

1.0 INTRODUCTION

This Environmental Impact Statement (EIS)¹ analyzes the environmental impacts of leasing four tracts of federal coal reserves adjacent to the Belle Ayr, Coal Creek, Caballo, and Cordero Rojo Mines. All are operating surface coal mines in the east-central PRB of Wyoming. The operators of the Belle Ayr, Coal Creek, Caballo, and Cordero Rojo Mines filed four applications to lease the four tracts of federal coal included in maintenance coal tracts under the regulations at 43 CFR 3425, Leasing On Application. The Division of Minerals and Lands at the Bureau of Land Management (BLM) Wyoming State Office reviewed all four applications and determined that the lease applications met the regulatory requirements for lease by applications (LBAs). The tracts are referred to as the Belle Ayr North LBA Tract, the West Coal Creek LBA Tract, the Caballo West LBA Tract, and the Maysdorf II LBA Tract. Figure 1-1 shows the four LBA tracts, other currently pending LBA tracts, and the existing federal leases, including previously leased LBA tracts, in the Wyoming Powder River Basin (PRB).

A separate document, entitled *Supplementary Information on the Affected Environment in the Combined Evaluation Area for the South Gillette Area Coal Lease Applications EIS*, has been prepared to provide detailed information on the affected environment in the general South Gillette analysis area. Copies of the supplementary information document are available on request and can be viewed at the BLM offices in Casper and Cheyenne.

1.1 Background

On July 6, 2004, RAG Coal West, Inc. (RAG) filed an application with BLM to lease federal coal reserves in a tract north of and immediately adjacent to the Belle Ayr Mine in Campbell County, Wyoming, approximately 10 miles south-southeast of Gillette, Wyoming (Figure 1-1). The tract, which was originally referred to as the Belle Ayr Mine North Extension LBA Tract, was assigned case file number WYW161248. The federal coal reserves were applied for as a maintenance tract for the Belle Ayr Mine. BLM subsequently renamed the tract the Belle Ayr North LBA Tract.

In August 2004, RAG finalized the sale of the Belle Ayr Mine to Foundation Coal West (FCW), a directly held subsidiary of Foundation Coal Holdings, Inc. In this EIS, the applicant for the Belle Ayr North LBA Tract will be referred to as FCW.

On February 10, 2006, Ark Land Company (ALC) filed an application with BLM to lease the federal coal reserves in a tract west of and immediately adjacent to the Coal Creek Mine in Campbell County, Wyoming, approximately 25 miles south-southeast of Gillette, Wyoming (Figure 1-1). The tract, which is referred to as the West Coal Creek LBA Tract, was assigned case number WYW172585. The federal

¹ Refer to page xxii for a list of abbreviations and acronyms used in this document.

1.0 Introduction

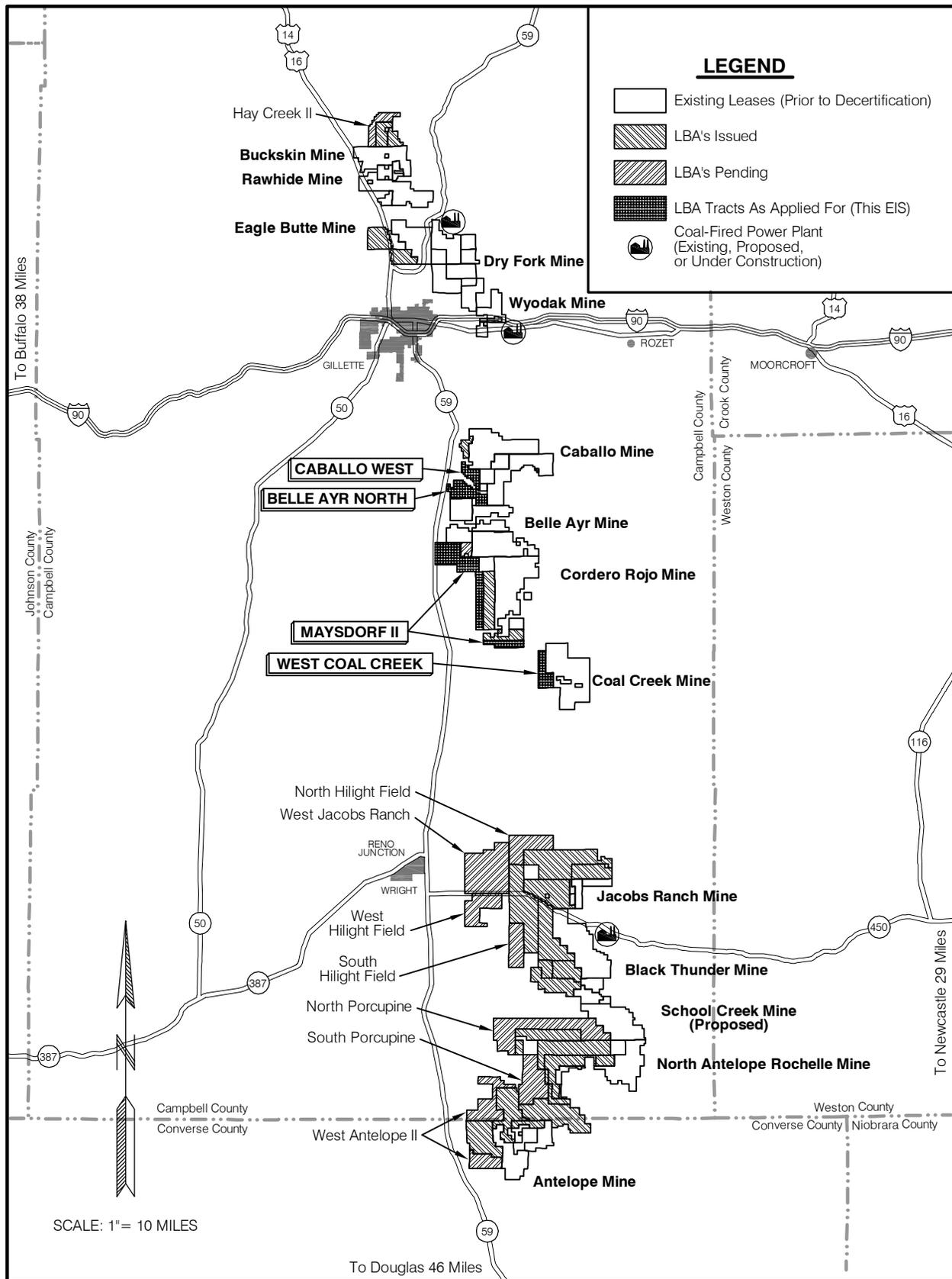


Figure 1-1. General Location Map with Federal Coal Leases and LBA Tracts.

coal reserves were applied for as a maintenance tract for the Coal Creek Mine. ALC is a wholly owned subsidiary of Arch Coal, Inc. The Coal Creek Mine is operated by Thunder Basin Coal Company (TBCC), a subsidiary of Arch Western Resources, LLC. In this EIS, ALC is referred to as the applicant and TBCC is referred to in discussions of mine operations.

On March 15, 2006, Caballo Coal Company (CCC) filed an application with BLM to lease the federal coal included in a tract located west of and immediately adjacent to the Caballo Mine in Campbell County, Wyoming, approximately 8 miles south-southeast of Gillette, Wyoming (Figure 1-1). The tract, which is referred to as the Caballo West LBA Tract, was assigned case number WYW172657. The federal coal reserves were applied for as a maintenance tract for the Caballo Mine. CCC is a directly held subsidiary of Peabody Holding Company, Inc., which in turn is a directly held subsidiary of Peabody Energy Corporation.

On September 1, 2006, Cordero Mining Company (CMC) filed an application with BLM to lease the federal coal included in a tract west and south of and immediately adjacent to the Cordero Rojo Mine in Campbell County, Wyoming, approximately 15 miles south-southeast of Gillette, Wyoming (Figure 1-1). The tract, which is referred to as the Maysdorf II LBA Tract, was assigned case number WYW173360. The federal coal reserves were applied for as a maintenance tract for the Cordero Rojo Mine, which is operated by CMC, a directly held subsidiary of Rio Tinto Energy America (formerly Kennecott Energy and Coal Company).

These federal coal lands are located within the decertified Powder River Federal Coal Region. The Powder River Regional Coal Team (PRRCT), a federal/state advisory board established to review coal lease applications in the Powder River Federal Coal Region and to develop recommendations concerning management of federal coal in the Powder River Basin, reviewed the Belle Ayr North LBA Tract at a public meeting held on April 24, 2005, in Gillette, Wyoming; the West Coal Creek and Caballo West LBA Tracts were reviewed at a public meeting held on April 19, 2006, in Casper, Wyoming; and the Maysdorf II LBA Tract was reviewed at a public meeting held on January 18, 2007, in Casper, Wyoming. The PRRCT recommended that BLM continue to process the Belle Ayr North, the West Coal Creek, the Caballo West, and the Maysdorf II coal lease applications at these respective meetings.

In order to process an LBA, BLM must evaluate the quantity, quality, maximum economic recovery, and fair market value of the federal coal and fulfill the requirements of National Environmental Policy Act of 1969 (NEPA) by evaluating the environmental impacts of leasing the federal coal. BLM does not authorize mining by issuing a lease for federal coal, but the impacts of mining the coal are considered in this EIS because it is a logical consequence of issuing a maintenance lease to an existing mine. BLM determined that one EIS would be prepared to evaluate the environmental impacts that would be expected to occur if leases are issued for the Belle Ayr North, West Coal Creek, Caballo West, and

1.0 Introduction

Maysdorf II LBA Tracts. This EIS has been prepared to evaluate the site-specific and cumulative environmental impacts of leasing and developing the federal coal included in the four application areas. For each of the four LBA tracts, BLM will use the analysis in this EIS to decide whether to hold a competitive, sealed-bid lease sale for the tract as applied for, hold a competitive sealed-bid lease sale for a modified tract, or reject the current lease application and not offer the tract for sale at this time. A separate Record of Decision (ROD) will be issued for each LBA tract and, if the decision is to offer the tract for lease, a separate sale will be held for each tract. For each lease sale that is held, the bidding at the sale will be open to any qualified bidder; it will not be limited to the applicant.

