

Lee Ranch Coal Company A Division of Peabody Natural Resources Company P. O. Box 757

Grants, New Mexico 87020

Phone: 505-285-4651 Fax: 505-285-4650

June 30, 2025

Erik Munroe, Coal Program Manager Mining and Minerals Division 1220 South Saint Francis Drive Santa Fe NM 87505

Lee Ranch Mine – Permit No. 19-2P June 2025 Revision Application: Bond Surplus Amount

Dear Mr. Munroe,

Peabody Natural Resources Company (PNRC), on behalf of Lee Ranch Mine, respectfully submits for your review and approval a revision to Permit No. 19-2P.

As discussed during our conversation on June 25, 2025, regarding Modification 25-04 (Indirect Calculation Factor), PNRC is submitting this revision application pursuant to 19.8.13.1301(A)(1)(f) NMAC and 19.8.14.1404 NMAC

19.8.13.1301(A)(1)(f)

701.B(1) Applicant / Permit Holder: Current Permittee: Lee Ranch Coal Company P.O. Box 757 Grants, New Mexico 87020 Phone: (505) 285-4651

Federal EIN: 51-0332232 State CRS ID: 02-230650-001

Permit No.: 19-2P

The Lee Ranch Mine is located in McKinley County, approximately 35 miles north of Milan, New Mexico. The permit area encompasses 16,038 acres, covering the following legal descriptions:

T15N-R7W: Sections 7, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 29, 30, 31, & 32 T15N-R8W: Sections 13, 21, 22, 23, 24, 25, 26, 27, 28, 33, 34, 35, and 36

USGS 7.5-minute quadrangle maps covering the permit area include: San Lucas Dam, El Dado, and Piedra De La Aguila. The approximate centroid of the permit area is located at Latitude 35°30'57"N and Longitude 107°36'42"W.

19.8.14.1404 – Determination of Bond Amount:

PNRC proposes to incorporate a Bond Surplus calculation factor into the Indirect Cost section of the reclamation cost estimate for Permit 19-2P (Lee Ranch Mine). This adjustment is intended to address unforeseen reclamation activities and streamline future permit modifications without triggering an immediate bond recalculation.

The Bond Surplus factor will be formally adopted under:

Chapter 2 – Operations Plan

Section 906.B(2): Reclamation Cost Estimate

It will appear as Line Item 23 under the Indirect Cost category of the Reclamation Bond Summary Sheet. The Bond Surplus will be calculated as 1% of the total inflated direct cost estimate and included in our next bond submission, scheduled for July 2025.

This revision reflects PNRC's recognition of the agency's request to create operational flexibility through a surplus reserve. We appreciate MMD's thoughtful consideration and continued collaboration on this matter.

If you have any questions or require additional information, please contact me directly at (505) 285-2876.

Sincerely,

Chad Gaines
Tech Services Supervisor
Peabody Natural Resources Company – Lee Ranch Mine

Attachment 1 Chapter 2 906.B.2

diversity of bird species and a higher density of rodents have been observed on the reclamation areas than in undisturbed areas. Lee Ranch Mine has entered in a joint venture agreement with U.S. Forest Service to enhance wildlife habitat on U.S. Forest Service property in the vicinity of the mine site. Elk utilization of the existing revegetated areas is extensive. A detailed discussion of the wildlife resources occurring within the permit area is provided in CHAPTER VII.

Lee Ranch Mine is aware of the common practices used in protecting eagles and large birds from electrocution by power lines and transmission facilities. Currently, energized components and grounds are adequately spaced at least 60 inches horizontally and 48 inches vertically. Lee Ranch Mine is committed to designing and constructing electric power lines and other transmission facilities in order to protect eagles and other large birds by implementing practicable recommendations provided in "Avian Protection Plan Guidelines" (Aviation Power Line Interaction Committee).

The development of rolling terrain, construction of permanent impoundments, and use of seed mixtures containing desirable grass and shrub species have resulted in enhancement of the wildlife resources within the permit area.

