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State of Utah
DEPARTMENT OF NATURAL RESOURCES

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Executive Director

Division of Oil Gas and Mining

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Lieutenant Governor

July 18, 2007

Kennecott Utah Copper Corporation
Rowan McGowan-Jackson
P.O. Box 6001
Magna, Utah 84044-6001

Subject: Approved Surety Cost Estimate, Kennecott Utah Copper Corporation, Copperton Concentrator, M/035/011, Salt Lake County, Utah

Dear Mr. McGowan-Jackson:

The Division has completed its review of the resubmitted cost estimate of the bulk flotation demolition project dated July 3, 2007. The Division has accepted and approved this estimate. The total cost as shown in Table 17, Cost Estimate for Demolition of Facilities Associated with the Bulk Flotation Process Upgrade, is $501,735.00 escalated to the year 2008.

Please contact surety bond coordinator, Mr. Jed Pearson, regarding the steps necessary to increase the bond by the above-mentioned amount. There may be an associated revision to the reclamation contract as well. Mr. Pearson can be contacted at (801) 538-5382 or by email, bondcoordinator@utah.gov .

As a matter of process, your letter dated July 3, 2007 will be filed in Division M/035/011 correspondence, and the attached copy of Table 17 will be added to the permit. If there is an existing Table 17 within the permit, it will be replaced with this most recent and updated submittal, which is stamped 'approved'.

Thank you for your prompt response to this action. If you have any questions and/or concerns regarding this letter, please contact Ms. Beth Ericksen, (801) 538-5318 or myself at (801) 538-5258.

Sincerely,

Daron R. Haddock

for Susan M. White
Mining Program Coordinator
Minerals Regulatory Program

SMW :BE:pb
Enc : approved Table 17, Cost Estimate for Demolition of Facilities Associated with the Bulk Flotation Process Upgrade
Cc : Beth Ericksen, DOGM
Jed Pearson, DOGM
Jack Welch, Rio Tinto, jack.welch@riotinto.com
P:\GROUPS\MINERALS\WP\M035-SaltLake\M0350011-4thLineExpansion\Final\costestimateapproval.doc

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UTAH DNR OIL, GAS & MINING

Table 17. Cost Estimate for Demolition of Facilities Associated with the Bulk Flotation Process Upgrade.

Inside existing buildings[1]	Length/ea	Width/dia	Height	Square Feet	Cubic Feet	Steel Conversion	Pounds of Steel	Tons of Steel	Cubic yards Hard
Mechanical Scavenger Flotation Blower (inside existing flotation building)	12.0	5.0	6.0	60.0	360.0	40.0	2400.0	1.2	4.4
8 column flotation cells (inside existing flotation building)	8.0	14.0	32.0	1232.0	39424.0	80.0	98560.0	49.3	193.9
Outside[1]									
New rougher concentrate regrind mill building	62.0	45.0	88.0	2790.0	245520.0	75.0	209250.0	104.6	516.7
Mechanical scavenger building	161.0	50.0	72.0	8050.0	579600.0	75.0	603750.0	301.9	1113.6
New MCC building	68.0	31.0	20.0	2108.0	42160.0	50.0	105400.0	52.7	117.1
New compressor	40.0	21.5	20.0	860.0	17200.0	25.0	21500.0	10.8	39.8
New Reco tank	36.0	22.0	3.0	792.0	2376.0	20.0	15840.0	7.9	66.0

Inside existing buildings[1]	Cost per Square	Square Feet	Sub-Total	Cost Per Cubic	Cubic Yard	Sub-Total	Total Cost
Mechanical Scavenger Flotation Blower (inside existing flotation building)	$ 4.65	60.0	$ 279.00	$ 92.70	4.4	$ 412.00	$ 691.00
8 column flotation cells (inside existing flotation building)	$ 4.65	1232.0	$ 5,728.80	$ 92.70	193.9	$ 17,976.93	$ 23,705.73
Outside[1]							
New rougher concentrate regrind mill building	$ 4.65	2790.0	$ 12,973.50	$ 92.70	516.7	$ 47,895.00	$ 60,868.50
Mechanical scavenger building	$ 4.65	8050.0	$ 37,432.50	$ 92.70	1113.6	$ 103,229.18	$ 140,661.68
New MCC building	$ 4.65	2108.0	$ 9,802.20	$ 92.70	117.1	$ 10,856.20	$ 20,658.40
New compressor	$ 4.65	860.0	$ 3,999.00	$ 92.70	39.8	$ 3,690.83	$ 7,689.83
New Reco tank	$ 4.65	792.0	$ 3,682.80	$ 92.70	66.0	$ 6,118.20	$ 9,801.00
Other[1,2]		unit	unit cost				
Mobilization	1.0	lump	5,000			$ 5,000.00	$ 5,000.00
Utility Disconnects	1.0	lump	2,500			$ 2,500.00	$ 2,500.00
Environmental Cleaning	236250.0	gallon	$ 0.75			$ 177,187.50	$ 177,187.50
Reclamation	18000.0	sq ft	$ 0.15			$ 2,700.00	$ 2,700.00
Total[3]							$ 451,463.64
Contingency[4]							$ 496,610.01
Escalated to 2008[5]							$ 501,735.02

NOTES

1. Contractor Based Cost Estimate
2. Some of these costs are already included in the original 1991 demolition/reclamation cost estimate (potential double estimate for facility).
3. Total in 2007 dollars. Does not include credit for salvage value
4. Contingency of 10% added (DOGM)
5. Demolition cost estimate escalated to the next 5-year surety review year (2008). A price inflation of 1.032% has been used (DOGM) based on the average means historical cost index for site construction, national average, based on previous 3 year average.

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APPROVED
JUL 18 2007
DIV. OIL GAS & MINING