For each lease sale that is held, a lease will be issued to the highest bidder if a federal panel determines that the high bid meets or exceeds the fair market value of the coal as determined by BLM's economic evaluation and if the United States (U.S.) Department of Justice determines that there will be no antitrust violations if a lease is issued to the high bidder.

In return for receiving a lease, a lessee must pay the federal government a bonus equal to the amount it bids at the time the lease sale is held (the bonus can be paid in 5 yearly installments), make annual rental payments to the federal government, and make royalty payments to the federal government when the coal is mined. Prior to 2008, federal bonus, rental, and royalty payments were equally divided with the state in which the lease was located. However, for fiscal year 2008, Congress decreased the state's royalty share to 48 percent, and increased the federal government's share to 52 percent. The percentage of federal bonus, rental, and royalty payments distribution will revert back to 50 percent/50 percent at the end of the 2008 fiscal year unless legislation is passed in the future to maintain or further modify the current percentage of distribution of royalties.

Other agencies may use this analysis to make decisions related to leasing and mining the federal coal in this tract. Federal, state, and local agencies may qualify as cooperating agencies because of "jurisdiction by law or special expertise" (40 CFR 1501.6, 1508.5). BLM invited the participation of potentially qualified agencies as cooperating agencies in the preparation of the South Gillette Area Coal Lease Applications EIS. In response, Office of Surface Mining Reclamation and Enforcement (OSM), the Wyoming Department of Environmental Quality (WDEQ), and the Wyoming Department of Transportation (WYDOT) are cooperating agencies on this EIS. OSM has primary responsibility to administer federal programs that regulate surface coal mining operations and will use this EIS to make decisions related to the approval of the MLA mining plan if the tract is leased. WDEQ has entered into a cooperative agreement with the Secretary of the Interior to regulate surface coal mining operations on federal and non-federal lands within the State of Wyoming. WYDOT's responsibilities include planning and supervising road improvement work, maintaining roads, and supporting airports and aviation in the state.

Since decertification of the Powder River Federal Coal Region in 1990, 19 federal coal leases have been sold at competitive sealed-bid sales and three exchanges of federal coal in the Wyoming portion of the Powder River Federal Coal Region have been completed (Table 1-1). This is the first application for a maintenance coal tract submitted by the Coal Creek and Caballo Mines since decertification (Table 1-1 and Figure 1-1). The Belle Ayr Mine previously applied for the Belle Ayr LBA in 1997. The application was split into the Belle Ayr 1997 and Belle Ayr 2000 LBA Tracts at the applicant's request. The Belle Ayr 2000 LBA Tract was processed and offered for lease in 2001, but the bid was rejected as insufficient to meet fair market value. The applicant did not request that the Belle Ayr 2000 LBA Tract be re-offered for sale but instead requested that the Belle Ayr 2000 LBA Tract be recombined with the Belle Ayr 1997 LBA Tract. BLM requested that the applicant update and resubmit the application for the Belle Ayr 1997 LBA Tract and subsequently rejected the application when that did not occur. The Cordero Rojo Mine recently acquired the South Maysdorf LBA Tract. The West Rocky Butte LBA, which is currently leased to the Caballo Mine, was originally leased to Northwestern Resources Co.

Table 1-2 summarizes the 13 lease applications that are currently pending.

1.1.1 Belle Ayr North LBA Tract

The Belle Ayr North LBA Tract as applied for and the existing federal coal leases associated with the adjacent Belle Ayr Mine are shown in Figure 1-2. As applied for, the Belle Ayr North LBA Tract consists of a single block of federal coal and includes approximately 1,578.7 acres. FCW estimates that the Belle Ayr North LBA Tract contains 208.0 million tons of in-place coal reserves. Not all of the coal included in the Belle Ayr North LBA Tract is considered to be mineable at this time. The Bishop Road, a county road, overlies some of the coal included in the tract. The Surface Mining Control and Reclamation Act of 1977 (SMCRA) prohibits mining within 100 ft on either side of the right-of-way of any public road unless the appropriate public road authority allows the road to be relocated or closed after public notice, an opportunity for a public hearing, and a finding that the interests of the affected public and landowners will be protected [30 CFR 761.11(d)]. The coal underlying the portions of the Bishop Road, its right-of-way, and the 100 ft buffer zone within the Belle Ayr North LBA Tract is included for consideration for leasing because that coal could be mined if the Campbell County Board of Commissioners, the authorized agency, determines that the road can be moved [43 CFR 3461.5(c)(2)(iii)]. If the road is not moved, including the coal underlying the road in the lease would allow maximum recovery of all the mineable coal adjacent to the 100 ft buffer zone on either side of the road right-of-way. Excluding the federal coal reserves within the Bishop Road right-of-way and buffer zone and any isolated coal, FCW estimates that the Belle Ayr North LBA Tract contains approximately 168.2 million tons of mineable coal reserves and that approximately 158.1 million tons would be recovered from the tract.

1.0 Introduction

Table 1-1. Leases Issued and Exchanges Completed Since Decertification, Powder River Basin, Wyoming.

Leases Issued			
LBA Name (Lease Number) Applicant Mine Current Lessee Effective Date	Acres Leased ¹	Mineable Tons of Coal ¹	Successful Bid
Jacobs Ranch (WYW117924) Jacobs Ranch Mine Jacobs Ranch Coal Co. 10/1/1992	1,708.620	147,423,560	\$20,114,930.00
West Black Thunder (WYW118907) Black Thunder Mine Thunder Basin Coal Co. 10/1/1992	3,492.495	429,048,216	\$71,909,282.69
North Antelope/Rochelle (WYW119554) North Antelope & Rochelle Mines Powder River Coal Co. 10/1/1992	3,064.040	403,500,000	\$86,987,765.00
West Rocky Butte (WYW122586) No Existing Mine ² Caballo Coal Co. 1/1/1993	463.205	56,700,000	\$16,500,000.00
Eagle Butte (WYW124783) Eagle Butte Mine Foundation Wyoming Land Co. 8/1/1995	1,059.180	166,400,000	\$18,470,400.00
Antelope (WYW128322) Antelope Mine Antelope Coal Co. 2/1/1997	617.200	60,364,000	\$9,054,600.00
North Rochelle (WYW127221) North Rochelle Mine Ark Land Co. 1/1/1998	1,481.930	157,610,000	\$30,576,340.00
Powder River (WYW136142) North Antelope Rochelle Mine Powder River Coal Co. 9/1/1998	4,224.225	532,000,000	\$109,596,500.00
Thundercloud (WYW136458) Jacobs Ranch Mine Thunder Basin Coal Co., LLC 1/1/1999	3,545.503	412,000,000	\$158,000,008.50
Horse Creek (WYW141435) Antelope Mine Antelope Coal Co. 12/1/2000	2,818.695	275,577,000	\$91,220,120.70
North Jacobs Ranch (WYW146744) Jacobs Ranch Mine Jacobs Ranch Coal Co. 5/1/2002	4,982.240	537,542,000	\$379,504,652.00
NARO South (WYW154001) North Antelope Rochelle Mine BTU Western Resources, Inc. 9/1/2004	2,956.725	297,469,000	\$274,117,684.00
West Hay Creek (WYW151634) Buckskin Mine Kiewit Mining Properties, Inc. 1/1/2005	921.158	142,698,000	\$42,809,400.00

Table 1-1. Leases Issued and Exchanges Completed Since Decertification, Powder River Basin, Wyoming (Continued).

Leases Issued			
LBA Name (Lease Number) Applicant Mine Current Lessee Effective Date	Acres Leased¹	Mineable Tons of Coal¹	Successful Bid
Little Thunder (WYW150318) Black Thunder Mine Ark Land LT Co. 3/1/2005	5,083.500	718,719,000	\$610,999,949.80
West Antelope (WYW151643) Antelope Mine Antelope Coal Co. 3/1/2005	2,809.130	194,961,000	\$146,311,000.00
NARO North (WYW150210) North Antelope Rochelle Mine BTU Western Resources, Inc. 3/1/2005	2,369.380	324,627,000	\$299,143,785.00
West Roundup (WYW151134) North Rochelle Mine West Roundup Resources, Inc 5/1/2005	2,812.510	327,186,000	\$317,697,610.00
Eagle Butte West (WYW155132) Eagle Butte Mine Foundation Wyoming Land Co. 5/1/2008	1,427.000	255,000,000	\$180,540,000.00
South Maysdorf (WYW174407) Cordero Rojo Mine Cordero Mining Co. 8/1/2008	2,900.240	288,082,000	\$250,800,000.00
TOTALS	48,736.971	5,726,906,776	\$3,114,354,027.69
Exchanges Completed			
Exchange Name Case File Number Exchange Proponent Exchange Type Effective Date	Acres Exchanged	Mineable Tons of Coal	Federal Coal Exchanged for:
EOG (Belco) I-90 Lease Exchange WYW150152 EOG Resources (formerly Belco) ³ I-90 Lease Exchanged for New Lease 4/1/2000	599.170	106,000,000	Lease Rights to Belco I-90 Lease (WYW0322794).
Pittsburg & Midway Coal Exchange WYW148816 Pittsburg and Midway Coal Mining Co. Private Land Exchanged for Federal Coal 1/27/2005	2,045.530	84,200,000	6,065.77 acres of land and some minerals in Lincoln, Carbon, and Sheridan Counties, Wyoming.
Gold Mine Draw Lease Exchange WYW0321779, WYW154001 Powder River Coal Co. AVF Lease Exchanged for New Lease 6/25/2006	623.000	47,700,000	Lease rights to 921.60 acres of leased federal coal underlying an AVF.
TOTALS	3,267.700	237,900,000	

¹ Information from Sale Notice.

² The West Rocky Butte LBA was originally leased to Northwestern Resources Co.

³ The EOG Resources Belco Exchange lease is now owned by the Buckskin Mine.

1.0 Introduction

Table 1-2. Pending LBAs and Exchanges, Powder River Basin, Wyoming.