905.B. Threatened or Endangered Species and Habitats

Wildlife monitoring conducted in the permit area between 1980 and 1989 and in the proposed mine expansion area during 1997, had not revealed the presence of any threatened or endangered animal species locally. Field surveys designed to locate rare, threatened, or endangered plant species and critical floral habitats were conducted within the permit area between 1982 and 1989 and in the proposed mine expansion area in 1997. All of the rare, threatened, and endangered plant species field surveys were performed by METRIC Corporation's vegetation specialist. The field surveys conducted between 1982 and 1989 had not revealed the presence of any rare, threatened, or endangered plant species or critical floral habitats within the original permit area. A survey conducted in June 1995 with the U.S. Fish and Wildlife Service (USFWS) and the NM State Botanist revealed a threatened annual grass (Puccinella Parishii) around the original permitted area. The proposed status of (Puccinella Parishii) is under review because of additional findings throughout the state. The habitat of (Puccinella Parishii) is the alkali seep springs located in the proposed mine expansion area. Small areas with cattails, sedges, and rushes occur in the immediate vicinity of wells and springs utilized for livestock water within these areas. Utilization of these areas by wildlife is limited due to the small size. The wetlands mitigation plan Appendix II-2, will provide for replacement of natural wetlands with an improved habitat for wildlife.

906. RECLAMATION PLAN

The major objectives of the reclamation plan developed for the Lee Ranch Mine are to minimize potential adverse environmental impacts, create a landscape configuration that is compatible with the post-mining land use and surrounding terrain, return disturbed areas to the pre-mining land use of rangeland, and meet the revegetation standards for success specified in Subpart 2065 of 19 NMAC 8.2. These objectives will be accomplished through backfilling and grading, redistribution of suitable topdressing materials, and revegetation. Information obtained during pre-mining environmental investigations, published technical information, and guidelines provided by the MMD and other State and Federal agencies have been used in the development of the reclamation plan.

906.B(1). Reclamation Timetable

A timetable for the major steps in the reclamation plan is presented in TABLE II-3. Reclamation acreage data is provided in the Lee Ranch Mine Annual Report. The life-of-mine final regrade sequence is shown on PLATES II-7, II-8 and II-9. The sequence of the reclamation operations will be influenced by several factors, the most significant being modification of the operations plan to meet coal quality requirements and accommodate coal demand by customers. Coal shipments are totally controlled by customers and vary monthly. Production could increase during unanticipated times, intervals, or durations due to spot coal sales. These factors have a direct effect upon the sequence and timing of the reclamation operations. LRCC will endeavor to conduct reclamation operations as contemporaneously as practicable with the mining operations.

A detailed estimate of the cost of reclamation has been prepared by the Lee Ranch Mine and submitted to the New Mexico Mining and Minerals Division (MMD) as provided for under Subpart 1405.A(4) of 19 NMAC 8.2. The reclamation cost estimate contains costs for structure demolition, backfilling and grading, topdressing replacement, and revegetation, with supporting calculations.

In the current bond submission and subsequent submissions, all reclamation activities occurring within the footprint of the bond will be accounted for in the bond calculations. All acres outside the bond footprint (total disturbed acres minus bond footprint acres) can be calculated separately. Costs for rework of acres outside the bond footprint have been developed for each of Phase I, Phase II and Phase III release categories specifics on these categories and reduction amounts can be found within the performance bond release application and procedures guidelines written by New Mexico Mining and Minerals Division and all calculations follow the general approach laid out in the OSM bond calculation guidelines. Rework calculations can be found in the current bond submission. These costs are applied to all acres outside the bond footprint and included in the bond calculations. Acres outside the bond footprint that have achieved release are multiplied by the rework costs per acre for each release category. PNRC will continue to seek appropriate and timely bond release applications for Phase I, Phase II and Phase III. Once Phase release is approved, rework costs for each acre in a given category will be deducted from the bond amount resulting in a bond reduction by that amount.

In order for PNRC and New Mexico Mining and Minerals Division to align on a yearly bond calculation, the two have agreed to have a reasonable methodology to calculate indirect costs that align with industry standards and fit with OSM guidance. Beginning June 30th, 2025, and each year thereafter, Lee Ranch Mine (LRM) will submit an annual bond Performance Bond Calculation with the supported volumetrics for 1.5 years of future mining to account for any subsequent changes in the mine plan that resulted from equipment failure, weather, pit stability, or an act of God.

