

**Testimony of Jon Cherry, Vice-President, Resolution Copper Company  
before the  
U.S. Senate Committee on Energy and Natural Resources  
concerning  
H.R. 1904, Southeast Arizona Land Exchange and Conservation Act of 2011  
February 9, 2012**

Mr. Chairman,

**INTRODUCTION**

Thank you for the opportunity to speak with you today about this very important bill. My name is Jon Cherry and I am Vice-President of the Resolution Copper Company, a US Corporation headquartered in Superior, Arizona and an indirect subsidiary of Rio Tinto plc. The Company is the Manager of Resolution Copper Mining LLC, which is jointly owned with the US-based BHP Copper Inc., a subsidiary of BHP Billiton Limited. Rio Tinto and BHP are two of the largest and most advanced mining companies in the world. I am here today on behalf of RCML which I will refer to as Resolution Copper. I am here in support of H.R. 1904, which seeks Congressional direction to complete a land exchange to consolidate ownership of the land where we plan to invest over \$6 billion of private capital to develop the third largest underground copper deposit known in the world today, while creating over 3,700 badly needed jobs in Arizona and nearly \$20 billion in tax revenue, \$14 billion of which is federal. Based on current demand, we estimate that the copper produced from this project will be the equivalent of more than 25 percent of the current US demand for copper for more than 40 years from a secure and environmentally responsible domestic source.

Minerals are where you find them and we believe that when a critical mineral deposit of this magnitude is discovered, there are appropriate and compelling reasons for the Congress to make Federal land use decisions to facilitate their development as you have on many other issues in the past.

**THE LOGIC OF THE EXCHANGE**

The land exchange of H.R.1904 transfers 2,422 acres of National Forest land to Resolution Copper. The land in question is underlain or surrounded by current and historic mining operations and mining claims, some of which are more than 100 years old, and has been significantly impacted by human activities for decades. In addition, Resolution Copper already owns valid mining claims on roughly 70 percent of the land we are seeking to acquire. Simultaneously, Resolution Copper will transfer approximately 5,300 acres of environmentally important lands in eight privately held land parcels to the government to be managed by the USFS or BLM. With these eight properties, this land exchange will result in very significant net gains to the United State in:

- 1) river bottoms and riparian lands, including seven miles along the renowned and free flowing San Pedro River;

- 2) habitat for several threatened, endangered or sensitive plant and animal species;
- 3) nationally and internationally identified important bird habitat by the Audubon Society and Bird Life International;
- 4) new public recreational opportunities;
- 5) year-round water resources – a rarity in many parts of Arizona; and
- 6) protection of the important geographic feature of Apache Leap.

The logic of the land exchange itself is simple. It consolidates our land ownership where we will be developing and operating our mine, and where we will be making a private investment in excess of \$6 billion dollars. To state it in its simplest terms, when we are making an investment of that magnitude, we believe that it is imperative and prudent to own and control the land where our mine and facilities will be located. And of course, the federal government benefits because it receives in return a portfolio of high-quality conservation lands and more than \$14 billion in federal tax revenue.

As **Figure 1** shows, the current fragmented land ownership pattern between Resolution Copper and the Forest Service is a logistical and regulatory jumble. It serves neither public nor private interests, and due to operational and safety considerations, continued Forest Service ownership of the land will not benefit the public, recreationally, or any other way, once the physical mining operation begins.

**Figure 2** shows how our mine is located within the heavily developed area known as “The Copper Triangle” in Arizona. The three points of the triangle are anchored by the mining towns of Globe/Miami, Hayden/Winkelman and Superior. The old Magma mine at Superior is the platform from which Resolution Copper is launching its new project. Our project incorporates some of the existing surface, underground workings and infrastructure of the Magma Mine. In the center of the triangle you can see Asarco’s very large Ray Mine at the bottom of Devil’s Canyon, then Asarco’s Smelter and tailings in Hayden to the south, the Christmas Mine to the east of Winkelman, the Globe and Miami area open pit mines to the north including the very large Freeport-McMoRan mine, Carlota and BHP Pinto Valley Mines - the latter of which is a possible location for the tailings from our mining operation, where we could fill up existing open pits and reclaim them.

This display, and the others which will follow, should dispel any notion that we are proposing to operate in a pristine location. Indeed, our mine will be located in an area that has been very heavily developed with roads, mines, transmission lines and other facilities.