Pending LBAs

LBA Name Lease Number Applicant Mine	Application Date	Acres as Applied for	Estimated as Applied for Coal (mmt)	Status
North Maysdorf WYW154432 Cordero Rojo Mine	9/20/2001 Modified 11/8/2004	445.89	54.66 ²	Sale 10/18/2007 Bid rejected Sale 3/19/2008 Bid rejected
Belle Ayr North WYW161248 Belle Ayr Mine	7/6/2004	1,578.74	191.9 ³	Scoping period ended 6/1/2007 DEIS in preparation
West Antelope II WYW163340 Antelope Mine	4/6/2005	4,108.60	429.70 ¹	DEIS 2/2008 Hearing 3/24/2008 FEIS in preparation
North Hilight Field WYW164812 Black Thunder Mine	10/7/2005	2,613.50	246.20 ³	Scoping period ended 9/3/2007 DEIS in preparation
South Hilight Field WYW174596 Black Thunder Mine	10/7/2005	1,976.69	235.20 ³	Scoping period ended 9/3/2007 DEIS in preparation
West Hilight Field WYW172388 Black Thunder Mine	1/17/2006	2,370.52	348.10 ³	Scoping period ended 9/3/2007 DEIS in preparation
West Coal Creek WYW172585 Coal Creek Mine	2/10/2006	1,151.26	57.00 ³	Scoping period ended 6/1/2007 DEIS in preparation
Caballo West WYW172657 Caballo Mine	3/15/2006	777.49	81.8 ³	Scoping period ended 6/1/2007 DEIS in preparation
West Jacobs Ranch WYW172685 Jacobs Ranch Mine	3/24/2006	5,944.37	768.60 ³	Scoping period ended 9/3/2007 DEIS in preparation
Hay Creek II WYW172684 Buckskin Mine	3/24/2006 Modified 5/19/2008	1,088.73	140.00 ²	Scoping period ended 3/29/2008 DEIS in preparation
Maysdorf II WYW173360 Cordero Rojo Mine	9/1/2006	4,653.84	474.5 ³	Scoping period ended 6/1/2007 DEIS in preparation
North Porcupine WYW173408 North Antelope Rochelle Mine	9/29/2006 Modified 10/12/2007	5,795.98	688.30 ³	Scoping period ended 9/3/2007 DEIS in preparation
South Porcupine WYW176095 North Antelope Rochelle Mine	9/29/2006 Modified 10/12/2007	3,185.87	408.40 ³	Scoping period ended 9/3/2007 DEIS in preparation
TOTALS		36,049.75	4,154.68	

¹ Estimated tons of in-place coal as reported in the lease application.

² Estimated tons of mineable coal as reported in the lease application.

³ Estimated tons of recoverable coal as reported by the applicant.

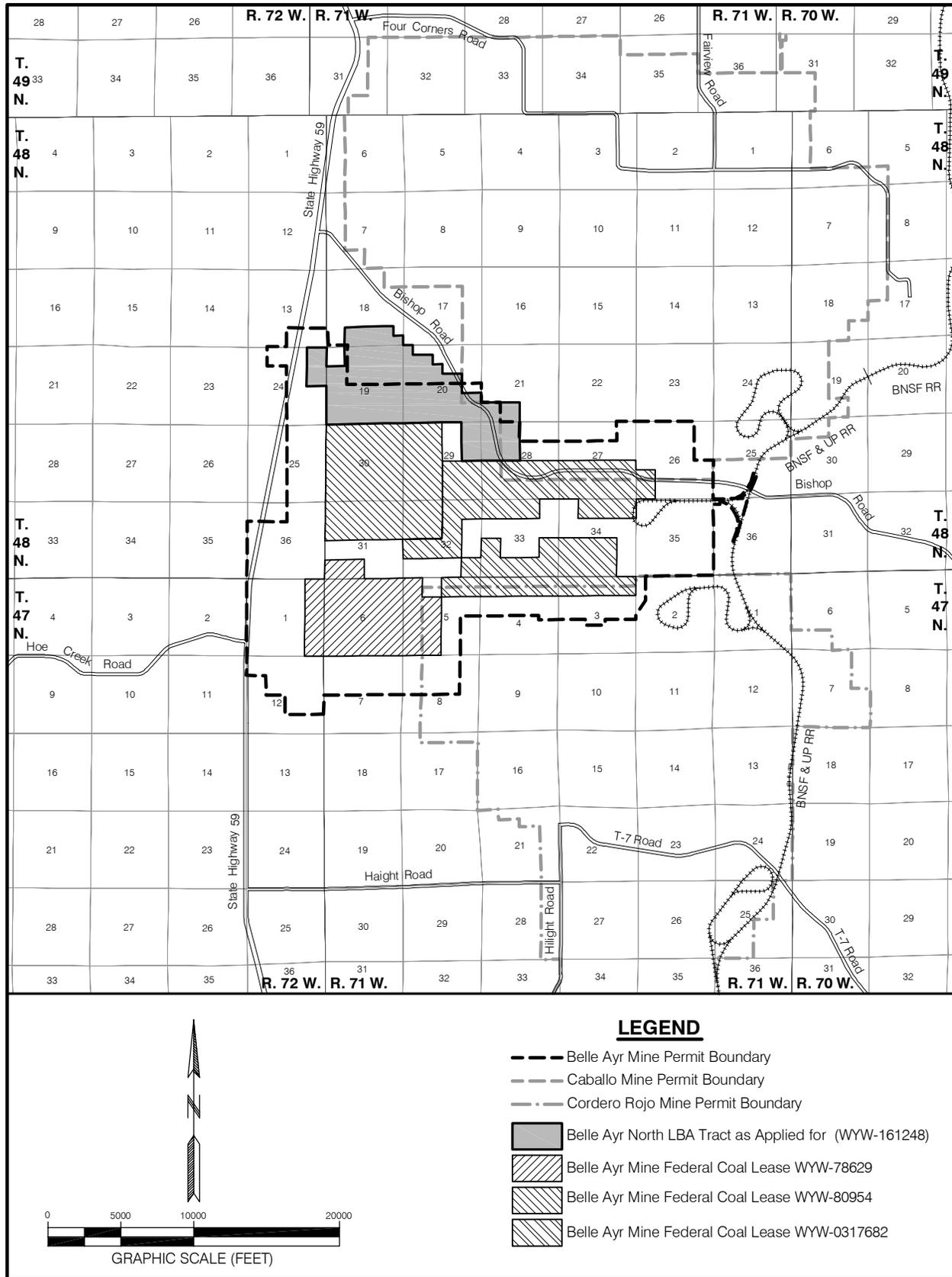


Figure 1-2. Belle Ayr Mine's Federal Coal Leases and Belle Ayr North LBA Tract as Applied for.

1.0 Introduction

The Belle Ayr Mine, as currently permitted, includes 11,935 acres and originally contained approximately 830.1 million tons of mineable coal reserves. The mine produced approximately 26.6 million tons of coal in 2007. As of July 1, 2008, an estimated 250.9 million tons of in-place coal reserves remained at the Belle Ayr Mine. FCW estimates that approximately 235.8 million tons of those remaining reserves would be recoverable and that those recoverable reserves will be depleted in approximately 8.3 years, based on the assumption that the production rate averages approximately 30 million tons per year (mmtpy). Belle Ayr Mine's currently approved (by WDEQ/AQD on November 7, 2006) air quality permit (MD-1476) allows up to 45 million tons of coal per year to be mined. If the average rate of production increases to the permitted level of 45 mmtpy, the remaining recoverable reserves would be depleted in about 5.2 years.

The Belle Ayr North LBA Tract is contiguous with both the Belle Ayr Mine and the Caballo Mine, owned by CCC (Figure 1-1). Portions of the tract lie within the current mining permit boundaries of both mines. The area applied for is substantially similar to the adjacent mines, for which detailed site-specific environmental data have been collected and for which environmental analyses have previously been prepared to secure the existing leases and necessary mining permits.

The FCW owns the surface of the Belle Ayr North LBA Tract. Current land uses of the tract include grazing by domestic animals and wildlife, hayland production, communication and power lines, oil and gas production, and transportation (Bishop Road).

The mining method would be truck and shovel, which is the mining method currently in use at the Belle Ayr Mine. The coal would be used primarily for electric power generation.

After mining, the land would be reclaimed to a rangeland function suitable for use by livestock and wildlife, as is the current practice at the Belle Ayr Mine. Industrial postmining land uses, which include, but are not limited to oil and gas wells, pipelines, roads, and utility easements, will also be reestablished as required.

1.1.2 West Coal Creek LBA Tract

The West Coal Creek LBA Tract as applied for and the existing federal coal leases associated with the adjacent Coal Creek Mine are shown in Figure 1-3. As applied for, the West Coal Creek LBA Tract consists of a single block of federal coal and includes approximately 1,151.3 acres. ALC estimates that the West Coal Creek LBA Tract as applied for contains approximately 63.3 million tons of in-place and mineable coal reserves; and that approximately 57.0 million tons of that coal are recoverable.

