

Copper Queen Branch
36 West Highway 92
Bisbee, AZ 85603

CERTIFIED MAIL EM 177567400 US
Return Receipt Requested

February 27, 2008

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-121-07 – November 14, 2007 through
February 27, 2008 Status Report

Dear Mr. Casey,

In accordance with Section V.A. of Mitigation Order on Consent No. P-121-07, by this letter, Phelps Dodge Copper Queen Branch (PDCQB) is submitting the first Status Report. It covers the period from November 14, 2007 through February 27, 2008, in accordance with ADEQ's February 12, 2008, approval of the schedule for submission of quarterly Status Reports.

Since the Mitigation Order (MO) was signed on November 14, 2007, the following measures have been taken under Section III of the MO:

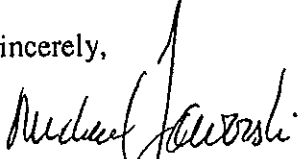
- On December 20, 2007, PDCQB submitted a letter to ADEQ containing a list of nine people who had agreed to participate in the community advisory group (CAG). This letter was submitted to fulfill the requirement of Section III.F. to establish a CAG.
- On December 24, 2007, the *Work Plan to Characterize and Mitigate Sulfate with Respect to Drinking Water Supplies in the Vicinity of the Phelps Dodge Concentrator Tailings Storage Area, Cochise County, Arizona* (Work Plan) was submitted to ADEQ as required by Section III.A.
- In January 2008, PDCQB initiated Task 1 – Well Inventory of Drinking Water Supply Wells and Task 2.2 – Groundwater Monitoring.
- On January 10, 2008, PDCQB met with ADEQ to review the Work Plan.
- On January 29, 2008, PDCQB presented the MO and Work Plan to the CAG as required by Section III.G.
- On December 24, 2007, PDCQB established a local repository for the dissemination of information about the MO as required by Section III.G.2. The repository will be located at the Copper Queen Library.

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

- Continue work on Task 1 – Well Inventory of Drinking Water Supply Wells, including well sampling, and Task 2.2 - Groundwater Monitoring.
- Initiate the evaluation of land status and access negotiations for Task 2.3 – New Monitoring Well Installation and Testing.
- Implement other Work Plan tasks upon receipt of written approval from ADEQ.
- Hold the next CAG meeting in April.

If you have any questions regarding this Status Report please contact me or our project manager Stuart Brown.

Sincerely,



Michael Jaworski
Site Manager
Phelps Dodge Copper Queen Branch

cc: Joan Card/ADEQ
Ray Lazuk, Freeport McMoRan Gold & Copper Inc.
Stuart Brown/Bridgewater Group, Inc.
Jim Norris/Hydro Geo Chem, Inc.