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HUGH NOWELL
CORPORATE COUNSEL

July 28, 2006

Ms. Nancy Rumrill
U.S. Environmental Protection Agency
Region 9, Ground Water Office, WTR-9
75 Hawthorne Street
San Francisco, California 94105-3901

RE: MONITORING REPORT FOR UIC PERMIT NUMBER AZ396000001
SECOND QUARTER 2006 REPORT

Dear Ms. Rumrill,

This report is submitted in accordance with the reporting requirements of Parts II.G.2.(a) through (j) of the referenced permit. It pertains to monitoring activities conducted at the Florence In-Situ Mine Site from April 1 through June 30, 2006. Copies of records required by Part II.G.1 are maintained at the Mine Site along with other information that is summarized below.

Florence Copper is subject to the requirements of Underground Injection Permit (UIC) Permit No. AZ396000001 issued by the United States Environmental Protection Agency (USEPA) on May 1, 1997, and Aquifer Protection Permit (APP) No. 101704 issued by the Arizona Department of Environmental Quality (ADEQ) on June 9, 1997, and last amended on July 16, 2004.

As you are aware, Florence Copper discontinued hydraulic control on September 1, 2004, in order to conduct groundwater quality tests in accordance with Part II.H.2 of the APP and Part II.I.2 of the UIC Permit. A report of the results has been provided to ADEQ and USEPA for review. The pumping wells remain off during the evaluation process. As a result, no extraction flows are reported under Section (b) below and the water level measurements that are reported in Section (b) reflect natural conditions, not hydraulic control.

(a) A map showing the current status of the mine.

Figure 1 shows the current monitoring area including the Point of Compliance (POC) wells and the wellfield. Figure 2 shows the approximate layout of the wellfield and denotes the four well pairs. There are four injection/recovery wells and nine pumping

wells. Five observation wells were installed to demonstrate net inward hydraulic gradient for the 90 days required by the permit. Solution injection began on October 31, 1997, and ceased on February 8, 1998.

- (b) A table and graph showing daily cumulative injection flows and extraction flows in each active mine block over the reporting period.**

Hydraulic control was discontinued on September 1, 2004, for purposes of collecting groundwater samples following a 90-day period of no hydraulic control, and remains discontinued for evaluation of results. Accordingly there are no injection or extraction flows to report.

- (c) A table and graph comparing average daily head in the four observation wells.**

Although hydraulic control was not maintained during this reporting period, water level measurements were continued by manual measurements in the four observation wells and their nearest inward neighbors. Figure 1 of Attachment 1 and the supporting data show the groundwater elevations in the four well pairs.

- (d) A table showing Point of Compliance (POC) monitoring wells analytical results and alert levels.**

The attached report *Florence Project Quarterly Compliance Monitoring Report – Second Quarter 2006* by Brown and Caldwell and sealed by Ms. Barbara Sylvester, Professional Engineer (Attachment 2), contains the POC monitoring records and results. Brown and Caldwell, along with Project personnel, conducted compliance sampling on April 10 through April 12, 2006.

Quarterly parameters were conducted for 29 of the 31 POC monitoring wells. POC monitoring wells M32-UBF and M33-UBF were dry and could not be sampled. All results were below the Alert Levels (ALs) or Aquifer Quality Limits (AQLs). The results are discussed in the report.

- (e) Results of the monthly analyses of organic in the injectate**

Organic analyses are not required because no solution was injected during the reporting period.

- (f) Results of monitoring required by 40 CFR 146.33 (b)(1)**

No solution was injected.

(g) Results of the mechanical integrity tests

No mechanical integrity test was required.

(h) Results of the annular conductivity monitoring

Although injection ceased in early 1998, annular conductivity measurements have continued to the present time. A graph showing measurement results for this reporting period is presented in Attachment 1, Figure 2. A value above historical ranges was calculated for OWB-3. This may be a temporary fluctuation as these calculations are extremely sensitive to minute changes. The conductivity will be measured again in the third quarter to determine if this is indicative of a physical condition of the well.