Indirect Costs to be Submitted in Second Quarter of Calendar year:

Diesel Fuel pricing per dollar

Diesel fuel pricing is derived from the Energy Information Administration (EIA) website for the No. 2 Diesel Wholesale Pricing using a five-year rolling average (three previous years, current year and one future year current year). The Price will increase by 2.5% to cover distribution costs and an additional \$0.01 added for New Mexico off Road Tax.

Annual Inflation Rate percentage of total direct cost

PNRC will use the Producer Price Index for Support Activities for Coal Mining Industry that is tracked by the US Bureau of Labor statistics and reported monthly by the Federal Reserve Bank of St Louis. Producer Price Index by Industry: Support Activities for Coal Mining (PCU213113213113) | FRED | St. Louis Fed (stlouisfed.org) . PNRC will take the previous 5 year rolling average to assume the Inflation Rate. 3.58% for 2023

Mobilization and Demobilization Costs percentage of total direct cost

PNRC LRM recommends a cost from freight cost calculated from Wagner Equipment in Albuquerque, New Mexico. It is imagined that nearly all reclamation Equipment will be leased from the nearest Cat Dealer and that would be Wagner in Albuquerque. Wagner has provided one way pricing to LRM, and LRM factor in the Mobilization and Demolbization with contingency of unknow equipment failures or possible additional equipment not foreseen that will be needed along the way that the contractor may have to account for. PNRC LRM proposes a 1.0% factor of the total direct cost after receiving freight numbers from a reputable rental company of large-scale

mining equipment. The calculation for this was thought that the magnitude and scale to reclaim LRM would account for the contractor to run two fleets to complete the work.

Table 1.1

Mobilization and Demobilization Costs percentage of total direct cost 1.0%		
Equipment	Qty	Cost one way
Caterpillar D-11R CD	2	\$9,200.00
Caterpillar D-10R	4	\$4,400.00
Caterpillar 992K Loader	2	\$7,700.00
Caterpillar 777D Trucks	12	\$3,300.00
Caterpillar 16M Blade	2	\$1,100.00
Water Truck (6,000 gallon)	2	\$3,300.00
Service Truck	2	\$1,100.00

Contingencies percentage of total direct cost.

PNRC LRM recognizes that a contingency is a safety net to withstand unforeseen expenditures and modifications arising during the project. PNRC LRM will use a 3% factor for contingency on this size of the project. PNRC LRM will use the **previous year's acreage still requiring backfilling and grading** from that year's annual report to calculate this portion of the indirect costs for the mine site.

Table 1.2

	Percent of Inflated Direct Cost
Project size of site category	
Project Managed by Federal Agency	0
< 90 acres including other facilities	6
> 90 acres to < 700 Acres	5
> 700 acres	3

Engineering Re Design Fee percentage of total direct cost

PNRC LRM suggests that this should reflect the cost of an engineer's being hired to modify or design the closure plan. PNRC LRM recommends using https://www.dws.state.nm.us/Researchers/Data/Occupations-Wages NM wages to calculate this cost utilizing one Civil Engineer at \$122K per year, one Environmental Engineer at \$167K per year and one Mining Engineer at \$138K per year. PNRC will use the three salaries combined multiplying this by three years of salary divided by the overall inflated direct costs to calculate the percentage of the redesign fee.

=NM Civil Engineer +NM Mining Engineer +NM Environmental Engineer = Sum x 3 years = Total sum divided by the inflated direct cost = percent of the Re Design Fee to be calculated.

=\$122,850.18 + \$166,879.03 + \$137,824.03 = \$427,553.51 * 3 years = 1,282,660.53 / \$47,641,683.37 = 2.69%

Project Management Fee of total direct cost

OSM Guidance states this fee is the cost for hiring a project management firm to oversee

the contractor's work. PNRC LRM will use the table below to calculate the percentage for the project management fee. The previous years disturbed + graded acres included in that year's annual report will be used to determine the percent of the inflated direct cost to use. PNRC LRM will use a 3% factor for project management fee based on the project size (Table 1.3). The thought is that this person will have to oversee any efforts made to get the acres into reclamation.

