

## Economic and Rural Development Committee

Good morning, Mr. Chairman, members of the committee, you are aware there is no easy answer in regard to addressing the current coal or uranium mine issues in New Mexico. Both coal and uranium have been under tremendous scrutiny. Is there a future without coal mines and coal fired power plants? Probably but not in any of our lifetimes! Coal production in the United States for the year 2014 was 1 billion short tons that is a 1.5% increase from the previous year.

Where have we been with coal mining? Over the last thirty years New Mexico has produced a lot of coal, up to 30 million short tons per year, now we are down to 19 million that still keeps New Mexico ranked 12<sup>th</sup> in the nation for coal production with a value of \$691,047,434 and the trend is going down. Peak employment was over 2100, today employment is down to 1100 in the last month alone that number lost 200. At one point there were 17 active coal mines in New Mexico, now technically we still have 9 active but many of those are in full reclamation, realistically we only have 4 that actively produce coal, two of those, San Juan and Navajo are what is referred to as mine to mouth mines, meaning the power generating station is at the mine, minimizing transportation cost. The El Segundo and Lee Ranch mines use rail cars to move their coal to various power stations. Overall the US has been losing the number of active coal mines but the actual production has slightly increased.

Our coal mine regulations allow Self-bonding. That has become an area of distrust and anger by many around the nation. The simple truth is there has only been one small coal mine that ever forfeited their bond in New Mexico and the state collected that bond and hired a contractor to perform the reclamation. The Federal government is being pushed to eliminate Self-bonds completely. We do not believe that to be a reasonable solution. We have made some changes to the way we Self-bond and we no longer allow 100% Self-bonding, but requiring a 20 percent surety or other collateral bond while keeping 80 percent Self-bond. This allows us to have some access to quick money in case a coal company does forfeit their bond. We are encouraging diversification of the performance bond. These bond amounts are large, \$118 million, is the largest, paying for surety of that size is very costly and there is no guarantee that a surety company could pay that amount out if a coal company forfeited.

One of the other bonding options we are working on with the San Juan Mine and PNM is what is called a trust account. PNM currently has a trust account of over 30 million dollars that they would like to use as part of their collateral. The idea is that they continue to add to the account over time and that would reduce their need for surety bonds and it gives New Mexico a much better performance bond.

The Peabody Energy Chapter 11 bankruptcy has not changed the way we regulate and enforce their two mines just north of here. They continue to mine coal and reclaim the land as required in their permit. The Peabody mines are still very viable, another 20 years of mining maybe longer and other companies would likely buy them if they were put up for sale. Earlier I stated that total

US coal production was nearly 1 billion short tons, currently Peabody is producing about 5 million tons in New Mexico.

We are glad to see that you are visiting the El Segundo mine tomorrow. My staff visit the coal mines each and every month and have been out there the beginning of this week. One thing I ask as you are on your tour is to take note of the areas that have been reclaimed, those areas used to look like the ugly pit that you see as part of mining. We take pride in our reclamation work, we want it to look as good or better than the way it did before mining.

Uranium mining has both active permits and reclamation that has taken place and will be taking place over the next five years. Last year the Abandoned Mine Land Program designed and supervised construction for reclamation on several abandoned uranium mine sites, total cost of \$1,356,419.00. This money was funded by BLM for work on BLM land. There will be more work done on BLM land in the future.

The Tronox settlement is moving quickly to assess reclamation requirements in the Ambrosia Lake area. They expect their first phase of clean up to be complete in the next five years. Their challenge is having an acceptable location to safely deposit the contaminated material.

Current uranium mine permits total three. Mount Taylor mine in San Mateo is on stand by and is actively working with the Environment Department to fulfill all the discharge permit requirements. Their plan is to return to active mine status. One of the biggest challenges for active uranium mine is that there is no current mill in New Mexico. For a mill to be built it would take 6-8 years once approved.

The Roca Honda mine is a completely new permit and it is also involving the Forest Service and requires to go through a full Environmental Impact Statement. This will be a very long process.

The last active uranium mine permit is the Section 12 mine. This site has been characterized for what amount of clean-up will be required.

There is some good news in New Mexico for the extraction and mining industry. Copper production put us at number 2 in the nation behind Utah. The value of copper produced was almost a billion dollars. We have been and still are the number one producer for potash in the nation with a value of over \$650 million. All told the production value of all mining including coal, copper, potash, gold, silver, aggregates and other minerals from last year was over \$2.5 billion. Employment is over 5,800, with payroll at \$365 million.