit AZ-0002A was issued on December 21, 1984. The permanent program permit for Kayenta Mine was first issued on July 6, 1990. The permanent program permit is AZ-0001E and was renewed four times; on July 6, 1995, on July 6, 2000, on July 6, 2005, and lastly on July 6, 2010. Information pertaining to production and disturbed lands may be found in Chapters 5 and 21. The proposed life-of-mine permit area is shown in Figure 3 and in more detail on Drawings 85210 and 85360. About 1,307.4 acres between the N-6 and N-11 mining areas was transferred from the interim program area of Black Mesa Mine to Kayenta Mine Permit AZ-0001D on December 23, 2004. A metes and bounds description for the proposed permit area may be found in Attachment 6.

This application seeks regulatory authorization to extend mining in five-year permit term increments until the 670 million tons of leased coal is exhausted to ensure adequate and uninterrupted fuel supplies for the Navajo Generating Station into the future, and to combine the Black Mesa Interim Program authorization area with the Kayenta Mine Permanent Program Permit area such that all leased areas are covered by a single Permanent Program Permit.

Peabody Western Coal Company (PWCC) submitted a Permanent Program Permit Application Package (PAP) in 1985 for the entire Black Mesa Complex. At that time PWCC sought to obtain authorization to mine for a period of time coincident with the coal supply agreements with the owners of MGS and the Navajo Generating Station (2005 and 2011, respectively). The coal supply agreement for Kayenta Mine has since been renegotiated and extends to 2019 to supply coal to NGS when the terms of the coal supply agreements will again be renegotiated.

The existing leases with the Navajo Nation and the Hopi Tribe entitle PWCC to mine 670 million tons of coal. With this submittal, PWCC seeks to permit the potentially economical surface-recoverable reserves needed for mining the 670 million tons within the existing lease boundary (approximately 429 million tons have been mined as of January 1, 2012). PWCC requested the Office of Surface Mining Reclamation and Enforcement (OSM) consider the J-19, J-21, J-21 West, J-28, N-9, N-10, and N-11 Extension surface-recoverable reserves and coal resource areas in the leases when conducting its review and approval activities including the appropriate National Environmental Policy Act compliance activities.

Certification

Certification of information contained in this document as required by 30 CFR 777.11(c), 778.9(a) and (b), and 778.11(d) may be found in Attachment 7. A copy of the fully executed OSMRE Application for Permit Transfer form is also included in Attachment 7.

Permit History

A history of mining permits issued to Peabody and its successor in interest for the Kayenta Complex operations may be found in Table 1.

Information Required Pursuant to 30 CFR 750.12(d)(2)

Employment, Population, Revenues and Goods. The Black Mesa mining complex is an existing operation that began producing coal in 1970. The coal mined at the complex is dedicated to meeting the fuel supply requirements of the Mohave and Navajo Electric Generating Stations. The mining plan contained in this document does not represent any change in production levels, employment or coal processing and handling facilities. Any significant cumulative effects of the mining operation on economic, social, community, government, land use, transportation and cultural conditions should have already manifested themselves, as the mining operations have remained relatively unchanged since the mid to late 1970's. Peabody has not experienced and does not expect to experience any significant problems regarding acquisition of goods and services to support the mining and reclamation operations. Major changes in the goods and services needed to support these activities are not anticipated.

Unsuitability Claims Pursuant to 30 CFR 718.16

There are no unsuitability claims associated with the approved permit area for the Kayenta Complex.

TABLE 1

Permit History  
Pre-SMCRA Mining and Reclamation Plans  
(U.S. Geological Survey)

<u>Mining Area(s)</u>	<u>Submittal Date</u>	<u>Approval Date</u>
J-3	02/16/70	03/25/70
J-27	04/01/70	04/21/70
J-1, N-6, N-5	06/20/72	07/13/72
N-1	01/16/73	01/03/74
N-7	10/10/73	07/16/74
N-2, N-10	10/16/73	07/16/74
J-13, J-14	10/18/73	07/16/74
J-5, J-6, J-11, J-12	01/22/74	07/16/74
J-7	05/12/75	07/21/75