Table 1.3

	Percent of Inflated Direct Cost
Project size of site category	
Project Managed by Federal Agency	0
< 90 acres including other facilities	6
> 90 acres to < 700 Acres	5
> 700 acres	3

Contractor and Profit Overheads percentage of total direct cost

PNRC LRM recommends NMMMD use 12.7% of the Direct Cost for the Contractor Overhead and Profit. PNRC LRM will look to calculate these costs as the following: Information Technology Systems, Building Leases, Administrative Employee Payroll, Executive Compensation per New Mexico Rates. IT costs will be figured by using the construction industry the JBKnowledge Construction report. https://contechreport.com/wpstandard content/uploads/2021/12/2021-JBKnowledge-Construction-Technology-Report.pdf, standard is 1%. Building Leases are assuming that NM Real estate leasing per sq ft on estimate SQ footage the contractor may need to house its crew. Administrative employee costs are calculate using NM wages, it is thought that the contractor would need one accountant, one Human Resource assistant, one Office administrator, one engineer, one Landman/Public relation manager, one Surveyor, and one Executive Director. LRM Estimates that overhead is calculated over a 3-year period using the following areas of costs in Table 1.4 divided by the Inflated Direct Cost with Inflation at 3.58%.

Table 1.4

Areas of Costs	Annual Cost	Methodology
Information Technology Systems (ITS)	Variable	1.0% of the contractors calculated overhead will be added to the overhead + Salary w Benefits for IT https://www.dws.state.nm.us/Researchers/Data/Occupations-Wages
Building lease	\$45,000	https://quickbooks.intuit.com/r/employee-cost-calculator/ Assume 3500 Sq FT shop and 1500 Sq FT office NM Commercial Real estate is assumed to be at \$9 SQ Ft See https://www.nar.realtor/sites/default/files/documents/2021- q4-commercial-real-estate-metro-market-reports-nm-01-19- 2022.pdf
Administrative Employee Payroll	\$504,495	Annual Incomes + Benefits: Accountant (\$78,599.70) Human Resource Assistant (\$45,583.45) Office Administrator (\$49,243.00), Engineer (\$133,748), Landman/Public Relation Manager (\$131,272.85), and Surveyor (\$66,047.71) https://www.dws.state.nm.us/Researchers/Data/Occupations-Wages https://quickbooks.intuit.com/r/employee-cost-calculator/
Executive Compensation	\$230,451	Based on the average annual salary \$230,451K for a Chief Executive obtained from the US Bureau of labor Statistics add 31% for fringe benefits

Total	(Without	0.5%	After Application of the book of business factor to account
ITS)			for additional projects in the companies' book of business.

Profit is based on the 5.9% three-year average of Industry Earnings reported in the 2019 CLA Civil construction Benchmark Report (2019-civil-construction-benchmark-report.pdf (claconnect.com)) adjusted for inflation. The table below includes the percent profit before tax and interest by the industry in 2016, 2017, and 2018. This is the average profit for all civil contractors and includes responses from both union and nonunion companies as well as companies with revenue ranging from less than \$15 million to over \$50 million annually.

Table 1.5. National Civil Construction Benchmarks for Profit Reported as Percentage of Revenue

Year	Percent Industry Earnings
2018	4.9
2017	4.9
2016	5.3
Mean	5.0

The profit was then adjusted for inflation based on the Producer Price Index (PPI) for Support Activities for Coal Mining Industry (NAICS 213113) that is tracked by the U.S. Bureau of Labor Statistics and reported monthly by the Federal Reserve Bank of St. Louis (Producer Price Index by Industry: Support Activities for Coal Mining (PCU213113213113) I FRED I St. Louis Fed (stlouisfed.orq)). The Support Activities for Coal Mining includes coal mining services on a contract basis including blasting, stripping, and overburden removal (North American Industry Classification System (NAICS) U.S. Census Bureau). The inflation rate, or percent change, experienced in this industry from Jan 2019 (PPI: 187.400) through December 2023 (PPI: 220.920) is 17.9%. The percent profit was then multiplied by 1.179 to address the inflation that has occurred since 2018.

