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Greg Lovato
Deputy Administrator
Nevada Division of Environmental Protection
Bureau of Corrective Actions
Department of Conservation & Natural Resources
901 S. Stewart Street, Suite 4001
Carson City, NV 89701

Re: Operable Unit 8 Arimetco Facilities

Dear Greg:

SPS received and considered your May 11, 2015 and June 10, 2015 messages conveying NDEP's request that SPS and ARC provide NDEP with information regarding the two companies' willingness to participate in a long term solution for addressing the Arimetco Operable Unit (OU-8). SPS understands that this request stems from NDEP's concern that the OU-8 fluid management system will be at capacity as early as 2019. NDEP prepared an OU-8 Closure Plan based on capping the Heap Leach Pads and closing the 4 acre pond at an estimated cost of approximately $30 million. We understand that NPL listing is being considered by the EPA and NDEP as one funding source available for closure of OU8. SPS believes there are other alternatives to extend the system capacity beyond 2019 without listing the site. SPS would be willing to participate in these alternatives given certain considerations as outlined below.

The OU-8 Heap Leach Pads and associated ponds generate fluids requiring management. The largest contributor to the annual fluid load is the Vat Leach Tailings Heap Leach Pad (Ph IV). The liabilities associated with these and other features are not the responsibility of SPS and are unfunded due to the Arimetco bankruptcy.

SPS is concerned that the proposed closure plan proposed for funding via NPL listing is not the best solution because: a) the site may not qualify for funding given the remedies currently in place to address the off-site ground water pathway (i.e., public water supply, institutional controls on water use in place). And that additional source control remedies are anticipated related to the Evaporation Ponds and other OUs, b) the government will spend approximately $30 million on work that may be undone if mining reuse occurs, and c) capping may add cost and complexity to alternative future uses of the site. In addition, SPS recognizes that other stakeholders have opinions regarding listing the site and many are opposed.

One alternative to NPL listing which will provide a longer term interim solution to address the perceived timing gap while also preserving flexibility for future mining was presented in the April 2013 study of the OU-8 fluid management system prepared by SRK on behalf of SPS. Among the alternatives presented in the study to extend the life of the FMS, SPS believed then and continues to believe that

enhanced evaporation is a proven, relatively low-cost and elegant solution which will not create another liability to be managed later.

SPS offers the following outline of basic concepts under which SPS could discuss further how to resolve the challenges to OU-8 fluid management.

Enhanced Evaporation: The enhanced evaporation system is a series of drip or sprinkler irrigation panels installed on top of a portion of the HLPs. Draindown solution from the HLPs is to be pumped to the panels on top of the HLPs (other HLPs than the VLT HLP) on a rotating basis at a rate low enough to keep fluids within the upper few feet of the evaporation zone of the HLP. This approach would prevent the applied fluid from reporting to the liner and collection system underlying the HLP. The combination of low application rate and rotating the panels would allow the solution to evaporate during the peak period of May through October. The system operation could be extended during March through December on days when higher evaporation occurs. In addition, this system allows solids to come out of solution at the top of the HLP preventing solids buildup in a lined pond. Additional evaluation is required to design the system, including a pilot test to verify the size, operation and maintenance details of a full-scale system.

SPS estimates that an enhanced evaporation field pilot could be constructed and operational in 2016 assuming agreements among SPS, NDEP, EPA and ARC are in place. After an initial operation year, SPS believes a system effectiveness evaluation can be made and the appropriate scale developed to achieve the required fluid capacity. Depending on the results of the pilot test, the full scale evaporation system could be operational in 2017. Once the pilot study is concluded and evaluated, SPS anticipates meeting with NDEP, EPA and ARC to determine next steps, funding and operational requirements.

In 2013, the enhance evaporation system costs were estimated to be less than $100,000 each, for capital and annual operating costs. These costs need to be updated. SPS may be willing to fund a portion of the project and SPS may be willing to operate the system if appropriate agreements can be negotiated.

Resolution to SPS Concerns re: Involvement: SPS is not responsible for past environmental issues at or related to the site. Operable Units 1 thru 7 are the responsibility of others. OU-8 is an unfunded liability.

SPS requires appropriate covenants from the State and EPA for environmental liabilities currently existing at the site including protection from third-party contribution/cost recovery claims.

SPS requires written confirmation that it is not responsible for OU-8, that OU-8 is an orphan liability and that if SPS performs or funds any work on OU-8, SPS will not become responsible for OU-8 under any circumstances other than SPS's own gross negligence in operating the enhanced evaporation system.

SPS would not be required to take on any additional OU-8 work than that which is outlined in the agreement. If SPS's work over the next three years shows that a mine-to-close approach is not feasible, SPS will require an off-ramp from further involvement in the remediation of the site, including OU-8. If, on the other hand, a restart of mining at the site is feasible, SPS would consider funding or performing additional reclamation work that would be part of a mine-to close approach. Details of that

additional work would depend on the future mine feasibility study and design details which would be developed over the next several years.

NPL listing will be deferred at least four years assuming that after the first year the enhanced evaporation pilot project can be scaled adequately to handle the fluids for at least eight years. This allows SPS to make a decision on the feasibility of developing a mine at the former Anaconda site while preserving the listing option to a later date should the mine not be feasible.

EPA and NDEP will assist in identifying other funding sources for the project, potentially ARC, Federal, State and local agency funds.

To summarize, SPS believes that enhanced evaporation is a proven and relatively low-cost solution to extend the life of the FMS. It will not limit the possible future uses of the site including the scope of work outlined in any feasibility study examining the possibility of restarting mining. In that case, reclamation could be achieved in the context of mine development and eventual closure. We remain committed to exploring mutual solutions that address the interests of all stakeholders, and that are also real and achievable.

Sincerely,

Steven Dischler

Steven Dischler

cc: SPS - Tom Patton, Taurus Massey, Carla Consoli
EPA - Dave Setter, Dante Rodriguez, Harold Ball, Angeles Herrera
NDEP - Jeff Collins, Jeryl Gardner, Rebecca Bodnar
Atlantic Richfield - Brian Johnson, Jack Oman, Ron Halsey, Jim Lucari
Freeport Nevada - Stuart Brown, Bruce Goff