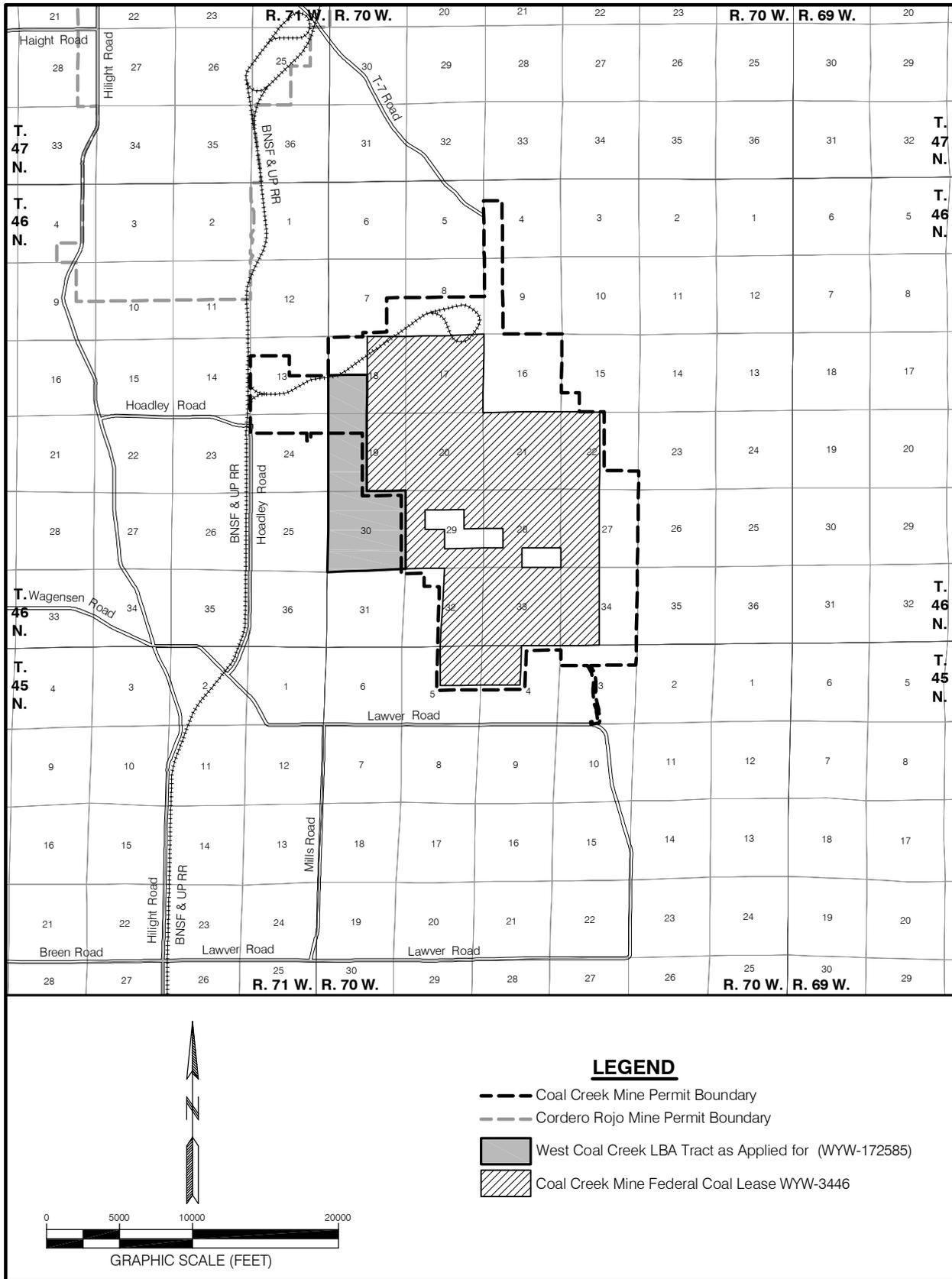


Figure 1-3. Coal Creek Mine's Federal Coal Leases and West Coal Creek LBA Tract as Applied for.

1.0 Introduction

The Coal Creek Mine, as currently permitted, includes 9,722.7 acres and originally contained approximately 318.2 million tons of mineable coal reserves. The mine produced approximately 10.2 million tons of coal in 2007. As of July 1, 2008, an estimated 241.7 million tons of in-place coal reserves remained at the Coal Creek Mine. ALC estimates that approximately 217.5 million tons of those remaining reserves would be recoverable and that those recoverable reserves will be depleted in approximately 16.2 years, based on the assumption that the production rate averages approximately 13.4 mmtpy. Coal Creek Mine's currently approved (by WDEQ/AQD on March 30, 2006) air quality permit (MD-1343) allows up to 25 million tons of coal per year to be mined. If the average rate of production increases to the permitted level of 25 mmtpy, the remaining recoverable reserves would be depleted in 8.7 years.

The West Coal Creek LBA Tract is contiguous with Coal Creek Mine (Figure 1-3). Portions of the tract lie within the current mining permit boundary of the Coal Creek Mine. The area applied for is substantially similar to the adjacent mine, for which detailed site-specific environmental data have been collected and for which environmental analyses have previously been prepared to secure the existing leases and necessary mining permits. As shown in Figure 1-1, the West Coal Creek LBA Tract is not contiguous with any of the other existing mines in this area.

The surface of the West Coal Creek LBA Tract is owned by Dennis Edwards and Thunder Basin Coal Co., LLC. Current land uses of the tract include grazing by domestic animals and wildlife, oil and gas production, and recreation.

The mining method would be a combination of truck and shovel and dragline, which are the mining methods currently in use at the Coal Creek Mine. The coal would be used primarily for electric power generation.

After mining, the land would be reclaimed to a rangeland function suitable for use by livestock and wildlife, as is the current practice at the Coal Creek Mine. Industrial postmining land uses, which include, but are not limited to oil and gas wells, pipelines, roads, and utility easements, will also be reestablished as required.

1.1.3 Caballo West LBA Tract

The Caballo West LBA Tract as applied for and the existing federal coal leases associated with the adjacent Caballo Mine are shown in Figure 1-4. As applied for, the Caballo West LBA Tract consists of a single block of federal coal and includes approximately 777.5 acres. CCC estimates that the Caballo West LBA Tract as applied for contains approximately 98.2 million tons of in-place coal reserves, of which about 87.5 million tons of coal reserves are mineable and approximately 81.8 million tons of coal reserves are recoverable.

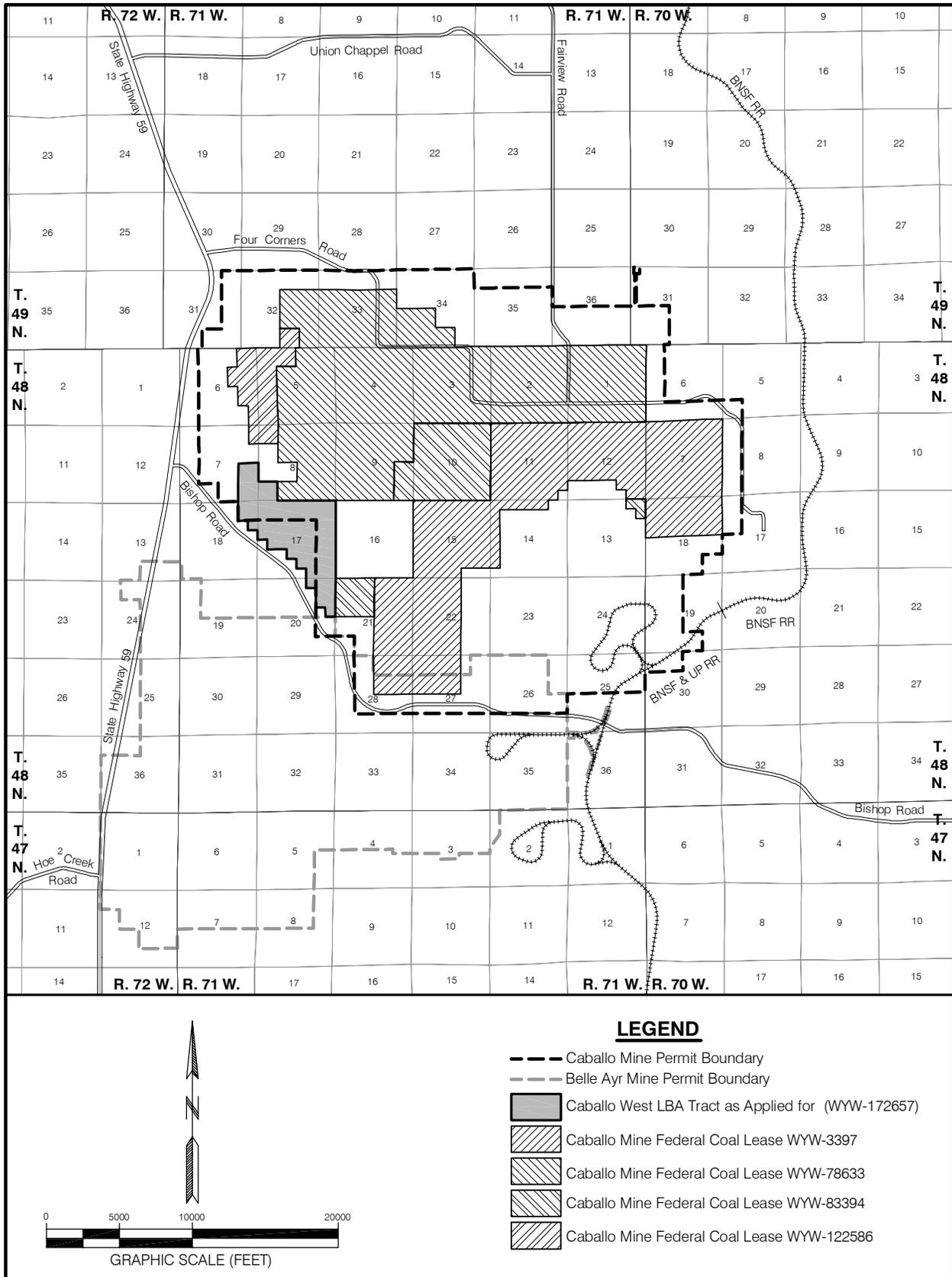


Figure 1-4. Caballo Mine's Federal Coal Leases and Caballo West LBA Tract as Applied for.

1.0 Introduction

The Caballo Mine, as currently permitted, includes 19,974.7 acres and originally contained approximately 1,286.6 million tons of mineable coal reserves. The Caballo Mine produced approximately 31.2 million tons of coal in 2007. As of July 1, 2008, an estimated 893.7 million tons of in-place coal reserves remained at the Caballo Mine. CCC estimates that approximately 584.8 million tons of those remaining reserves are recoverable and that those recoverable reserves will be depleted in approximately 15.4 years, based on the assumption that the production rate averages approximately 37.8 mmtpy. Caballo Mine's currently approved (by WDEQ/AQD on November 7, 2006) air quality permit (MD1477) allows up to 50 million tons of coal per year to be mined. If the average rate of production increases to the permitted level of 50 mmtpy, the remaining recoverable reserves would be depleted in about 11.7 years.

The Caballo West LBA Tract is contiguous with both the Caballo Mine and the Belle Ayr Mine, owned by FCW (Figure 1-1). Portions of the tract lie within the current mining permit boundary of the Caballo Mine. The area applied for is substantially similar to the adjacent mines, for which detailed site-specific environmental data have been collected and for which environmental analyses have previously been prepared to secure the existing leases and necessary mining permits.