Bond Surplus Amount:

The Bond Surplus will be clearly identified and labeled as a distinct line item (23) within the Indirect Cost category and will be calculated as 1% of the overall inflated direct cost estimate. The bond surplus factor will address reclamation costs that may arise from future unforeseen operational activities and will allow for permit modifications for these activities without immediately triggering a bond recalculation.

906.B(3). Backfilling and Grading Plan

The backfilling and grading plan is designed to create a stable landscape configuration that is compatible with the post-mining land use of rangeland and the surrounding terrain. Backfilling will be accomplished by transporting excavated overburden/interburden to designated fill areas with haul trucks or by directly sidecasting spoils into a previous pit with the dragline. Grading operations will be performed using bulldozers and motor graders. The overburden/interburden materials that will be used to backfill the pits were evaluated for suitability as a potential root zone material and for placement in or below the potential post-mining water table. Analyses results from overburden and interburden samples collected at 17 sampling locations within the permit area indicate that the majority of these materials are suitable. Unsuitable materials were occasionally associated with the strata immediately above or below the coal seams and in thin interburden zones. Mobile equipment will typically be used to remove the materials within 1' to 2' of the top of the coal seams and remove interburden less than 15' in thickness. Four feet of suitable material will cover potentially toxic forming materials should sampling identify any. Suitability will be determined using TABLE D of The New Mexico Overburden and Soils Inventory and Handling Guidelines March 1987. The position of the unsuitable materials in the overburden/interburden

Attachment 2 Public Notice

Public Notice

Peabody Natural Resources Company ("PNRC"), P.O. Box 757, Grants, NM 87020, has submitted a revision application for the Lee Ranch Mine, Permit No. 19-2P, pursuant to the requirements of 19.8.13.1301(A)(1)(f) NMAC and 19.8.14.1404 NMAC. PNRC proposes to incorporate a Bond Surplus calculation factor into the *Indirect Cost* section of the reclamation cost estimate for Permit No. 19-2P (Lee Ranch Mine). This adjustment is intended to address unforeseen activities that may arise during operations and to allow future permit modifications without triggering immediate bond recalculations. The Bond Surplus factor will be adopted into Chapter 2 – Operations Plan, Section 906.B(2): Reclamation Cost Estimate. It will be added as Line Item 23 under the *Indirect Cost* category of the Reclamation Bond Summary Sheet and will be calculated as 1% of the total inflated direct cost estimate.

The Lee Ranch Mine was approved as a "Life of Mine" permit on May 18, 1990, by the Energy, Minerals and Natural Resources Department, Mining and Minerals Division ("MMD"). The mine is located in McKinley County, approximately 35 miles north of Milan, New Mexico. The permit area covers 16,038 acres, legally described as:

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T15N-R7W: Sections 7, 13, 14, 16, 17, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 29, 30, 31, & 32
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T15N-R8W: Sections 13, 21, 22, 23, 24, 25, 26, 27, 28, 33, 34, 35, and 36

The USGS 7.5-minute topographic quadrangle maps covering the area include *San Lucas Dam*, *El Dado*, and *Piedra De La Aguila*. The approximate centroid of the permit area is latitude 35°30'57" N, longitude 107°36'42" W.

A copy of the revision application is available for public inspection at the following locations:

- McKinley County Courthouse, County Clerk's Office, 201 W. Hill Ave., Gallup, NM 87301
- Grants Public Library, 1101 1st St., Grants, NM 87020
- Mining and Minerals Division, 1220 South Saint Francis Drive, Santa Fe, NM 87505
- Online at: www.emnrd.nm.gov/mmd/public-notice and of the Coal Mine Reclamation Program page

Written comments, objections, or requests for an informal conference must be submitted to the Director of the Mining and Minerals Division at the above Santa Fe address, or the Coal Mine Reclamation Program Manager at Erik.Munroe@emnrd.nm.gov within 30 days after the last publication of this notice. A formal public meeting hosted by the Director and PNRC will be held on Thursday, August 14, 2025 at 1PM at the Grants Public Library, 1101 N First St., Grants, New Mexico to address any concerns from the public.