(i) Well and core hole plugging and abandonment.

None of the existing wells and core holes were abandoned during the report period.

(j) A summary of closure operations during the reporting period.

There were no closure operations during the reporting period.

Florence Copper, Inc., believes that you will find this report complete and in compliance with all permit conditions. Please contact me at (404) 495-9577 should you have any questions regarding this report.

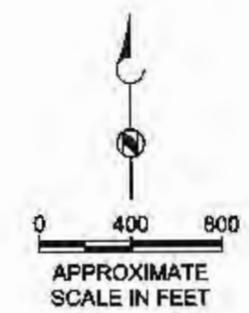
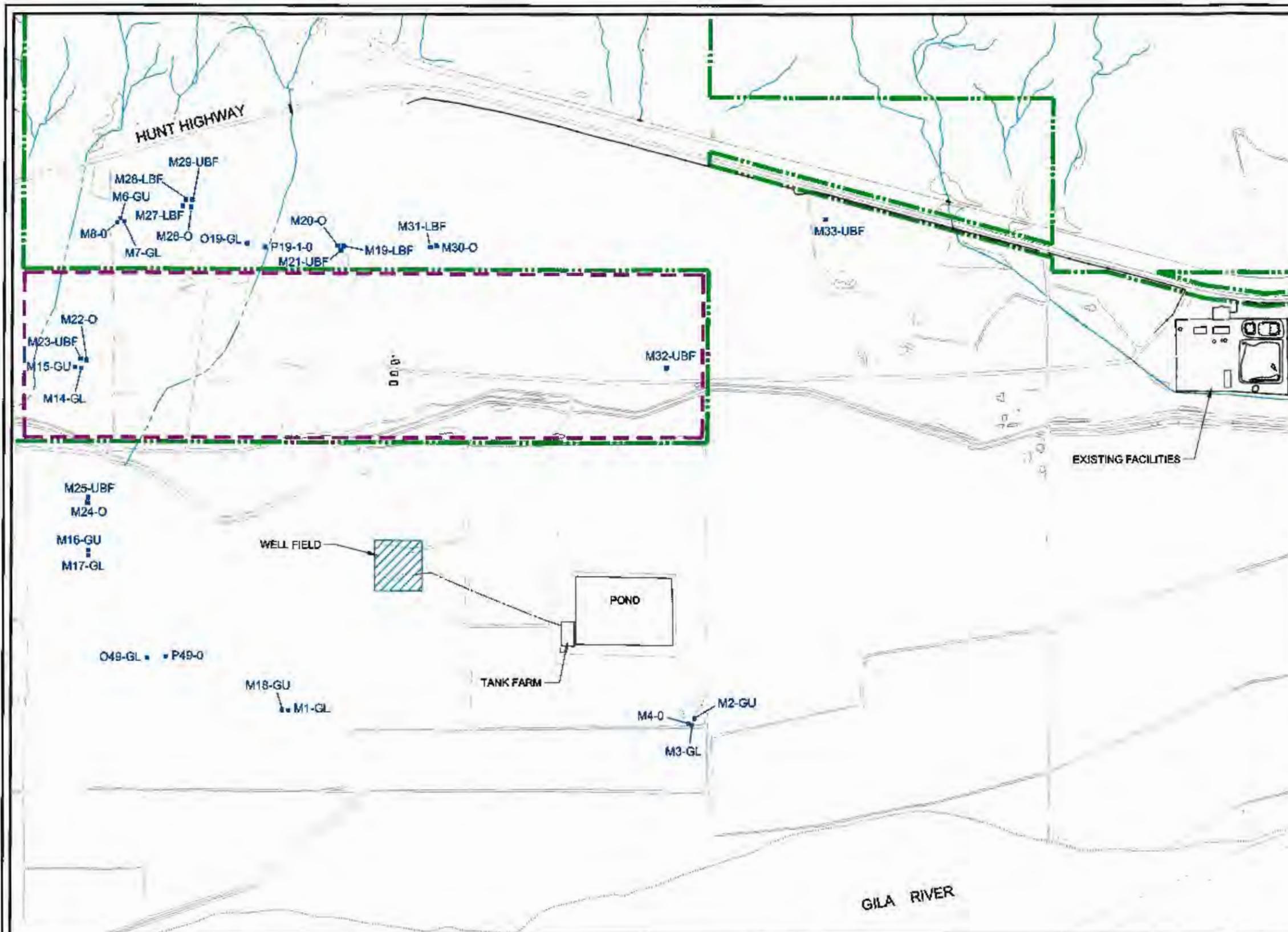
Sincerely,