Another key point is that the Superior area already has excellent existing infrastructure to support our mine. For example, the mine will be located almost immediately adjacent to State Highway 60, lies along other existing access roads, near an existing railroad line, power transmission lines and other nearby developed facilities. The area also has the towns of Superior, Miami and Globe within a short drive of the mine site. Those three towns are long-established mining towns with a skilled work force experienced in mining and with existing housing and related infrastructure. This will greatly reduce the amount of new infrastructure needed to develop the mine, and thereby minimize impacts on the environment.

**Figure 3** is a close-up of the Resolution Copper project site which shows even more

of the existing infrastructure in detail, including all of the various drill holes in the area, including the 78 new exploratory holes that have been drilled since 2001 highlighted by pink dots. It is important to note that the majority of these drill holes were drilled and roads constructed in the same area included in the proposed land exchange – all following NEPA permitting and tribal consultation by the United States Forest Service with the San Carlos Apache Tribe. Also shown on the figure is the nearest San Carlos Apache Reservation boundary located approximately 20 miles east of the project site.

Finally, I have two aerial photos (**Figures 4 and 5**) of the mine site itself which were taken just last summer. **Figure 4** shows the mine site in the center, with the Town of Superior to the right, Asarco's very large open pit Ray Mine to the south...(which has been continuously producing copper since 1880)... and other mines to the north. **Figure 5** is a panorama which shows various other mines, roads, transmission lines, the large power substation near the mine and the Town of Superior. As you can see, one could hardly find a better place to build a new mine, while at the same time minimizing the need for new infrastructure. It simply makes good sense from planning, logistical and environmental perspectives.

#### **TEXT of the Committee-reported version of S. 409**

Now, I realize that this Committee also seeks testimony on the text of the Committee Substitute to S. 409, that was reported to the Senate in March 2010 in the last Congress. The Senate did not act on the Committee-reported version of S.409 before the Congress ended and that text has not been introduced as a bill in this Congress so I am not sure why that text is relevant here. Regardless, Resolution Copper did not oppose the Committee-reported version of S. 409 in the last Congress. The circumstances at that time, however, were very different than they are today. Let me explain:

Since 2009, we have spent an additional \$300 million exploring the mine area, drilling our first mine shaft to a depth of over 5,000 feet and conducting various environmental and engineering studies. By the end of this year, our total investment in the project will be more than \$750 million dollars. We have been trying to obtain a land exchange since 2004 and built in extra time in our schedule to obtain this while we completed our various environmental and engineering studies. This time has now been consumed and the project is at a significant decision point.

During the second quarter of 2012, we will be in a position to file our Mine Plan of Operations which will begin the NEPA EIS process over the entire project area including the area of the subject exchange. We will also be in a position by the end of 2012 to begin construction of additional mining shafts and infrastructure on private land adjacent to the federal land we would acquire through the land exchange, which overlies the ore body, to keep the project on schedule. However, to make a financial investment of more than \$6 billion, we need the **certainty** of a Congressional law which directs that the 2,422 acres of Federal land be transferred to us before we can make this type of investment. Two years after S. 409 and an additional \$300 million, Resolution Copper must have certainty before investing billions of additional dollars.

As you know, H.R. 1904 provides that we must still undergo NEPA processing on our mine plan after we receive the Federal land. Resolution Copper has always recognized

that such a review under NEPA will be required prior to commercial mining and have committed to do so. As mentioned earlier, we will be prepared to submit our Mine Plan of Operations to begin the NEPA process during the second quarter of this year. However, after spending in excess of \$750 million we are reluctant to add **additional** risk. We must be able to acquire the Federal land where we will operate;

## **ECONOMIC AND NATIONAL IMPACT**

Last year Resolution Copper commissioned prestigious Arizona economists Pollack & Associates to conduct a new study to evaluate the impacts of our project to the local and state economy. A copy of the executive summary of this report is included with the written testimony, but I would like to highlight a few important statistics from this report. Namely, that our project will:

- produce a very large amount of a critical metal right here at home that is the fundamental building block for the new green economy including hybrid and electric cars, solar panels, wind turbines and smart grids;
- create more than 3,700 mining related jobs that are desperately needed in an area of high unemployment;
- generate more than \$19 billion in tax revenues to Federal, State and local government coffers – including \$14 billion in Federal taxes; and
- benefit the economy of the state of Arizona by \$61 billion over the life of the project.

## **CONCLUSION**

Our nation has been struggling through the worst economic downturn since the Great Depression. We have lost many manufacturing jobs, raw materials production and tax revenues to overseas endeavors. Thus, we believe that when an opportunity comes along to develop a very large mine from a reliable domestic source that produces a metal that is vital to our national security and modern lifestyle; and that source is in a location where significant development infrastructure already exists; and where there appear to be minimal environmental conflicts, Congress should avail itself of the opportunity to cut through red tape and approve transfer of the Federal land needed to operate the project. It is the exact type of Congressional action that can generate desperately needed jobs, \$14 billion in Federal tax revenues and show the public that Congress is willing to promote the public interest.

