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September 12, 2006

**Via Certified Mail #70041350000111973402
Return Receipt Request**

Mr. Robert Casey
Water Quality Enforcement Unit Manager
Arizona Department of Environmental Quality
1110 West Washington Street
Phoenix, Arizona 85007

**Re: Mitigation Order on Consent
No. P-50-06 – June 15, 2006 through September 13, 2006 Status Report**

Dear Mr. Casey:

In accordance with Section V.A. of Mitigation Order on Consent, No. P-50-06, this letter constitutes Phelps Dodge Sierrita, Inc.'s (PDSI) first Status Report. It covers the period from June 15, 2006 through September 13, 2006. With your approval, PDSI proposes that future Status Reports be submitted on a quarterly basis, starting on December 31, 2006. Subsequent Status Reports would be submitted on March 31, June 30, September 30 and December 31 of each year.

Since the Mitigation Order was signed on June 15, 2006, the following measures have been taken under Section III of the Mitigation Order:

- On July 28, 2006, PDSI submitted a letter to Arizona Department of Environmental Quality (ADEQ) containing a list of at least ten people who had agreed to participate in the Community Advisory Group (CAG). This letter was submitted to fulfill the requirement of Section III.F. to establish a CAG.
- On August 11, 2006, the *Work Plan to Characterize and Mitigate Sulfate with Respect to Drinking Water Supplies in the Vicinity of the Phelps Dodge Sierrita Tailing Impoundment, Pima County, Arizona* (Work Plan) was submitted to ADEQ as required by Section III.A. Also on August 11, 2006, PDSI met with ADEQ to review the proposed aquifer characterization plan, feasibility study, and project schedule contained in the Work Plan.
- PDSI initiated the well inventory task and identification of interim mitigation actions task described in the Work Plan, following receipt of ADEQ's verbal approval to proceed with these tasks at the August 11, 2006 meeting.
- On August 28, 2006, PDSI presented the Mitigation Order and Work Plan to the CAG as required by Section III.G.
- On August 28, 2006, PDSI, in consultation with the CAG, established local repositories for the dissemination of information about the Mitigation Order as required by Section III.G.2. The primary repository will be located at the Joyner-Green Valley Branch Library located in Green

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Valley. A second repository that will contain hard copies of documents that are available in electronic form will be located at the Green Valley Coordinating Counsel office in Green Valley.

- On September 7, 2006, PDSI submitted an amendment to the Work Plan that clarifies the mitigation measures that will be considered, including measures that control sulfate migration from the Phelps Dodge Sierrita Tailing Impoundment (PDTSI) and measures that could ultimately reduce sulfate concentrations in groundwater down gradient of the PDTSI.

During the next quarter, the following activities will be completed:

- Complete the well inventory task and identification of interim mitigation measures task.
- Meet with ADEQ to review the agency's comments on the Work Plan. If needed, modify and resubmit the Work Plan.
- Implement the Work Plan upon receipt of written approval from ADEQ. Specifically, plume characterization Task 2.1 – Data Compilation and Evaluation, Task 2.2 – Groundwater Monitoring, Task 2.3 – Depth-Specific Sampling in Existing Wells, and Task 2.4 – Offsite Well Installation and Testing will be implemented.
- Hold the next CAG meeting in mid-November.

If you have any questions regarding this Status Report please contact me or our project manager Stuart Brown at (503) 675-5252.

Sincerely,



E. L. (Ned) Hall
Chief Environmental Engineer

ELH:sb

cc: Joan Card – ADEQ
Ray Lazuk – PDC
Chad Fretz – PDSI
Stuart Brown – Bridgewater Group, Inc.