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Governor

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Lieutenant Governor

State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

November 1, 2006

Rohan McGowan-Jackson
Manager, HSE & SD
KUCC
8315 West 3595 South
P.O. Box 6001
Magna, Utah 84044-6001

Subject: Kennecott Utah Copper (KUC), Bingham Canyon, M/035/002, Salt Lake County, Utah

Dear Mr. McGowan-Jackson:

Thank you for coming in and meeting with Division personnel. This letter is a summary and follow-up to the items we discussed. We are appreciative of your straightforward approach to resolving some fairly long-standing issues that have been placed in front of you.

1) Permit Boundary Modification

Any modification to the permit area boundary needs to be approved by the Board of Oil, Gas and Mining because the reclamation surety is in the form of a Board contract. The request for action should be submitted to the Board according to the rules of the Board and as indicated in the sample filing that was provided to you. The filing should include sufficient exhibits to justify and explain the change being requested, including maps before and after release, reports, descriptions, etc., as needed. As you suggested a section-by-section report would be helpful that shows how each area meets the criteria for release. The report may include hydrologic contamination reports, a vegetation report, reclamation activities conducted, and any other cleanup work completed. The legend on KUC's current ten section release map (that shows the boundaries remaining for the permit after release) should be modified so that no misinterpretation could be made concerning what is remaining as permit area and what is released.

2) Cost Estimate

The cost estimate that KUC has supplied OGM was a condition of the approval of the Bingham Canyon Mine Reclamation & Water Management Plan which reads:

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telephone (801) 538-5340 • facsimile (801) 359-3940 • TTY (801) 538-7458 • *www.ogm.utah.gov*

> In accordance with the requirements of UCA 40-8-14 and Administrative Rule R647-4-113.3, KUCC has committed to provide a detailed reclamation cost estimate, which mirrors this interim closure and reclamation plan (including long term operational and maintenance costs). A preliminary cost estimate must be provided to the Division no later than January 5, 2004.

This was provided as required by OGM. A "preliminary cost estimate" was requested because the usual practice is for the Division to review the estimate and then ask for additional information and detail. While OGM understands fully that KUC could provide the reclamation for the amount calculated, the notion of a cost estimate is required to be as if a third party were to reclaim it. So, to reiterate our discussion, those third-party costs would need to be added on. Also, it was noted that the matter of handling a 'pit-lake' pumping project were not included in the estimate. The additional detail that OGM requires is itemized as an attachment to this letter and may be repetitive of prior requests.

3) Ongoing Activities

As discussed in our meeting on October 26, 2006 KUC will respond to the Division's letter of February 16, 2006 in the form of an amendment to the plan (submitted in the form of replacement pages for the permit.) The level of detail expected in a plan amendment is normally enough to assess any potential for needing to change the reclamation liability amount. Once submitted, OGM will review the amendment and respond to KUC if clarifying additions are needed.

Thank you again for your time, patience and that of Ms. Peacey and Mr. Bruce Jones as we work through these items. Please call or email if we may further clarify or discuss these items with you.

Sincerely yours,

Mary Ann Wright
Associate Director, Mining

cc: Susan White
Doug Jensen
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Attachment
Preliminary Cost Estimate, Kennecott Utah Copper, Bingham Canyon Mine
M/035/002

The following is a list of the noted deficiencies of the preliminary Cost estimate received by the Division on January 7, 2004:

- Water Tank Demo – 84 tons – size of the tank - what efforts are involved with the dismantling of this tank. The estimate indicates a credit for the steel scrap from the tank – Because of the volatility of scrap prices; the Division does not allow salvage credits in the reclamation estimates.
- General Buildings – The Division presently uses Means Heavy Construction Cost Data to calculate demolition costs. The costing reference uses a cost/cubic feet unit to calculate building demolition, the KUC cost estimate calculated using a square footage. To calculate an estimate we will need type of building (steel, wood, brick, etc.), cubic feet, whether it has interior rooms, reinforced or non-reinforced footings and floor (concrete), floor thickness. Where will this material from the building demolition will need to sent for disposal (distance).
- Visitor Center & Parking – A post mine land use change will be needed to leave this building in place. Until this land use change is granted, the facility should be included in the surety estimate.
- Lead Mine Townsite – need cubic footage – floor and footing composition - a cost for characterizing the soils around these buildings.
- Lark Mine Buildings – Number of buildings - Cubic feet – floor & footings thickness (reinforced, non-reinforced) interior rooms???.
- Yosemite Road – post mine land use change, surety estimate.
- Explosive Storage – Cubic feet – building type – footing and floor specs
- Dry Fork Warehouse/Shop – The cost estimate states that this building will be dumped over during mine life. Until this building is dumped over it is still a reclamation liability therefore will need to have a demolition cost in the estimate.
- In-pit Crusher – The estimate indicates 10,000 WH, please explain what WH stands for. An explanation for the unit acronyms uses in the estimate should be included. Please delineate what work will need to be completed to remove this feature.
- 6190 Truck Shop – Same comments as other buildings.
- Code 80 Fuel & Lube Shop – Same comments as other buildings, characterization for any spill contaminated material. Gas tanks to be dismantled for scrap, please note the size of these tanks. Spill wall and slab concrete, thickness and reinforced or non-reinforced.
- Miscellaneous Shafts – what will the closure procedures be to close these shafts. Where are these shafts?
- 44 KC Power Distribution Line – post mine land use change application, surety estimate required until change is granted.
- Miscellaneous Tunnels – What closure procedures will be used. Show the location of these tunnels.

- Asphalt/Concrete Parking Area – Show location of these areas, thickness of asphalt, thickness and reinforced or non-reinforced concrete. Disposal – where will this disposal take place (distance)?
- Small & Large Bingham Reservoir – Post mine land use change, include in surety estimate.
- Precipitation Plant – Soil remediation excavation, transport/dispose, show areas to be remediated and to what depth and where this material will be disposed. Plant buildings, same comments as other buildings. Concrete sumps – thickness, reinforced – non-reinforced. Water tank (concrete) – thickness, reinforced or non-reinforced.
- Water Management System Facilities , ARD Collection System Facilities, Leach pumping, - post mine land use change, include in surety estimate.
- 6600 ARD Storage & Evaporation ponds – Include a map to show the location of these ponds – These ponds are a mining related impact; will need to bond this features.
- Pilot-Scale Water Treatment Facilities – Listed as Demo & reclaim – until this facility is demolished it will need to be included in the surety estimate.
- SXEW Pilot Plant - Same comment as above.
- Excess Mine Water Disposal (Evaporation Ponds & Associated Facilities) – noted as demo, remediate, & reclaim – Same comment as above.
- Ore Transfer – Mine to Process
- Rail Ballast Excavation - Depth & distance of this excavation and show on a map where this it will take place.
- Rail Ballast Haul – Where is this material being hauled to, any contaminated portions of this material be need to be characterized if this material is hauled off-site.
- Ore Conveyors (Mine-Copperton) – What equipment & labor will be used to remove these items. Where will the conveyors be relocated to?
- Demo of Tracks and Ties – Please explain what activities, labor and equipment were used to calculate the amount shown on the estimate.
- Regrading – What will be the extent of the regrading and what equipment will be used to complete this activity.
- Hydroseeding – Please show on a map where this hydroseeding will take place.
- Ore Processing Facilities – The same comments as given on the above facilities applies to these areas.
- Tailings Disposal – None of the tailing areas have been released from reclamation liabilities – until that activity is completed, reclamation of the tailings area will need to be included in the surety estimate. No areas within the mine site have been released from reclamation liabilities therefore a surety estimate for all disturbances at the site will need to be included.
- Excess Process Water Disposal – post mine land use change needed and surety estimate required until that is approved.

Please explain why the waste rock dump work portion of the estimate does not include EPCM and contingency costs.

- Waste Rock Dumps – Please indicate the total cubic yards of material handled, distance to be pushed, final slope angle, & equipment to be used.
- Acres Recontoured, Cap & Vegetate, Lower Canyon Dumping – The cost of this work is shown as N/A. If this work is shown to be completed in the Bingham Canyon Mine Reclamation Plan, a surety amount will need to be complete the reclamation of this area.
- Bingham Canyon Waste Dump – A surety estimate for the final reclamation of this feature needs to be included.

The reclamation plan acknowledges the possibility of the need to characterize the material around some of the mine buildings. As well as the recontouring of the areas around these sites. An amount should be included in the surety for this activity.

No evaluation has been made for the reclamation of the many access roads and other mining related disturbances within the 23,000 acre permit area. These roads other mining related disturbances should be documented and a surety amount shown for the reclamation of these features.

The estimate does not include the plugging and closure of all wells, dewatering wells and monitor wells on the site; these activities will need to be included.

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