Hugh Nowell
Corporate Counsel

BAS:lld
Attachments

cc: Florence Copper File

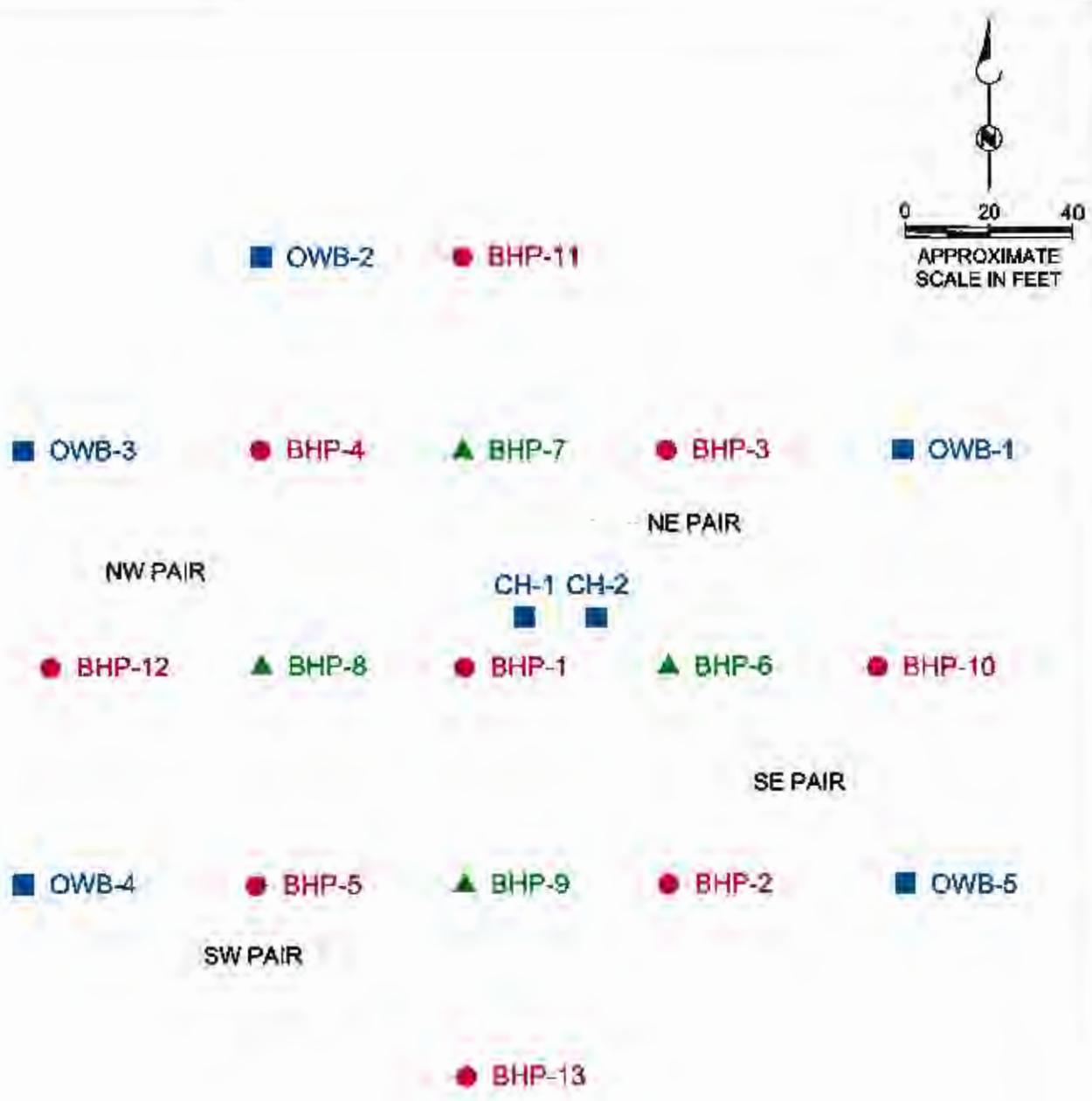


EXPLANATION

- - - APPROXIMATE PROPERTY BOUNDARY
- - - STATE LEASE LAND BOUNDARY
- O19-GL POC MONITORING WELL
- ENLARGED AREA ON FIGURE 2

Figure 1