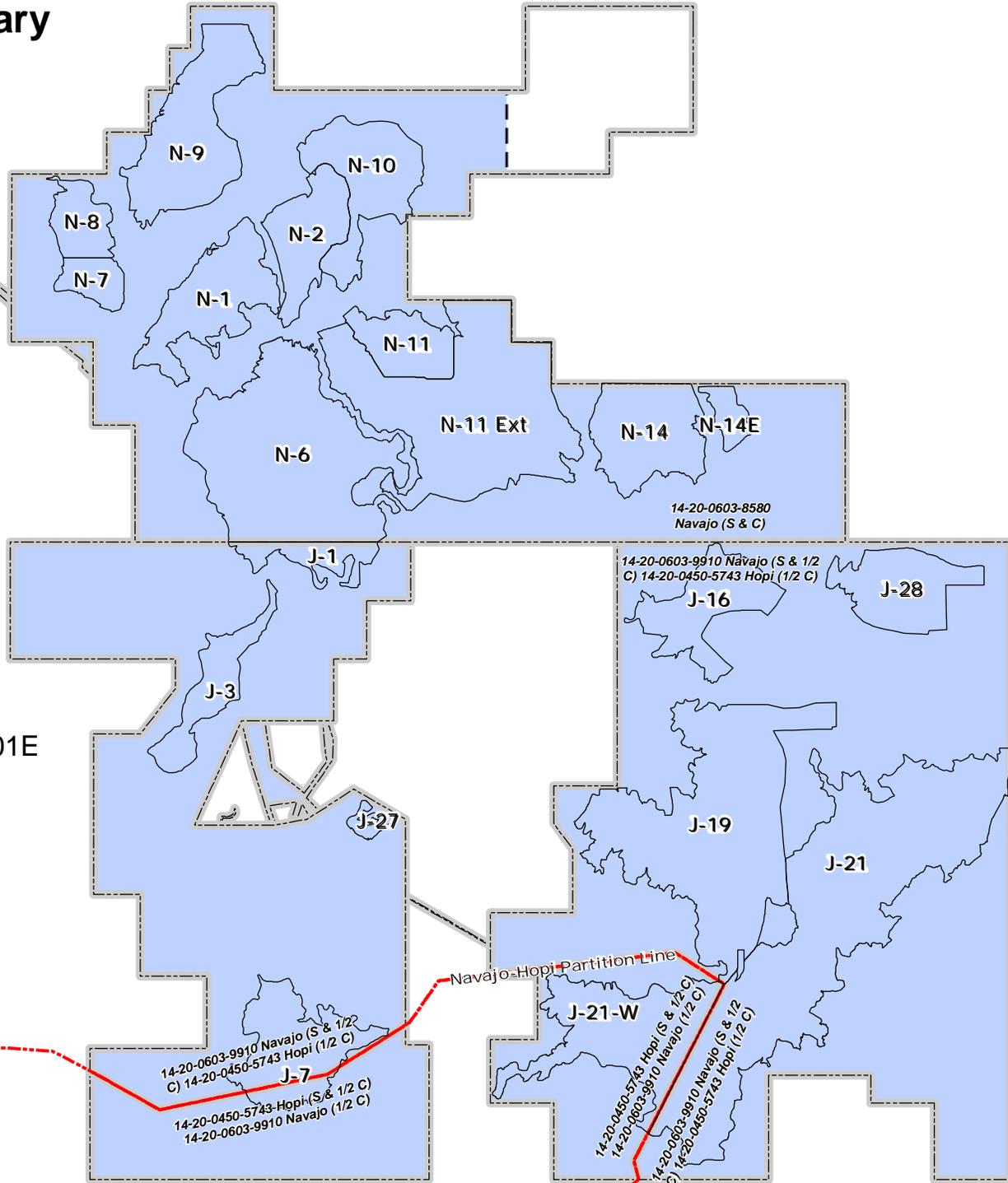
Post-SMCRA Permit Activities

<u>Action</u>	<u>Date</u>
SMCRA Adopted	08/77
Interim Program	12/77
Mining and Reclamation Plan to USGS	09/79
N-7/8 Mining Plan Modification (USGS)	09/80
Leg 25, Overland Conveyor, Kayenta Mine Approved (OSM)	01/81
Mining and Reclamation Plan to OSM	01/81
Phase I Overland Conveyor and Preparation Facilities, Kayenta Mine Approved (OSM)	05/81
Interim Operating Plan (OSM)	06/81
Interim Program Authorization (OSM)	01/82
Phase II Overland Conveyor and Preparation Facilities, Kayenta Mine Approved (OSM)	09/82
Permit AZ-0002 (OSM)	08/84
Permanent Program	09/84
Permit AZ-0002A (OSM)	12/84
Permanent Program Mining and Reclamation Plan to OSM	12/85
Permanent Program Permit AZ-0001C (OSM)	07/90
Permanent Program Permit AZ-0001D (OSM) Renewals	07/95, 07/00, 07/05
Permanent Program Permit AZ-0001E (OSM) Renewal	07/10

ATTACHMENT 6

Description of Life-of-Mine  
Permit Area

# Proposed Permit Boundary and PWCC Leases



## Legend

-  Coal Resource Areas
-  Navajo/ Hopi Partition Line
-  SRP Right of Way
-  PWCC Lease Line
-  Proposed Permit Line AZ0001E

Revised Date: Thursday, April 26, 2012

## Permit Area Description

This description consists of four parcels that comprise the life-of-mine permit area for the Kayenta Complex. The parcels are: (1) a portion of the Navajo Mining Lease Area and Tracts No. 1 and 2 of the Joint Mineral Ownership Lease Areas; (2) a conveyor right-of-way and a portion of a rail loading site; (3) a coal haulage road, utility, pond, maintenance road, and monitoring access road facilities right-of-way; and (4) a powerline right-of-way. The total permit area for Parcels 1 thru 4 contains 62,929.74 acres, more or less. Drawing No. 85110, Leases, Right-of Way, and Permit Area Map, shows the permit area described herein.