The surface of the Caballo West LBA Tract is owned by the Paul D. Rourke Trust; James F. Rourke, et al.; and FCW. Current land uses of the tract include grazing by domestic animals and wildlife, recreation, agricultural activities, transportation (Bishop Road), and oil and gas production.

The mining method would be a combination of truck and shovel and dragline. This would be an operational change since a dragline is not currently in use at the Caballo mine. The coal would be used primarily for electric power generation.

After mining, the land would be reclaimed to a rangeland function suitable for use by livestock and wildlife, as is the current practice at the Caballo Mine. Industrial postmining land uses, which include but are not limited to oil and gas wells, pipelines, roads, and utility easements, will also be reestablished as required.

1.1.4 Maysdorf II LBA Tract

The Maysdorf II LBA Tract as applied for and the existing federal coal leases associated with the adjacent Cordero Rojo Mine are shown in Figure 1-5. As applied for, the Maysdorf II LBA Tract consists of two separate blocks of federal coal and includes approximately 4,653.8 acres. Cordero Mining Company (CMC) estimates that the tract contains approximately 504 million tons of in-place coal reserves. Not all of the coal included in the Maysdorf II LBA Tract is considered by CMC to be mineable at this time. Approximately 1.6 million tons of the coal included in the tract are located within the BNSF & UP railroad right-of-way (ROW). CMC does not consider the coal underlying the ROW to be recoverable at

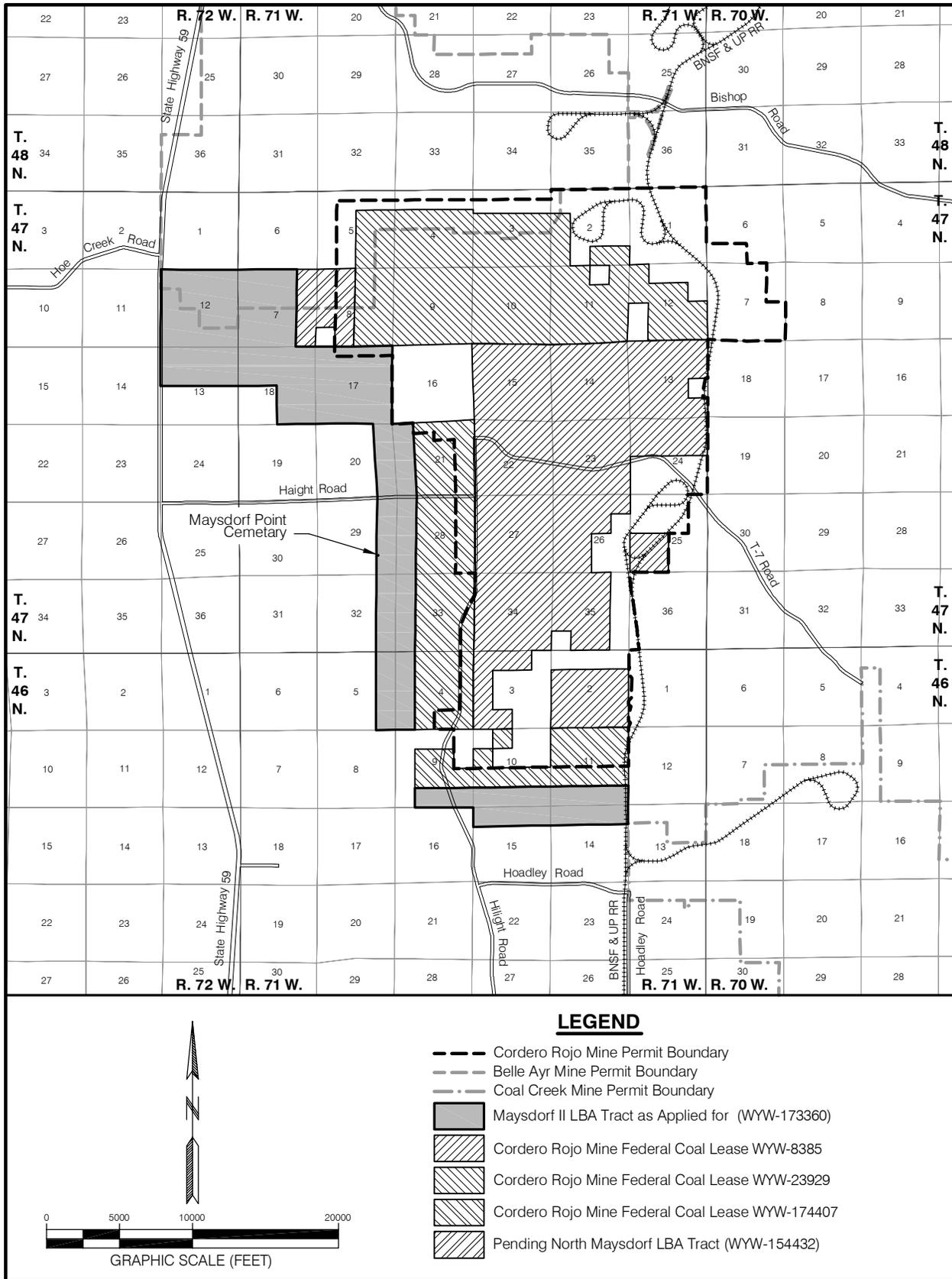


Figure 1-5. Cordero Rojo Mine's Federal Coal Leases and Maysdorf II LBA Tract as Applied for.

1.0 Introduction

this time because the cost that would be associated with moving the railroad would make it economically unfeasible to recover the underlying coal.

A portion of Wyoming State Highway 59 and portions of the Haight Road (County Road 44) and the Hilight Road (County Road 52) overlie portions of the coal included in the tract. Surface Mining Control and Reclamation Act of 1977 (SMCRA) prohibits mining within 100 ft on either side of the ROW of any public road unless the appropriate public road authority allows the road to be relocated or closed after public notice, an opportunity for a public hearing, and a finding that the interests of the affected public and landowners will be protected [30 CFR 761.11(d)]. The coal underlying the portion of Highway 59, Hilight Road, and Haight Road, their rights-of-way, and the 100 ft buffer zones within the Maysdorf II LBA Tract are included for consideration for leasing because that coal could be mined if WYDOT and/or the Campbell County Board of Commissioners, the authorized agencies, determine that the roads can be moved [43 CFR 3461.5(c)(2)(iii)]. If the highway and Haight and Hilight roads are not moved, including the coal underlying the highway and Haight and Hilight roads in the lease would allow maximum recovery of all the mineable coal adjacent to the 100 ft buffer zones on either side of the highway and road ROWs. CMC estimates that approximately 3.0 million tons of mineable coal are included within the right-of-way of Highway 59 and associated 100 ft buffer zone that is within the LBA tract. There are currently no proposals by either the applicant or WYDOT to move the road. CMC estimates that approximately 17 million tons of mineable coal are included within the rights-of-way of the Haight and Hilight roads and associated 100 ft buffer zones that are within the LBA tract. CMC is evaluating the feasibility of relocating the county roads.

The Maysdorf Point Cemetery, a small rural cemetery owned by the Campbell County Cemetery District, overlies some of the coal included in the tract. SMCRA prohibits mining within 100 ft of a cemetery [30 CFR 761.11(g) and 43 CFR 3461.5(c)(1)]. The coal underlying the cemetery and the buffer zone is included in the tract being considered for leasing because the coal could be mined if the cemetery is relocated in accordance with all applicable laws and regulations. If the cemetery is not relocated, including the coal underlying the cemetery in the lease would allow maximum recovery of all the mineable coal adjacent to the 100 ft buffer zone on all sides of the cemetery. CMC estimates that approximately 0.2 million tons of mineable coal included in the tract are located under the cemetery and a 100 ft buffer surrounding the cemetery.

A small portion of the Maysdorf II tract is located within a “no-coal” zone, where coal-forming sediments were either not deposited or were eroded away after deposition.

Excluding the federal coal reserves within the railroad right-of-way, the highway and county road rights-of-way and buffer zones, the Maysdorf Point Cemetery and buffer zone, and taking into account the no-coal zone, CMC estimates that the

Maysdorf II LBA Tract as applied for contains approximately 482.5 million tons of mineable coal reserves and approximately 434.3 million tons of recoverable coal reserves.

The Cordero Rojo Mine is comprised of the former Cordero Mine and the contiguous former Caballo Rojo Mine. Rio Tinto Energy America, the parent company of CMC (the operator of the former Cordero Mine), purchased 100 percent of the stock of Caballo Rojo Inc. (CRI) (the operator of the former Caballo Rojo Mine) on February 19, 1997. The Cordero Mine originally included 8,517 acres and contained approximately 593 million tons of mineable coal reserves. The Caballo Rojo Mine originally included 7,664 acres and contained approximately 493 million tons of mineable coal reserves. Cordero Rojo Mine personnel recently worked with the WDEQ/LQD to consolidate the CMC and CRI mining permits into a single mining permit (237-T8) for the Cordero Rojo Mine, which includes approximately 16,910.6 acres. The Cordero Rojo Mine produced approximately 40.5 million tons of coal in 2007. As of July 1, 2008, an estimated 572.9 million tons of in-place coal reserves remained at the Cordero Rojo Mine. CMC estimates that approximately 525.9 million tons of the mine's remaining reserves would be recoverable and that those recoverable reserves will be depleted in nearly 11.4 years, based on the assumption that the production rate averages approximately 46.3 mmtpy. Cordero Rojo Mine's currently approved (by WDEQ/AQD on September 17, 2004) air quality permit (MD-1058) allows up to 65 million tons of coal per year to be mined. If the average rate of production increases to the permitted level of 65 mmtpy, the remaining recoverable reserves would be depleted in about 8.1 years.