MONITORING AREA
 MERRILL MINING, L.L.C.
 FLORENCE, ARIZONA

BROWN AND CALDWELL



EXPLANATION

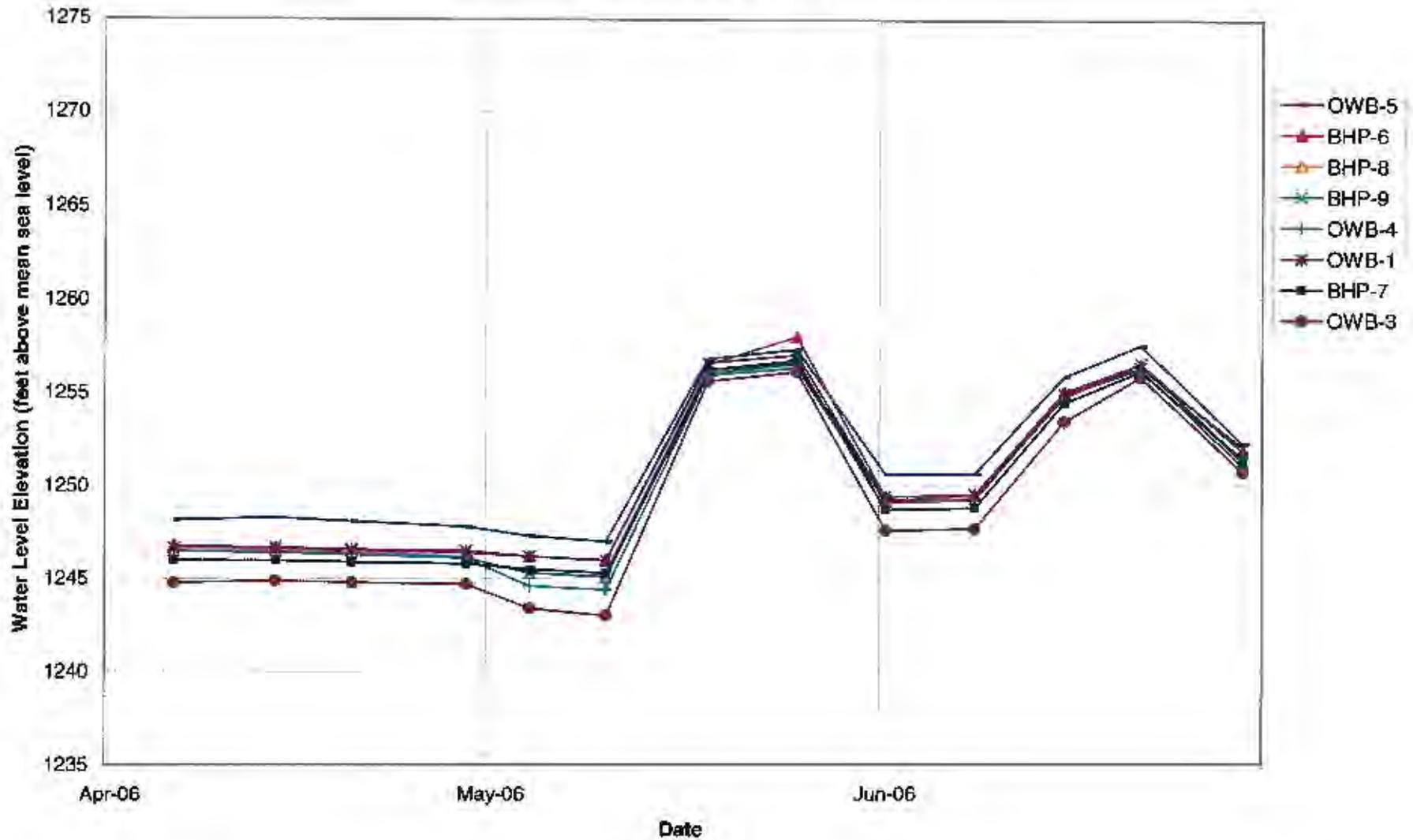
- BHP-10 PUMPING WELL (CURRENTLY INACTIVE)
- OWB-2 OBSERVATION WELL
- ▲ BHP-8 INJECTION / RECOVERY WELL (RECOVERY MODE SINCE 1998)