Attachment 3 Letter to Entities



Lee Ranch Coal Company
A Division of Peabody Natural Resources Company
P. O. Box 757

Grants, New Mexico 87020

Phone: 505-285-4651 Fax: 505-285-4650

June 30, 2025

Lee Ranch Mine, Permit No. 19-2P

To whom it may concern:

Peabody Natural Resources Company (PNRC), on behalf of the Lee Ranch Mine, has submitted a revision to Permit No. 19-2P regarding the incorporation of an Indirect Cost Calculation Factor. This application is submitted pursuant to 19.8.13.1301(A)(1)(f) NMAC and 19.8.14.1404 NMAC and has been filed with the New Mexico Mining and Minerals Division (MMD) of the Energy, Minerals and Natural Resources Department in Santa Fe, New Mexico. All reclamation activities will continue to be conducted in accordance with the New Mexico Surface Mining Act (NMSA) and Title 19, Chapter 8 of the New Mexico Administrative Code (NMAC).

PNRC proposes to incorporate a Bond Surplus Calculation Factor into the Indirect Cost section of the reclamation cost estimate for Permit No. 19-2P (Lee Ranch Mine). This revision is intended to address unforeseen activities that may arise during operations and to facilitate future permit modifications without triggering immediate bond recalculations. The Bond Surplus factor will be incorporated into Chapter 2 – Operations Plan, Section 906.B(2): Reclamation Cost Estimate. It will be added as Line Item 23 under the Indirect Cost category of the Reclamation Bond Summary Sheet and calculated as 1% of the total inflated direct cost estimate.

Lee Ranch Mine's headquarters is located approximately 35 miles north of Milan, NM, with a mailing address of P.O. Box 757, Grants, NM 87020. The mine is regulated under Permit No. 19-2P, originally issued in 1981 by the State of New Mexico Mining and Minerals Division.

A copy of the revision application is available for public inspection at the following locations:

McKinley County Clerk's Office, McKinley County Courthouse, 207 W. Hill Ave, Gallup, NM 87301

Grants Public Library, 1101 1st St, Grants, NM 87020

Mining and Minerals Division, 1220 South St. Francis Drive, Santa Fe, NM 87505 (Contact: Erik Munroe), or online at www.emnrd.nm.gov/mmd/public-notices

Within 30 days of the final publication date, written comments, objections, or requests for an informal conference on this revision application may be submitted. Notices of publication will appear in both the Gallup Independent and Cibola Beacon.

For further information or to submit comments, please contact:

Mr. Mike Thompson Acting Director, Mining and Minerals Division 1220 South St. Francis Drive Santa Fe, NM 87505 (505) 476-3435

Mr. Erik Munroe Coal Mine Reclamation Program 1220 South St. Francis Drive Santa Fe, NM 87505 (505) 670-9997

The application can also be reviewed online at www.emnrd.nm.gov/mmd/public-notices on the Coal Mine Reclamation Program page. Questions may be directed to Mike Thompson, Erik Munroe, or Chad Gaines.

Sincerely,

Chad Gaines
Technical Services Supervisor
Lee Ranch Mine
Peabody Natural Resources Company

cc: Erik Munroe (MMD)

Peabody Natural Resources Company P.O. Box 757 Grants, New Mexico 87020

Continental Divide Electric Cooperative P.O. Box 1087 Grants, NM 87020

Cibola County 700 E Roosevelt Grants, New Mexico 87020

Farmington Field Office Attn: Bureau of Land Management 6251 College Blvd., Suite A Farmington, New Mexico 87402

Public Service Company of New Mexico Main Offices Albuquerque, New Mexico 87158

New Mexico Gas Company P.O. Box 97500 Albuquerque, New Mexico 87199-7500

Akhtar Zaman (Navajo Nation) Manager Minerals Department P.O. Box 3900 Window Rock, Arizona 86515

McKinley County 207 West Hill Street Gallup, New Mexico 87301

Fernandez Company, Ltd. Attn: Iona Lee 5000 San Mateo Road Grants, New Mexico 87020

City of Grants P.O. Box 879 Grants, New Mexico 87020