As discussed above, the Maysdorf II LBA Tract as applied for consists of two separate blocks. The northern block is contiguous with both the Cordero Rojo Mine and the Belle Ayr Mine, owned by FCW (Figure 1-1). Portions of the northern block lie within the current mining permit boundaries of both mines. The southern block is contiguous with both the Cordero Rojo Mine and the Coal Creek Mine, owned by ALC (Figure 1-1). Portions of the southern block lie within the current mining permit boundary of the Cordero Rojo Mine. The area applied for is substantially similar to the adjacent mine, for which detailed site-specific environmental data have been collected and for which environmental analyses have previously been prepared to secure the existing leases and necessary mining permits.

The surface of the Maysdorf II LBA Tract is owned by the United States of America; CMC; CRI; the Norma Duvall Trust; Earl Thrush, et al.; Western Railroad Properties, Inc.; Tony Hayden; Keidel Family LP; Campbell County Cemetery District; and Foundation Wyoming Land Company. The federally owned surface is administered by BLM. Current land uses of the tract include grazing by domestic animals and wildlife, agricultural activities, transportation (Hilight and Haight roads and the BNSF & UP tracks), and oil and gas production. See Section 3.11 for additional land use discussion.

1.0 Introduction

The mining method would be a combination of truck and shovel and dragline, which are the mining methods currently in use at the Cordero Rojo mine. The coal would be used primarily for electric power generation.

After mining, the land would be reclaimed to a rangeland function suitable for use by livestock and wildlife, as is the current practice at the Cordero Rojo Mine. Industrial postmining land uses, which include, but are not limited to oil and gas wells, pipelines, roads, and utility easements, will also be reestablished as required.

1.2 Purpose and Need for Action

BLM administers the federal coal leasing program under the Mineral Leasing Act of 1920. A federal coal lease grants the lessee the exclusive right to obtain a mining permit, which would allow coal mining on the leased tract, subject to the terms of the lease, the mining permit, and applicable state and federal laws. Before a new lease can be mined, the lessee must obtain approval of a detailed permit to conduct mining operations.

This EIS is being prepared in response to applications BLM received from the operators of the Belle Ayr, Coal Creek, Caballo, and Cordero Rojo Mines, four existing mines, to lease four tracts of federal coal in the Wyoming PRB. In response to each application, BLM must decide whether to hold a competitive, sealed-bid lease sale for a tract as applied for, hold a competitive sealed-bid lease sale for a modified tract, or reject a current lease application and not offer the tract for sale at this time.

FCW has applied for the coal reserves in the Belle Ayr North LBA Tract in order to extend the life of the Belle Ayr Mine. Mining operations at the Belle Ayr Mine would be extended for about 6.4 additional years if FCW acquires a lease for the Belle Ayr North LBA Tract and the average production rate at the Belle Ayr Mine is 30 mmtpy. At the permitted production level of 45 mmtpy, mining operations would be extended by about 3.5 years if FCW acquires a lease for the North Belle Ayr North LBA Tract. There would be additional production extension if the Bishop Road is moved and the underlying and isolated coal is mined.

ALC has applied for the coal reserves in the West Coal Creek LBA Tract in order to extend the life of the Coal Creek Mine. Mining operations at the West Coal Creek Mine would be extended for about 4.3 additional years if ALC acquires a lease for the West Coal Creek LBA Tract and the average production rate at the Coal Creek Mine is 13.4 mmtpy. At the permitted production level of 25 mmtpy, mining operations would be extended by about 2.3 years if ALC acquires a lease for the West Coal Creek LBA Tract.

CCC has applied for the coal reserves in the Caballo West LBA Tract in order to extend the life of the Caballo Mine. Mining operations at the Caballo Mine would

be extended for about 2.2 additional years if CCC acquires a lease for the Caballo West LBA Tract and the average production rate at the Caballo Mine is 37.8 mmtpy. At the permitted production level of 50 mmtpy, mining operations would be extended by about 1.6 years if CCC acquires a lease for the Caballo West LBA Tract.

CMC has applied for the coal reserves in the Maysdorf II LBA Tract in order to extend the life of the Cordero Rojo Mine. Mining operations at the Cordero Rojo Mine would be extended for about 9.4 additional years if CMC acquires a lease for the Maysdorf II LBA Tract, the coal underlying Wyoming State Highway 59, the Haight and Hilight county roads, and the Maysdorf Point Cemetery is not mined, and the average production rate at the Cordero Rojo Mine is 46.3 mmtpy. At the permitted production level of 65 mmtpy, mining operations would be extended by about 6.7 years if CMC acquires a lease for the Maysdorf II LBA Tract. There would be a slight additional production extension if the Haight and Hilight county roads and the Maysdorf Point Cemetery are moved and the underlying coal is mined. CMC applied for additional federal coal reserves (the North and South Maysdorf LBA Tracts) in 2001 (See Table 1-1). BLM estimates that the North Maysdorf LBA Tract includes approximately 54.7 million tons of mineable coal and that the South Maysdorf LBA Tract includes approximately 288 million tons of mineable coal.

If an LBA tract is leased to the applicant as a maintenance tract, the permit to conduct mining operations for the adjacent mine would have to be amended to include the new lease area before it could be disturbed. This process takes several years to complete. FCW, ALC, CCC, and CMC are applying for federal coal reserves now so that they can complete the permitting process in time to mine the new federal reserves in a logical progression as existing reserves are depleted.

As discussed above, the purpose of the four applications is to allow the applicant mines access to a continuing supply of low sulfur compliance coal which would be mined and sold to power plants for the purpose of electric power generation. According to the Energy Information Administration, coal is currently responsible for about 50 percent of the total generation in the electric power sector (EIA 2006, 2007). Continued leasing of PRB coal enables coal-fired power plants to meet the Clean Air Act (CAA) requirements without constructing new plants, revamping existing plants, or switching to existing alternative fuels. This helps provide a stable supply of power to meet increasing demand without a potentially significant increase in power costs for individuals and businesses.

A primary goal of the National Energy Policy is to add energy supplies from diverse sources, including domestic oil, gas, and coal, as well as hydropower and nuclear power. BLM recognizes that the continued extraction of coal is essential to meet the nation's future energy needs. As a result, private development of federal coal reserves is integral to the BLM coal leasing program under the authority of the Mineral Leasing Act of 1920 (MLA), as well as Federal Land Policy Management

1.0 Introduction

Act of 1976 (FLPMA) and Federal Coal Leasing Act Amendments of 1976 (FCLAA). The coal leasing program, managed by BLM, encourages the development of domestic coal reserves and reduction of the U.S. dependence on foreign sources of energy. As a result of the leasing and subsequent mining and sale of federal coal resources in the PRB, the public receives lease bonus, rental, and royalty payments, and a reliable supply of low sulfur coal for power generation.

This EIS analyzes the environmental impacts of issuing federal coal leases and mining the federal coal in the Belle Ayr North, West Coal Creek, Caballo West, and Maysdorf II maintenance coal lease application tracts as required by NEPA and associated rules and guidelines. A decision to hold a competitive sale and issue a lease for the lands in any of these applications is a prerequisite for mining but it is not the enabling action that would allow mining to begin. BLM does not authorize mining operations by issuing a lease. After a lease has been issued but prior to mine development, the lessee must file a permit application package with the WDEQ/LQD and OSM for a surface mining permit and approval of the MLA mining plan. An analysis of a detailed site-specific mining and reclamation plan occurs at that time. Authorities and responsibilities of BLM and other concerned regulatory agencies are described in the following sections.

1.3 Regulatory Authority and Responsibility

The Belle Ayr North, West Coal Creek, Caballo West, and Maysdorf II maintenance coal lease applications were submitted and will be processed and evaluated under the following federal authorities:

- Mineral Leasing Act of 1920 (MLA), as amended;
- Multiple-Use Sustained Yield Act of 1960;
- National Environmental Policy Act of 1969 (NEPA);
- Federal Coal Leasing Act Amendments of 1976 (FCLAA);
- Federal Land Policy Management Act of 1976 (FLPMA); and
- Surface Mining Control and Reclamation Act of 1977 (SMCRA).

BLM is the lead agency responsible for leasing federal coal lands under the Mineral Leasing Act as amended by Federal Coal Leasing Act Amendments and is also responsible for preparation of this EIS to evaluate the potential environmental impacts of issuing each coal lease.

OSM is a cooperating agency on this EIS. After a federal coal lease is issued, SMCRA gives OSM primary responsibility to administer programs that regulate surface coal mining operations and the surface effects of underground coal mining operations. WDEQ is also a cooperating agency on this EIS. Pursuant to Section 503 of SMCRA, the WDEQ developed, and in November 1980 the Secretary of the Interior approved, a permanent program authorizing WDEQ to regulate surface coal mining operations and surface effects of underground mining on non-federal lands within the State of Wyoming. In January 1987, pursuant to Section 523(c)

of SMCRA, WDEQ entered into a cooperative agreement with the Secretary of the Interior authorizing WDEQ to regulate surface coal mining operations and surface effects of underground mining on federal lands within the state.

Pursuant to the cooperative agreement, a federal coal lease holder in Wyoming must submit a permit application package to OSM and WDEQ/LQD for any proposed coal mining and reclamation operations on federal lands in the state. WDEQ/LQD reviews the permit application package to insure the permit application complies with the permitting requirements and the coal mining operation will meet the performance standards of the approved Wyoming program. OSM, BLM, and other federal agencies review the permit application package to insure it complies with the terms of the coal lease, the MLA, NEPA, and other federal laws and their attendant regulations. If the permit application package does comply, WDEQ issues the applicant a permit to conduct coal mining operations. OSM recommends approval, approval with conditions, or disapproval of the MLA mining plan to the Assistant Secretary of the Interior, Land and Minerals Management. Before the MLA mining plan can be approved, BLM must concur with this recommendation.

If a proposed LBA tract is leased to an existing mine, the lessee is required to revise its coal mining permit prior to mining the coal, following the processes outlined above. As a part of that process, a detailed new plan would be developed showing how the newly-leased lands would be mined and reclaimed. The area of mining disturbance would be larger than the newly-leased area to allow for activities such as overstripping, matching reclaimed topography to undisturbed topography, constructing flood control and sediment control facilities, and related activities. Specific impacts that would occur during the mining and reclamation of the LBA tract would be addressed in the mining and reclamation plan, and specific mitigation measures for anticipated impacts would be described in detail at that time.