Figure 2
WELLFIELD LAYOUT
 MERRILL MINING, L.L.C.
 FLORENCE, ARIZONA

ATTACHMENT 1
MINE OPERATIONS MONITORING

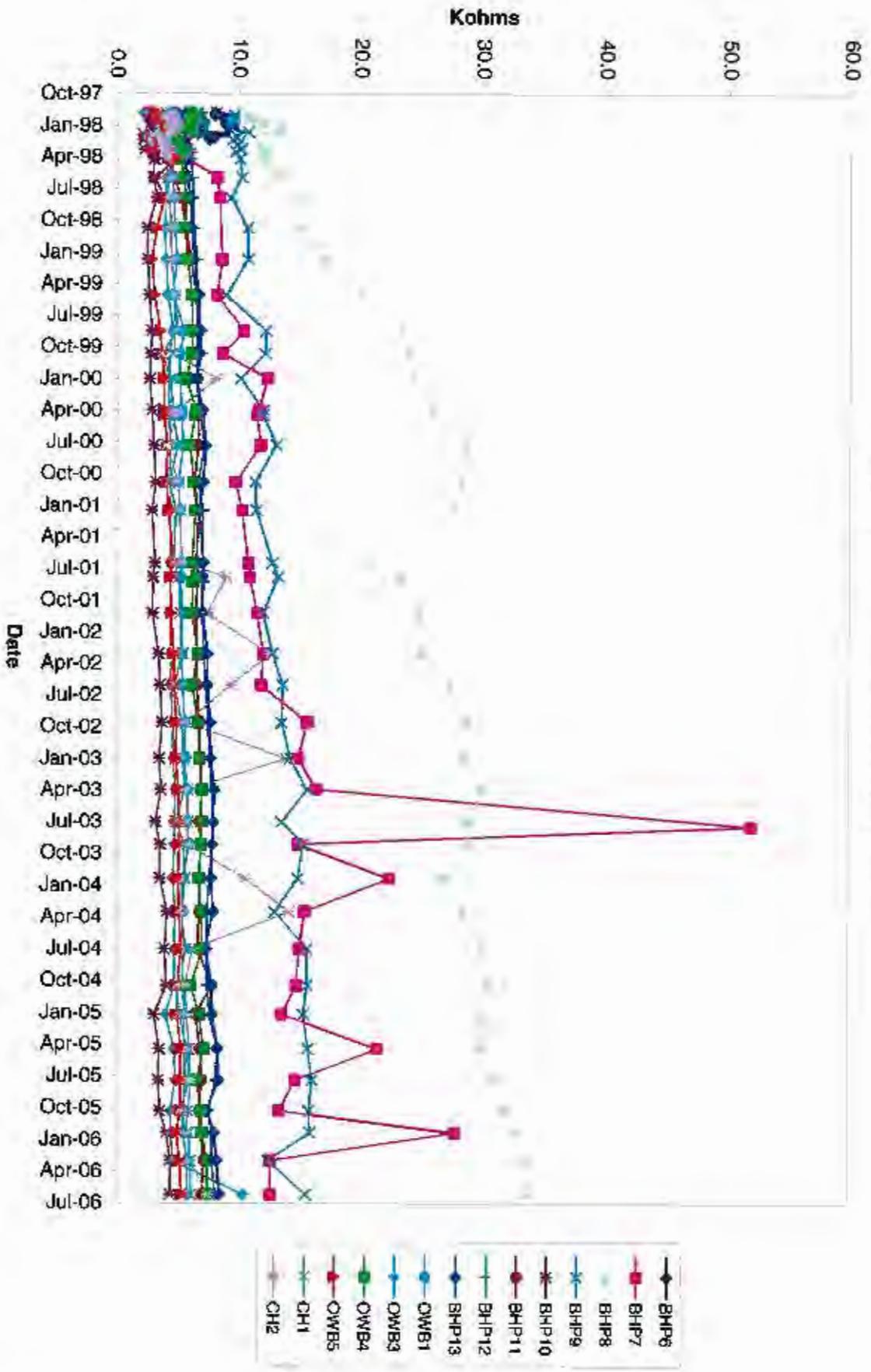
**Figure 1 - Well Field Water Elevations
Second Quarter 2006**



