

Janice K. Brewer
Governor

Maria Baier
State Land
Commissioner

December 19, 2011

The Honorable Vicki Kilvinger
Town of Florence, Mayor
P.O Box 2670
Florence, Arizona 85132

**Re: Official Response to Proposed Resolution 1324-11 on December 19, 2011 Florence
Town Council Agenda**

Dear Mayor Kilvinger:

I write to reiterate the position of the Arizona State Land Department (ASLD) relative to Curis Resources (Arizona) Inc. (Curis) and their Florence Copper Project (FCP). After reviewing significant amounts of data provided by Curis regarding the FCP, the ASLD concluded that the project, as described, provided no substantial threat to the State Trust Land. This is a conclusion that appears to be consistent with the report generated by your own consultant. An August 24, 2011 letter from ASLD to Curis expressed that the FCP represents a substantial revenue generating opportunity for the ASLD, and "no objections" to Curis' request for a General Plan Amendment (GPA) with the Town of Florence. On a per acre basis, the FCP has the potential to generate more revenue than any other project that the ASLD has been involved with during its almost one hundred years of existence.

As we understand Curis' intentions on the 160-acre State Trust land parcel, over the next several months Curis will conduct a second test field of the In-Situ Copper Recovery (ISCR) process, including the fresh water rinsing following extraction, to make sure that the process works as planned. This new test field is referred to by Curis as Phase I of their overall project. After the test field is completed, Curis will determine if it is, or is not, economically feasible to proceed with the full-scale mining operation, which they refer to as Phase II, on just the 160 acres of State Trust land.

While the ASLD has seen conceptual ideas for the Phase I test field and the Phase II ISCR mining operations, and agree that this work can be done under the provisions of the existing Mineral Lease, 11-26500, to date we have not yet received any detailed operating or reclamation plans for either Phase. According to the provisions of Mineral Lease 11-26500, Curis must submit, and the ASLD must approve, operating and reclamation plans for any mining or mining-related activities on the State Trust land involved prior to commencement of any ground disturbing activity. Also, according to the provisions of the Mineral Lease and Federal and State mining laws, Curis will need to have all other required permits in place before they can proceed with the test field or the mine. As far as the ASLD is aware, Curis still needs to secure the needed permits from the Arizona Department of Environmental Quality and the U. S. Environmental Protection Agency, just to name two.

Mineral Lease 11-26500, itself, is valid through December 13, 2013. The new test field should be done before the renewal date, and, assuming it goes as planned, the ASLD would likely consider renewing the lease again at that time. Renewal of the lease is not dependent on approvals from any other agency, but the right to mine conferred by the lease is still subject to regulatory approvals. The lease was originally issued to Continental Oil Company (Conoco) on December 14, 1973, before the old underground mine workings were developed, and that original lease was renewed in 1993 with BHP Copper. Prior to 1973, there were some old State mining claims or prospecting permits on the 160 acres, but we have not researched them in detail.

Please note that the forty-plus years of mining history on the site is one of the reasons the ASLD did not want to include this parcel in the recent annexation. Since the underground workings were done on the site in the mid-1970s, other copper-mining companies have been continually interested in resuming operations, all aware of the rich potential of the ore body. Curis is merely the latest in a long succession of companies that have held, or expressed an interest in holding, the lease rights to this parcel. Some opponents of the FCP have tried to present a picture of Curis and the ASLD forcing a new mine in the middle of the Town of Florence, while, in reality, the Town has grown around and past an existing mine over the last four decades. It is an interesting irony that, prior to Curis, the previous holder of Mineral Lease 11-26500 was Harrison Merrill's Florence Copper Company. Mr. Merrill obtained the lease from BHP Copper in November 2001.

In addition, the 160-acre State Trust parcel is heavily encumbered with archaeological and cultural resources, as are much of the immediately surrounding private lands, which likely make it largely unsuitable for residential or commercial development.

In summary, the ASLD is hoping to see detailed operating and reclamation plans from Curis, for whatever work they intend to do on our 160-acre parcel covered by Mineral Lease 11-26500. Renewal of the lease in December 2013, while not automatic, would likely be granted were it in the best interest of the Trust.

I hope this helps clarify the ASLD's position on Curis and the FCP.

Sincerely,

A handwritten signature in black ink, appearing to read 'Maria Baier', with a stylized flourish at the end.

Maria Baier
State Land Commissioner

cc: Town of Florence Council Members
Himanshu Patel, Town Manager, Town of Florence