Copper, the metal that will be produced from this mine, is the fundamental building block for the new green economy including hybrid and electric cars, solar panels, wind turbines and smart grids.

We know that the temptation always exists for some to say “put it over there, not here”, and that there is no place where a large development can be located without some

impact on the environment. However, you can only mine where the mineral is found and we believe we are truly fortunate to have found such a large mineral resource in an area where a great deal of developed infrastructure already exists, and where developing a mine will have minimal adverse impacts and at the same time such tremendous benefits.

If we as a nation are truly serious about creating new jobs with private investment, reducing long term budget deficits, and producing here at home rather than abroad the base metals that serve our national interests, then the land exchange embodied in H.R. 1904 should be advanced at the earliest possible date. To do otherwise, and to continue to subject it to prolonged study and delay will only serve the interests of those who, while perhaps well intentioned, cannot see their way to any significant natural resource production, and in so doing, ship our jobs, tax revenues and resource production overseas. I know that is a strong statement, but I believe it comports with today's realities.

Thank you again for the invitation to share our views with you today and I would be happy to answer any questions you may have.

### **Figure List**

Figure 1 – Land Ownership

Figure 2 – Copper Triangle & Infrastructure

Figure 3 – Infrastructure & Drill Holes

Figure 4 – Superior & Mine Site

Figure 5 – Composite Panorama & Infrastructure

# Figure 1 Land Ownership

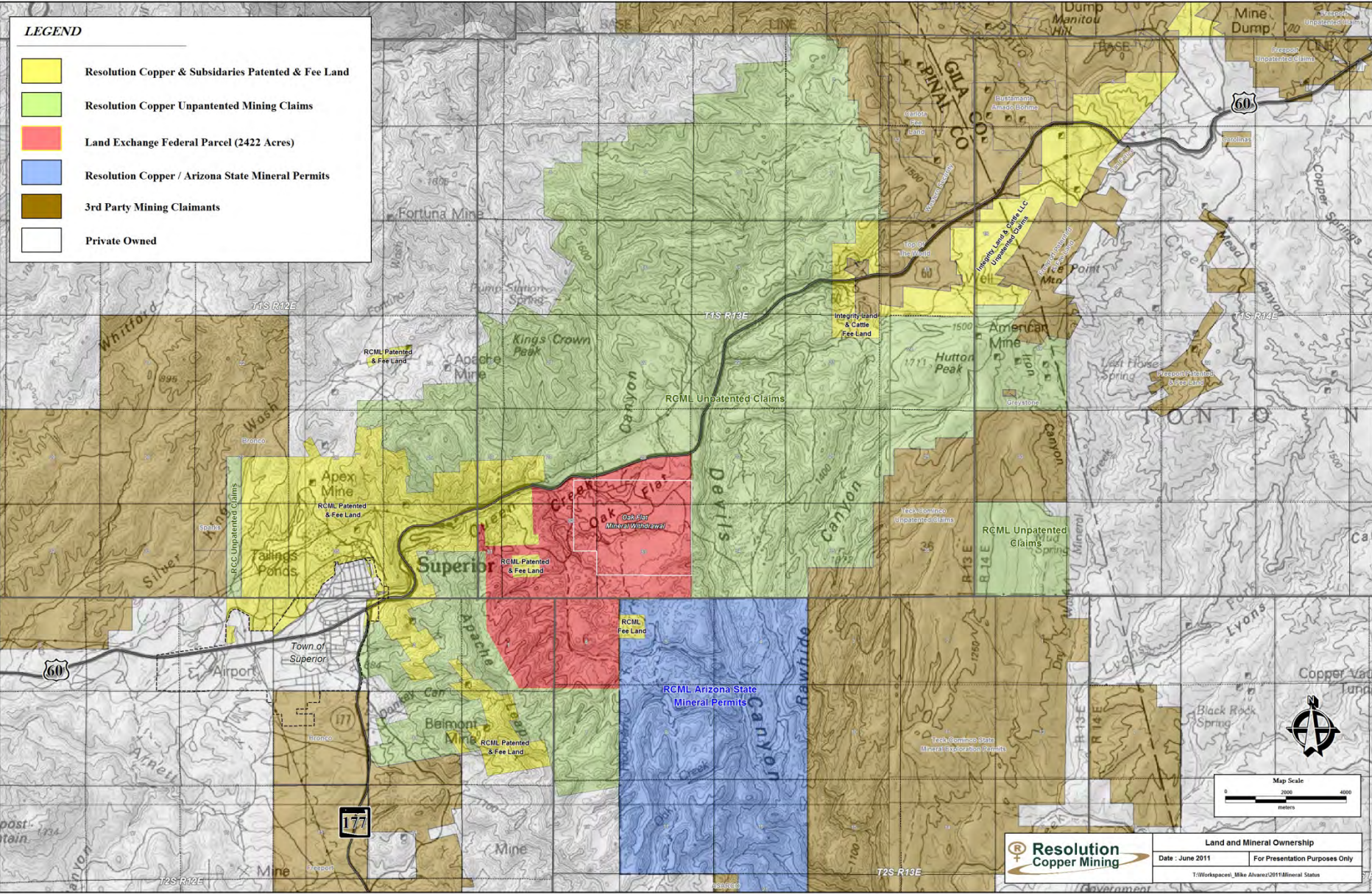


Figure 2 Copper Triangle & Infrastructure

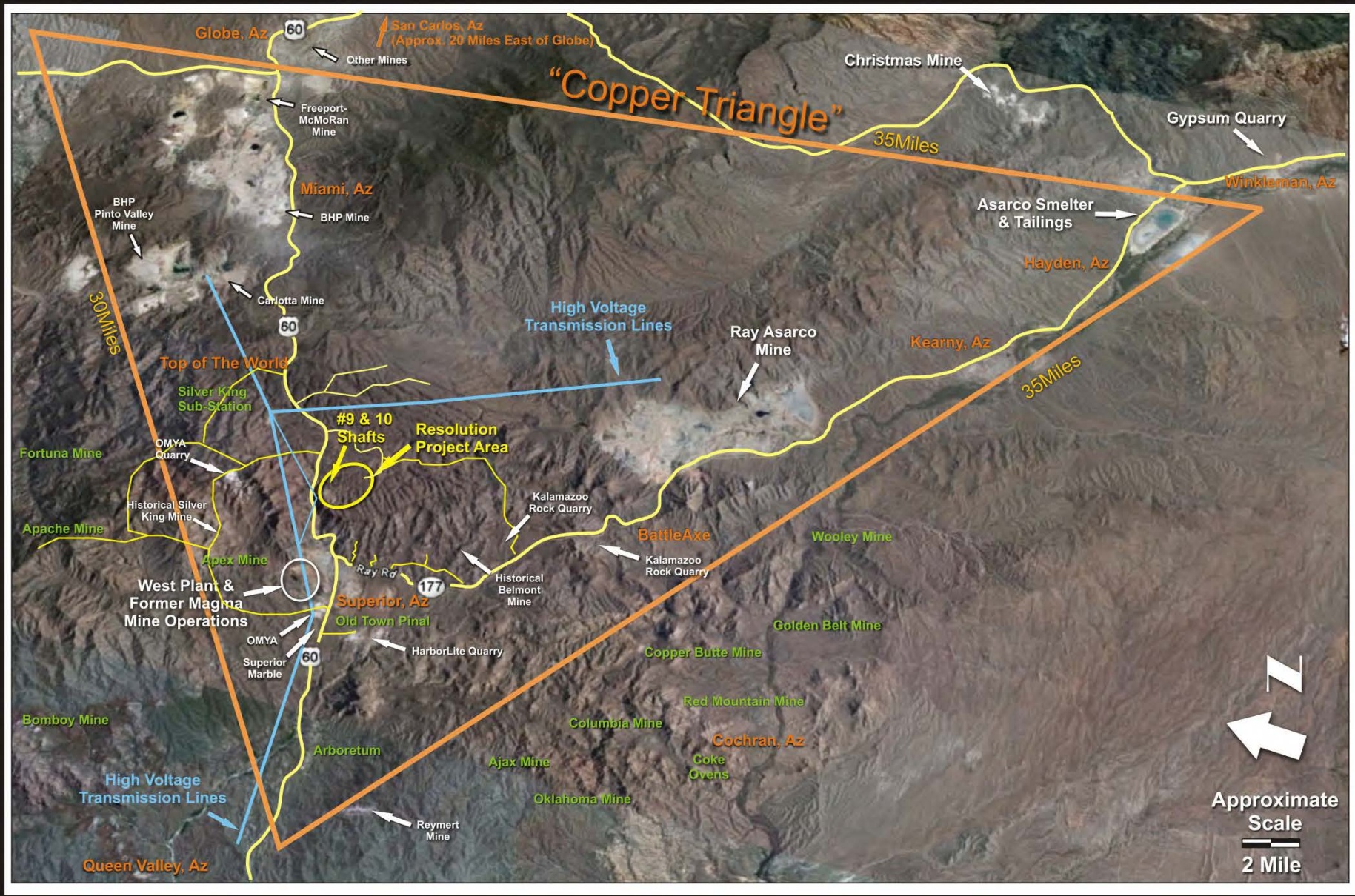


Figure 3 Infrastructure & Drill Holes

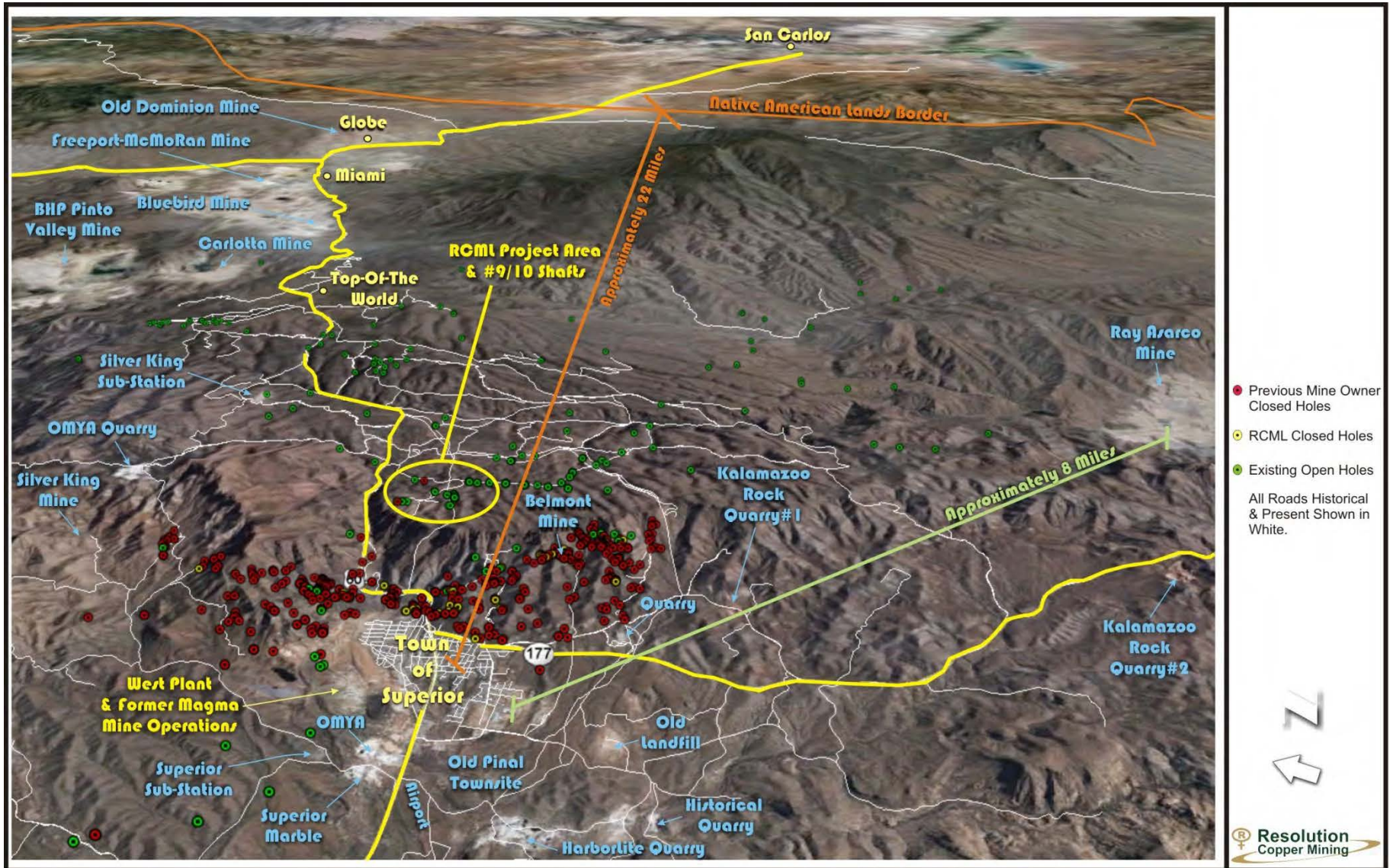




Figure 4 Superior & Mine Site



Figure 5 Panorama & Infrastructure