If a proposed LBA tract is leased to an existing mine, the lessee is required to revise its coal mining permit prior to mining the newly-leased coal, following the processes outlined above. As a part of that process, a detailed new plan would be developed showing how the newly-leased lands would be mined and reclaimed. The area of mining disturbance would be larger than the newly-leased area to allow for activities such as overstripping, matching reclaimed topography to undisturbed topography, constructing flood control and sediment control facilities, and related activities. Specific impacts that would occur during the mining and reclamation of the LBA tract would be addressed in the mining and reclamation plan, and specific mitigation measures for anticipated impacts would be described in detail at that time.

WDEQ enforces the performance standards and permit requirements for reclamation during a mine's operation and has primary authority in environmental emergencies. OSM retains oversight responsibility for this

1.0 Introduction

enforcement. Where federal surface or coal resources are involved, BLM has authority in emergency situations if WDEQ or OSM cannot act before environmental harm and damage occurs. In preparing this EIS, BLM also has a responsibility to consult with and obtain the comments and assistance of other state and federal agencies that have jurisdiction by law or special expertise with respect to potential environmental impacts.

Appendix A presents other federal and state permitting requirements that must be satisfied to mine these LBA tracts.

1.4 Relationship to BLM Policies, Plans, and Programs

In addition to the federal acts listed under section 1.3, guidance and regulations for managing and administering public lands, including the federal coal lands included in the FCW, ALC, CCC, and CMC applications, are set forth in 40 CFR 1500 (Protection of Environment), 43 CFR 1601 (Planning, Programming, Budgeting), and 43 CFR 3400 (Coal Management).

Specific guidance for processing applications is provided by BLM Manual 3420, Competitive Coal Leasing (BLM 1989) and the 1991 *Powder River Regional Coal Team Operational Guidelines For Coal Lease-By-Applications* (BLM 1991). The *National Environmental Policy Act Handbook* (BLM 2008) has been followed in developing this EIS.

1.5 Conformance with Existing Land Use Plans

Federal Coal Leasing Act Amendments requires that lands considered for leasing be included in a comprehensive land use plan and that leasing decisions be compatible with that plan. The *BLM Approved Resource Management Plan for Public Lands Administered by the Bureau of Land Management Buffalo Field Office* (BLM 2001a), an update of the *Buffalo Resource Area Resource Management Plan* (BLM 1985), governs and addresses the leasing of federal coal in Campbell County.

The major land use planning decision that BLM must make concerning the federal coal resources is a determination of which federal coal lands are acceptable for further consideration for leasing. There are four screening procedures that BLM uses to identify these coal lands. These screening procedures require BLM to:

- estimate development potential of the coal lands;
- apply the unsuitability criteria listed in the regulations at 43 CFR 3461;
- make multiple land use decisions that eliminate federal coal deposits from consideration for leasing to protect other resource values; and
- consult with surface owners who meet the criteria defined in the regulations at 43 CFR 3400.0-5 (gg)(1) and (2).

Only those federal coal lands that pass these screens are given further consideration for leasing. BLM has applied these coal screens to federal coal lands in the Wyoming PRB several times, starting in the early 1980s. Most recently, in 1993, BLM began the process of reapplying these screens to federal coal lands in Campbell, Converse, and Sheridan counties. This analysis was adopted in the 2001 BLM Buffalo Field Office RMP update (BLM 2001a) and the results were included as Appendix D of the update, which can be viewed in the 2001 NEPA documents section on the Wyoming BLM website at <http://www.wy.blm.gov/wy/st/en/info/nepa/documents.html>.

Under the first coal screening procedure, a coal tract must be located within an area that has been determined to have coal development potential in order to be acceptable for further consideration for leasing [43 CFR 3420.1-4(e)(1)]. The Belle Ayr North, West Coal Creek, Caballo West, and Maysdorf II coal lease applications are within the area identified as having coal development potential by the BLM in the coal screening analyses published in the 2001 BLM Buffalo Field Office RMP update.

The second coal screening procedure requires the application of the coal mining unsuitability criteria listed in the federal coal management regulations at 43 CFR 3461. The coal mining unsuitability criteria were applied to high to moderate coal development potential lands in the Wyoming PRB, including the four LBA tracts and surrounding lands during the coal screening conducted for the 2001 BLM Buffalo Field Office RMP update. No lands included in the Belle Ayr North, West Coal Creek, Caballo West, and Maysdorf II LBA Tracts were determined to be unsuitable for mining during the application of the unsuitability criteria for the 2001 RMP update; however, site-specific unsuitability determinations for some criteria were deferred until an application to lease was filed.

Appendix B of this EIS summarizes the unsuitability criteria, describes the general findings for the 2001 BLM Buffalo Field Office RMP update, and presents a validation of these findings for the Belle Ayr North, West Coal Creek, Caballo West, and Maysdorf II LBA Tracts.

Unsuitability Criterion Number 3 states that lands within 100 feet of the outside line of the ROW of a public road shall be considered unsuitable for surface coal mining, with certain exceptions.

One of the exceptions to Unsuitable Criterion 3 allows surface coal mining in the ROW and buffer zone for a public road if the regulatory authority (or the appropriate public road authority designated by the regulatory authority) allows the public road to be relocated or closed after providing public notice and opportunity for a public hearing, and finding in writing that the interests of the affected public and landowners will be protected [30 CFR 761.11(d) and 43 CFR 3461.5(c)(2)(iii)].

1.0 Introduction

As discussed in Section 1.1 and shown in Figure 1-2, a portion of the Bishop Road crosses the northern edge of the Belle Ayr North LBA Tract. The 2001 BLM Buffalo RMP update deferred a decision on the unsuitability of public roads, such as the Bishop Road and the associated buffer zones, until a leasing action occurred, with the assumption that the exception discussed above would be applicable. BLM has determined that the portions of the Belle Ayr North LBA Tract that includes the Bishop Road, its ROW, and a 100-foot buffer zone must be considered unsuitable for mining under Unsuitability Criterion Number 3 at this time.

Although land within the Bishop Road ROW is now determined to be unsuitable for mining, it is included in the Belle Ayr North LBA Tract. FCW is currently evaluating the feasibility of relocating the Bishop Road if they lease the Belle Ayr North LBA Tract but no plan has been formulated and the Campbell County Board of Commissioner has not approved road relocation; therefore the unsuitability designation related to the Bishop Road ROW remains in place. However, including this land in the Belle Ayr North LBA Tract would allow recovery of all the mineable coal adjacent to and outside of the road buffer zone and would comply with the coal leasing regulations, which do not allow leasing in less than 10-acre aliquot parts. Stipulations stating that no mining activity may be conducted within 100 ft of the Bishop Road ROW until a permit to move the road is approved will be attached if a lease is issued for the Belle Ayr North LBA Tract. The exclusion of the coal underlying the road ROW and associated buffer zone from mining activity by lease stipulation honors the finding of unsuitability for mining under Unsuitability Criterion Number 3 for the Bishop Road.

As discussed in Section 1.1 and shown in Figure 1-5, a portion of Highway 59 crosses the western edge of the northern block of the Maysdorf II LBA Tract and the Haight and Hilight county roads cross portions of the southern block. The 2001 BLM Buffalo RMP update deferred a decision on the unsuitability of public roads, such as the Highway 59 ROW and the county roads and the associated buffer zones, until a leasing action occurred, with the assumption that the exception discussed above would be applicable. At this time, CMC does not have plans to relocate the highway and the exception does not apply. CMC is evaluating the feasibility of relocating the county roads but no plans have been formulated and the Campbell County Board of Commissioner has not approved the road relocations. As a result, BLM has determined that the portions of the Maysdorf II LBA Tract that includes Highway 59, its ROW, and a 100-foot buffer zone on the east side of the ROW and the Haight and Hilight county roads, their rights-of-way, and 100-foot buffers must be considered unsuitable for mining under Unsuitability Criterion Number 3 at this time.

Unsuitability Criterion Number 3 states that lands within 100 ft of a cemetery shall be considered unsuitable for surface coal mining. As discussed in Section 1.1 and shown in Figure 1-5 the Maysdorf Point Cemetery, a small rural cemetery, is located within the Maysdorf II LBA Tract. The 2001 BLM Buffalo RMP update

did not specifically mention this cemetery, but unsuitability is inferred. CFR Title 30 Subpart 761.11(g) states that the prohibition of mining within 100 ft of a cemetery does not apply if the cemetery is relocated in accordance with all applicable laws and regulations. The cemetery contains the remains of six relatives of the Haight Family as well as six other people and is located on land owned by the Campbell County Cemetery District. CMC, the Campbell County Cemetery District, and representatives for the Haight Family are working on a plan to relocate the remains currently located in the cemetery. If the cemetery relocation is approved and completed, Unsuitability Criterion Number 3 would no longer apply.

Although lands within the Highway 59, the Haight Road, and Hilight Road rights-of-way and the Maysdorf Point Cemetery and their associated buffer zones are now determined to be unsuitable for mining, they are included in the Maysdorf II LBA Tract. CMC is evaluating the feasibility of relocating the county roads but no plans have been formulated and the Campbell County Board of Commissioner has not approved the relocation of the roads and CMC does not currently have plans to relocate the highway if CMC leases the Maysdorf II LBA Tract; therefore the unsuitability designations related to the highway and county road rights-of-way remain in place. In addition, if the Maysdorf II LBA Tract is leased and CMC does not get approval to relocate the cemetery, the unsuitability designation related to the cemetery remains in place. However, including these lands in the Maysdorf II LBA Tract would allow recovery of all the mineable coal adjacent to and outside of the cemetery buffer zone and would comply with the coal leasing regulations, which do not allow leasing in less than 10-acre aliquot parts. If permits to relocate the county roads and the cemetery are approved, including the lands in the tract would allow recovery of the coal underlying the roads and cemetery and associated buffer zones. Stipulations stating that no mining activity may be conducted within 100 ft of the road rights-of-way and the cemetery until permits to move the roads or cemetery are approved will be attached if a lease is issued for the Maysdorf II Tract. The exclusion of the coal underlying the road rights-of-way and the cemetery and associated buffer zones from mining activity by lease stipulation honors the finding of unsuitability for mining under Unsuitability Criterion Number 3 for State Highway 59, the Haight Road, the Hilight Road, and the Maysdorf Point Cemetery.