**Well Field Water Elevations
Second Quarter 2006**

Date	BHP-6	BHP-7	BHP-8	BHP-9	OWB-1	OWB-3	OWB-4	OWB-5
4/6/2006	1246.8	1246.0	1246.5	1246.7	1246.7	1244.8	1246.5	1248.2
4/14/2006	1246.7	1246.0	1246.5	1246.6	1246.7	1244.9	1246.4	1248.3
4/20/2006	1246.5	1245.9	1246.4	1246.5	1246.6	1244.8	1246.3	1248.1
4/29/2006	1246.4	1245.8	1246.1	1246.1	1246.5	1244.7	1246.1	1247.8
5/4/2006	1246.2	1245.5	1245.3	1245.3	1246.2	1243.4	1244.6	1247.3
5/10/2006	1246.0	1245.3	1245.1	1245.1	1246.0	1243.0	1244.4	1247.0
5/18/2006	1256.5	1256.2	1256.1	1256.0	1256.6	1255.6	1255.9	1256.8
5/25/2006	1258.0	1258.7	1256.6	1256.5	1257.0	1256.1	1256.3	1257.3
6/1/2006	1249.4	1248.7	1249.2	1249.4	1249.2	1247.6	1249.1	1250.6
6/8/2006	1249.5	1248.8	1249.3	1249.5	1249.5	1247.7	1249.2	1250.6
6/15/2006	1255.0	1254.4	1254.7	1254.9	1254.9	1253.4	1254.8	1255.8
6/21/2006	1256.5	1256.1	1256.5	1256.5	1256.3	1255.8	1256.2	1257.5
6/29/2006	1251.8	1251.4	1251.3	1251.2	1252.0	1250.7	1251.0	1252.2
Water Level Elevations (feet AMSL)								