### Parcel No. 1: Mining Leasehold Description

A portion of the life-of-mine permit area includes the Navajo Mining Lease 14-20-0603-8580, and Tracts Nos. 1 and 2 of Navajo and Hopi Joint Mineral Ownership Mining Leases 14-20-0603-9910 and 14-20-0450-5743, respectively, in their entirety, as described in Attachment 2, except a portion of the Navajo Lease as described below. Parcel No. 1 contains 62,474.2 acres, more or less.

Beginning at a point 11,680.0 feet North and 43,033.5 feet East of U.S. Coast and Geodetic Survey Triangulation Station "Coal Mine 1951" (a brass disk set in a concrete monument);  
Thence, North 90°0'0" East a distance of 1,206.5 feet to a point;  
Thence, North 0°0'0" East a distance of 5,280.0 feet to a point;  
Thence, North 90°0'0" East a distance of 10,550.0 feet to a point;  
Thence, South 0°0'0" East a distance of 7,920.0 feet to a point;  
Thence, North 90°0'0" West a distance of 5,280.0 feet to a point;  
Thence, South 0°0'0" West a distance of 2,640.0 feet to a point;  
Thence, South 90°0'0" West a distance of 6,476.5 feet to the Point of Beginning. Said excluded portion contains 2,383.8 acres, more or less.

### Parcel No. 2: Overland Conveyor Right-of-Way and Rail Loading Site Description

This parcel contains the overland conveyor right-of-way and a portion of the coal loadout facility area described in Attachments 3 and 3a. The total nonoverlapping area contained within the overland conveyor right-of-way and the area designated as the rail-loading site is 163.57 acres, more or less. The rail-loading site is more particularly described as follows:

ATTACHMENT 7

CERTIFICATION

CERTIFICATION

Based upon my inquiry of those individuals immediately responsible for obtaining and preparing the information contained in this 2012 Kayenta Complex Permanent Program Permit AZ-0001E Life-of-Mine Plan Revision application package, I certify per 30 CFR 777.11(c) that such information is true and correct to the best of my information and belief.

As an authorized representative of Peabody Western Coal Company, first being duly sworn, I hereby certify that per 30 CFR 778.9(a), (b), and (d) the AVS information, regarding ownership and control and notice of violation information is accurate, complete, and up-to-date. All information required by 30 CFR 778.13 is accurate and there has been no change in the information previously submitted and approved in the permit application package.

Pursuant to 30 CFR 778.11(d), I certify, swear, or affirm under penalty of the Act (Public Law 95-87) that I am the natural person with the greatest level of effective control over the entire proposed operation. I am aware that, as the person with the greatest level of effective control over this proposed operation, I am obligated by the Act to prevent violations and to cause any violation that occurs to be abated promptly. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment.

\_\_\_\_\_  
Bradley G. Brown  
President  
Peabody Western Coal Company

State of Arizona            )  
                                  ) ss.  
Coconino County            )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2012, by Bradley G. Brown, President of Peabody Western Coal Company, a Delaware Corporation, on behalf of the corporation.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
  
\_\_\_\_\_

ATTACHMENT 11

PROOF OF PUBLICATION

Revised 02/24/12

ATTACHMENT 11

The following affidavits of publication are included in this attachment:

Permit Transfer - 1994

Navajo Times

Permit Renewal - 1995

Navajo-Hopi Observer  
Navajo Times  
Arizona Daily Sun  
Lake Powell Chronicle  
The Independent

Permit Renewal - 2000

Navajo-Hopi Observer  
Navajo Times  
Hopi Tutuveni

N-11 Extension (N-99) Significant Permit Revision - 2004

Navajo-Hopi Observer  
Navajo Times  
Hopi Tutuveni

Permit Renewal - 2005

Navajo-Hopi Observer  
Navajo Times  
Hopi Tutuveni

Permit Renewal - 2010

Navajo-Hopi Observer  
Navajo Times

Life-of-Mine Plan Extension Significant Permit Revision Application - 2012

Navajo-Hopi Observer  
Navajo Times