The third coal screening procedure, a multiple land use conflict analysis, must be completed to identify and “eliminate additional coal deposits from further consideration for leasing to protect resource values of a locally important or unique nature not included in the unsuitability criteria,” in accordance with 43 CFR 3420.1-4(e)(3). The 2001 Buffalo RMP update addresses two types of multiple land use conflicts: municipal/residential conflicts and multiple mineral development (coal versus oil and gas) conflicts.

The municipal/residential multiple land use conflict was addressed in the 1985 Buffalo RMP by applying buffers around the municipal planning boundaries for

1.0 Introduction

the major municipalities within the BLM Buffalo Field Office area, including Gillette. The Belle Ayr North, West Coal Creek, Caballo West, and Maysdorf II LBA Tracts do not lie within or in proximity to an identified buffer zone surrounding an existing community. Therefore, no federal coal lands within the four LBA tracts have been eliminated from further consideration for leasing due to municipal/residential conflicts.

The 2001 Buffalo RMP includes two decisions related to multiple mineral development conflicts in Campbell, Converse, and Sheridan counties. With respect to oil and gas leasing in coal mining areas, the RMP update determines that oil and gas tracts that would interfere with coal mining operations would not be offered for lease but that, where possible, oil and gas leases will be issued with specific conditions to prevent a development conflict with coal mining operations. With respect to coal leasing in oil and gas fields, the 2001 Buffalo RMP update states that coal leasing in producing oil and gas fields would be deferred unless or until coal development would not interfere with the economic recovery of the oil and gas resources, as determined on a case-by-case basis.

Both conventional and coal bed natural gas (CBNG) wells presently exist inside and around the Belle Ayr North, West Coal Creek, Caballo West, and Maysdorf II LBA Tracts. BLM's evaluation of the potential for conflict with the development of oil and gas resources within the four LBA tracts is included in the Other Mineral Resources discussion in Section 3.3 and in the Land Use and Recreation discussion in Section 3.11 of this EIS. BLM's policy and guidance on conflicts between surface coal mines and conventional oil and gas and CBNG development is to optimize the recovery of these resources and ensure that the public receives a reasonable return, as explained in BLM Instruction Memorandum No. 2006-153 (BLM 2006d).

The fourth coal screening procedure requires consultation with surface owners who meet the criteria defined in the regulations at 43 CFR 3400.0-5(gg)(1) and (2). Chapter 7 includes a definition of the term "qualified surface owner", based on these regulations. Surface owner consultation was conducted as part of the coal screening analysis published in the 2001 Buffalo RMP update. Private surface owners in the Gillette coal development potential area were provided the opportunity to express their preference for or against surface mining of federal coal under their private surface estate during that screening. At that time, no attempt was made to distinguish qualified surface owners and Appendix D of the 2001 Buffalo RMP update states that "no area should be dropped from further consideration for leasing as a result of responses received from surface owners". Therefore, no federal coal lands within the tracts have been eliminated from further consideration for leasing due to qualified surface owner conflicts at this time. The current surface ownership of the tracts is discussed in Section 1.1 of this chapter and in Section 3.11. Private surface owners who are found to be qualified must consent to leasing before BLM can offer the underlying federal coal for lease. BLM will review current surface ownership in the tracts that will be

considered for leasing prior to holding a lease sale for each tract. Prior to holding a lease sale for a tract, surface owner consultation must be completed with any private surface owners who are determined to be qualified.

In summary, the lands in the FCW, ALC, CCC, and CMC coal lease applications have been subjected to the four coal planning screens and determined acceptable for further consideration for leasing. Thus, a decision to lease the federal coal lands in these applications would be in conformance with the current BLM Buffalo RMP.

1.6 Consultation and Coordination

Initial Involvement

BLM received the Belle Ayr North coal lease application on July 6, 2004; the West Coal Creek coal lease application on February 10, 2006; the Caballo West coal lease application on March 15, 2006; and the Maysdorf II coal lease application on September 1, 2006. The applications were initially reviewed by the BLM Wyoming State Office-Division of Mineral and Lands. BLM ruled that these applications and the lands involved met the requirements of regulations governing coal leasing on application (43 CFR 3425).

The BLM State Director notified the Governor of Wyoming on March 14, 2007 that FCW had filed a lease application with BLM for the Belle Ayr North LBA Tract. The Governor was notified on September 18, 2006 that ALC had filed a lease application for the West Coal Creek LBA Tract and that CMC had filed a lease application for the Maysdorf II LBA Tract. The Governor was notified that CCC had filed a lease application for the Caballo West LBA Tract on April 27, 2006.

A notice announcing the receipt of the Belle Ayr North coal lease application published in the *Federal Register* on March 8, 2005, a BLM news release announcing the receipt of the Caballo West and West Coal Creek coal lease applications issued on March 27, 2006, and a notice announcing the receipt of the Maysdorf II coal lease application published in the *Federal Register* on December 12, 2006 served as public notice that these coal lease applications had been received. Copies of the notices were sent to voting and nonvoting members of the PRRCT, including the governors of Wyoming and Montana, the Northern Cheyenne Tribe, the Crow Tribal Council, OSM, U.S. Fish and Wildlife Service (USFWS), National Park Service, and U.S. Geological Survey (USGS).

The PRRCT reviewed the Belle Ayr North Tract at a public meeting held on April 24, 2005, in Gillette, Wyoming, the West Coal Creek and Caballo West Tracts at a public meeting held on April 19, 2006, in Casper, Wyoming, and the Maysdorf II Tract at a public meeting held on January 18, 2007, in Casper, Wyoming. Each of the applicants presented information about their existing mine and the pending lease application to the PRRCT at those meetings. The PRRCT recommended that

1.0 Introduction

BLM continue to process these applications. The major steps in processing an LBA are shown in Appendix C.

BLM published a Notice of Intent to Prepare an Environmental Impact Statement and Notice of Public Meeting in the *Federal Register* on March 29, 2007 and in the Gillette News-Record on April 4, 2007. The publications announced the time and location of a public scoping meeting and requested public comment on all four of the applications. Letters requesting public comment and announcing the time and location of the public scoping meeting were mailed to all parties on the distribution list on March 26, 2007.

A public scoping meeting was held on April 11, 2007 in Gillette, Wyoming. At the public meeting, the applicants orally presented information about their mines and their need for the coal. The presentations were followed by a question and answer period, during which no oral comments were made. The scoping period extended from March 29 through June 10, 2007, during which time BLM received written, e-mailed, and telephoned comments from six entities.

Chapter 5 provides a list of other federal, state, and local governmental agencies that were consulted in preparation of this EIS and the distribution list for this EIS.

Issues and Concerns

Issues and concerns that have been expressed by the public and government agencies relating to the potential impacts of leasing the Belle Ayr North, West Coal Creek, Caballo West, and Maysdorf II LBA Tracts, specifically, and to previous coal lease applications in general include:

- potential conflicts between coal mining and existing and proposed conventional oil and coalbed natural gas development;
- potential cumulative impacts of coal leasing decisions combined with other existing and proposed development in the Wyoming Powder River Basin;
- validity and currency of resource data;
- potential impacts to cultural and paleontological resources;
- potential impacts to Greater sage-grouse and other wildlife;
- potential impacts to listed threatened and endangered species and other species of concern;
- potential impacts to wetland resources;
- potential impacts related to coal loss during transport;
- potential air quality impacts (including cumulative impacts to visibility);
- potential surface and groundwater quality and quantity impacts;
- potential impacts of and possible mitigation for nitrogen oxide emissions resulting from blasting of coal and overburden;
- potential human health impacts;
- the need to include reasonably foreseeable actions such as the construction

and operation of the DM&E railroad and power plants in the cumulative analysis;

- the need to address coal combustion residues and other by-products from coal-fired power plants;
- the need to address increasing coal production in the PRB in the cumulative analysis;
- the need to address site-specific greenhouse gas emissions; and
- climate change.

Draft EIS

Parties on the distribution list were sent copies of this Draft EIS, and copies are available for review at the BLM offices in Casper and Cheyenne, Wyoming. The document is also available for review on the BLM Wyoming website at http://www.blm.gov/wy/st/en/info/NEPA/cfodocs/south_gillette.html.

A notice announcing the availability of the draft EIS will be published in the *Federal Register* by the EPA. A 60-day comment period on the draft EIS will commence with publication of the EPA's Notice of Availability. BLM will publish a Notice of Availability/Notice of Public Hearing in the *Federal Register*. The BLM's *Federal Register* notice will announce the date and time of a public hearing to be held during the 60-day comment period. The purpose of the public hearing will be to solicit public comments on the draft EIS and on the fair market value, the maximum economic recovery, and the proposed competitive sale of federal coal from the LBA tracts. BLM will also publish a notice of public hearing in the Gillette News-Record.

Final EIS and Future Involvement

All substantive written comments received on the draft EIS will be included, with agency responses, in the Final EIS. Availability of the Final EIS will be published in the *Federal Register* by BLM and EPA. After a 30-day availability period, BLM will make separate decisions to hold or not to hold a competitive lease sale for the federal coal in each of the four tracts.

A public ROD for each of the tracts will be mailed to parties on the mailing list and others who commented on this EIS during the NEPA process. The public and/or the applicant can appeal the BLM decision to hold or not to hold a competitive sale and issue a lease for any of the four tracts. The BLM decision must be appealed within 30 days from the date the Notice of Availability for the Record of Decision is published in the *Federal Register*. The decision can be implemented at that time if no appeal is received. If competitive lease sales are held, the lease sales will follow the procedures set forth in 43 CFR 3422, 43 CFR 3425, and BLM Handbook H-3420-1 (Competitive Coal Leasing).

Department of Justice Consultation

After each competitive coal lease sale, but prior to issuance of the lease, BLM must solicit the opinion of the Department of Justice on whether the planned lease issuance creates a situation inconsistent with federal antitrust laws. The Department of Justice is allowed 30 days to make this determination. BLM can proceed with issuance of the lease if the Department of Justice has not responded in writing within the 30 days.