Figure 2 - Annular Resistivity in Kohms



ATTACHMENT 2

POC QUARTERLY COMPLIANCE MONITORING REPORT

**FLORENCE COPPER PROJECT
QUARTERLY COMPLIANCE MONITORING REPORT
SECOND QUARTER 2006**

Primary Sampling Activities

Quarterly compliance monitoring was conducted for the Florence Copper project on April 10 through 12, 2006 (Second Quarter 2006). Groundwater sampling and analysis was conducted in accordance with the requirements of Aquifer Protection Permit (APP) Permit Number 101704, Part III.3.d (Compliance Monitoring). Quarterly parameters, as listed in Part IV Table III.B of the APP were analyzed from the designated Point of Compliance (POC) wells. The quarterly parameters are magnesium, sulfate, fluoride, and total dissolved solids (TDS).

During the Second Quarter 2006 sampling event, 29 POC wells were sampled and a total of 116 constituents were analyzed. Two POC wells, M32-UBF and M33-UBF, were dry and could not be sampled. Of the 116 constituents analyzed, none had reported concentrations exceeding the approved alert levels (ALs).

Analyses of the samples were conducted by Aerotech Environmental Laboratories (Aerotech). Analytical results for the POC wells for the quarterly parameters are provided in Table 1 and field parameters measured during sampling are indicated in Table 2.

AL Exceedances and Verification Sampling

Part II.F.4 of the APP (AL, Aquifer Quality Limit [AQL], and Discharge Limit [DL] Contingencies) requires verification sampling for an AL exceedance. There were no AL exceedances during this quarterly sampling. No verification sampling was required.

Contingency Sampling Plan to be Implemented During Third Quarter 2006

There were no AL exceedances verified during this quarterly sampling. No contingency sampling plan is required during the Third Quarter of 2006.

Results of Contingency Sampling Plan Implemented from First Quarter 2006

There were no AL exceedances during the First Quarter 2006. Therefore, no contingency sampling plan was implemented.

Issues

There were no other issues to report during the Second Quarter 2006.



TABLE 1. SUMMARY OF ANALYTICAL RESULTS, QUARTERLY PARAMETERS

Well ID	Sample Date	Magnesium		Sulfate		Fluoride		Total Dissolved Solids	
		Concentration	Alert Level	Concentration	Alert Level	Concentration	Alert Level	Concentration	Alert Level
M1-GL	Apr 13 2006	21.0	31	94	109	0.84	1.3	620	1028
M2-GU	Apr 13 2006	26.0	39	160	275	0.96	1.4	800	1496
M3-GL	Apr 13 2006	21.0	36	120	187	0.83	1.3	620	1157
M4-O	Apr 13 2006	5.9	15	74	405	2.5	5.1	410	1072
M6-GU	Apr 11 2006	2.8	5.1	54	86	0.82	1.3	340	620
M7-GL	Apr 11 2006	<0.25	1	37	82	1.0	1.7	260	464
M8-O	Apr 11 2006	<0.25	1	79	122	2.1	3.6	350	609
M14-GL	Apr 11 2006	2.2	23	62	144	0.75	1.4	390	874
M15-GU	Apr 11 2006	24.0	44	82	126	0.64	1.2	720	1359
M16-GU	Apr 13 2006	32.0	52	170	248	0.71	1.1	900	1635
M17-GL	Apr 13 2006	5.8	9.3	110	209	0.87	1.6	450	831
M18-GU	Apr 13 2006	20.0	36	150	288	1.1	1.6	720	1323
M19-LBF	Apr 11 2006	12.0	21	58	89	0.62	1	460	794
M20-O	Apr 11 2006	8.6	14	72	112	0.91	1.7	490	809
M21-UBF	Apr 11 2006	30.0	87	240	487	0.84	1.1	1000	2867
M22-O	Apr 11 2006	6.0	8.6	56	86	0.84	1.3	400	1094
M23-UBF	Apr 11 2006	38.0	69	270	411	0.82	1.3	1300	2392
M24-O	Apr 13 2006	11.0	19	700	1364	1.2	2.5	1200	2363
M25-UBF	Apr 13 2006	38.0	76	240	387	0.82	1.6	1200	2683
M25-UBF (Dup)	Apr 13 2006	38.0	76	240	387	0.81	1.6	1100	2683
M26-O	Apr 11 2006	<0.25	1	68	105	1.8	3.4	310	556
M27-LBF	Apr 11 2006	32.0	51	140	179	0.51	1	990	1745
M28-LBF	Apr 11 2006	1.7	2.6	51	81	0.9	1.6	350	610
M29-UBF	Apr 11 2006	43.0	84	310	465	0.76	1.1	1400	2751
M30-O	Apr 11 2006	11.0	18	64	102	0.87	1.6	460	824
M30-O (Dup)	Apr 11 2006	11.0	18	63	102	0.86	1.6	480	824
M31-LBF	Apr 11 2006	16.0	46	160	330	1.0	1.3	650	1665
O19-GL	Apr 11 2006	9.7	17	61	99	0.74	1.4	430	770
O49-GL	Apr 11 2006	10.0	18	80	159	0.7	1	520	849
P19-I-O	Apr 11 2006	6.3	12	69	107	1.6	2.8	440	767
P19-I-O (Dup)	Apr 11 2006	6.2	12	69	107	1.6	2.8	440	767
P49-O	Apr 11 2006	3.4	6.2	120	181	1.1	2	460	801
Arizona Aquifer Water Quality Standard						4			
All results in milligrams per liter (mg/l)									
< = less than the laboratory practical quantitation limit									

