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December 31, 2006

Via Certified Mail # 7002 1000 0005 6776 4487

Return Receipt Requested

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

**Re: Mitigation Order on Consent
No. P-50-06 – September 13, 2006 through December 31, 2006 Status Report**

Dear Mr. Casey:

In accordance with Section V.A. of Mitigation Order on Consent No. P-50-06, Phelps Dodge Sierrita, Inc. (PDSI) submits the second Status Report. It covers the period from September 13, 2006 through December 31, 2006. On November 20, 2006, you approved, by electronic mail, PDSI's proposal to submit Status Reports on a quarterly basis, starting on December 31, 2006. Subsequent Status Reports will be submitted on March 31, June 30, September 30 and December 31 of each year.

Since the last Status Report was submitted, the following measures have been taken under Section III of the MO:

- PDSI continued, ahead of Work Plan approval, the well inventory task and identification of interim actions task described in the Work Plan based on ADEQ's August 11, 2006 approval to proceed.
- October 11, 2006, PDSI met with ADEQ to discuss the agency's September 22, 2006 comments on the Work Plan.
- On October 24, 2006, PDSI submitted a revised project schedule in response to the agency's September 22, 2006 comments on the Work Plan.
- On October 30, 2006, PDSI submitted written responses to the agency's September 22, 2006 comments and a second Work Plan addendum.
- On November 13, 2006, PDSI submitted the Health and Safety Plan, ahead of the planned submittal date of November 30, 2006.
- On November 20, 2006, PDSI held the second CAG meeting as required by Section III.G of the Mitigation Order.
- PDSI met with Community Water Company, Twin Buttes Properties, Green Valley Water Improvement District, Las Quintas Serenas Water Company, FICO and other parties to discuss access for well sampling and monitoring well installation.
- On December 21, 2006, submitted the *Well Inventory Report, Task 1 of Aquifer Characterization Plan for Mitigation Order on Consent No. P-50-06.*

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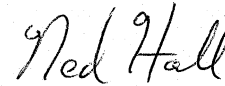
- On December 22, 2006, submitted the *Interim Action Identification Technical Memorandum* completed under Task 4 – Identification of Potential Interim Actions.
- On December 29, 2006, submitted the *Groundwater Monitoring Report for Fourth Quarter 2006 Task 2.2 of Aquifer Characterization Plan for Mitigation Order on Consent No. P-50-06*.

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

- Complete the interceptor well field evaluation technical memorandum by February 28, 2007.
- Complete the second quarter of groundwater monitoring by March 31, 2006.
- Continue the following plume characterization tasks, including 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.
- Hold the next CAG meeting in March.

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

Sincerely,



E. L. (Ned) Hall
Chief Environmental Engineer

ELH:sb

xc: Joan Card, Arizona Department of Environmental Quality
Cynthia Campbell, Arizona Department of Environmental Quality
John Brack, Phelps Dodge Sierrita, Inc.
Chad Fretz, Phelps Dodge Sierrita, Inc.
Ray Lazuk, Phelps Dodge Corporation
Stuart Brown, Bridgewater Group, Inc.
Jim Norris, Hydro Geo Chem, Inc.