TABLE 2. SUMMARY OF QUARTERLY FIELD PARAMETERS

Well ID	Sample Date	Temperature (°C)	Temperature (°F)	pH	Conductivity (µmhos/cm)
M1-GL	Apr 12 2006	22.3	72.1	7.58	1059
M2-GU	Apr 12 2006	19.9	67.8	7.51	1261
M3-GL	Apr 12 2006	22.2	72.0	7.60	1043
M4-O	Apr 12 2006	23.9	75.0	7.48	719
M6-GU	Apr 11 2006	24.8	76.6	8.68	678
M7-GL	Apr 11 2006	23.9	75.0	9.57	480
M8-O	Apr 11 2006	29.0	84.2	9.01	663
M14-GL	Apr 11 2006	27.0	80.6	8.74	801
M15-GU	Apr 11 2006	24.5	76.6	7.61	1274
M16-GU	Apr 12 2006	24.1	75.4	7.53	1546
M17-GL	Apr 12 2006	28.4	83.1	8.44	837
M18-GU	Apr 12 2006	20.6	69.1	7.55	1096
M19-LBF	Apr 10 2006	23.0	73.4	7.75	773
M20-O	Apr 10 2006	23.7	74.7	7.64	753
M21-LBF	Apr 10 2006	22.5	72.1	7.30	1520
M22-O	Apr 11 2006	29.1	84.4	8.23	787
M23-LBF	Apr 11 2006	22.4	72.3	7.33	2056
M24-O	Apr 12 2006	30.3	86.5	7.97	1938
M25-LBF	Apr 12 2006	21.3	70.3	7.24	1817
M26-O	Apr 10 2006	29.1	84.4	8.71	591
M27-LBF	Apr 10 2006	23.5	74.3	7.65	1566
M28-LBF	Apr 10 2006	26.3	79.3	8.48	671
M29-LBF	Apr 10 2006	22.3	72.1	7.24	2071
M30-O	Apr 10 2006	24.1	75.4	7.54	780
M31-LBF	Apr 10 2006	22.2	72.0	7.53	984
O19-GL	Apr 11 2006	23.7	74.7	7.90	756
O49-GL	Apr 10 2006	25.8	78.4	7.75	924
P19-I-O	Apr 11 2006	25.1	77.2	7.71	739
P49-O	Apr 10 2006	28.1	82.6	7.80	797