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Governor

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Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

BRIAN C. STEED  
Executive Director

### Division of Oil, Gas and Mining

JOHN R. BAZA  
Division Director

March 20, 2020

## DIVISION ORDER

Mr. George Shaw  
Lisbon Valley Mining Co., LLC  
P.O. Box 248  
La Sal, Utah 84530  
Delivered Electronically to: [gshaw@lvmcholdings.com](mailto:gshaw@lvmcholdings.com)

**Subject: Termination of Operations at the Lisbon Valley Copper Mine and  
Emergency Order for Reclamation to Prevent Environmental Contamination**

Dear Mr. Shaw,

The Division of Oil, Gas and Mining (DOGM) received your letter, dated March 20, 2020, regarding the termination of operations at the Lisbon Valley Copper Mine, M/037/008 (Mine) in San Juan County, Utah, pursuant to Utah Code Ann. § 40-8-21.

After information received by Lisbon Valley Copper Mining Co. employees and agents and an inspection carried out by the Bureau of Land Management, DOGM understands the current conditions at the Mine are vulnerable and may quickly deteriorate. Particularly, DOGM understands that failure of the pumps at the leach pad and ponds would result in a release of sulfuric acid into the environment after only thirty-seven hours.

DOGM contacted the surety, Somp International Insurance (Somp), regarding the need for immediate action to protect the environment. Somp reserved its right to oversee reclamation activities, pursuant to the surety bond issued by it to Lisbon Valley Copper Mining Co. Somp indicated it will take immediate action to address the imminent environmental hazards at the Mine.

Pursuant to Utah Code Ann. § 40-8-21(4) and Utah Administrative Code Rule R641-109-400, I am hereby issuing an emergency order, without notice or hearing, to contain and/or reclaim any and all facilities at the Mine to the extent necessary to immediately prevent any imminent threat of environmental harm or damage. If Somp fails to take immediate action to ensure the environmental harms are mitigated, DOGM will undertake emergency actions to forfeit the full amount of the surety bond.




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This emergency order will remain in effect no longer than until the next regular meeting of the Board. At that time, DOGM will brief the Board on the events leading to the emergency order, together with any actions taken under the emergency order, and will request the Board issue an appropriate Order, possibly including a directive for full reclamation of the Mine. *See* Utah Admin. Code R641-109-400.

Questions regarding this Emergency Order can be directed to Paul Baker, Minerals Program Manager, at (801) 538-5261 or Dana Dean, Deputy Director – Mining, at (801) 538-5320.

Sincerely,



John Baza  
Director

Utah Division of Oil, Gas and Mining

Attachments: Letter from George Shaw, Director of Lisbon Valley Mining, Co., to Paul Baker, Minerals Program Manager, Division of Oil, Gas and Mining

Email from Jeremy Sentman, Head of Surety Claims, to Gordon Rowe, Assistant Attorney General

cc: Jeremy T. Sentman, Head of Surety Claims  
Sompo International Insurance  
12890 Lebanon Road  
Mt. Juliet, TN 37122



March 20, 2020

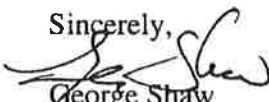
Mr. Paul Baker  
Utah Division of Oil Gas and Mining

As a result of the recent global health crisis resulting from the spread of the COVID-19 virus, as well as the severe drop in the oil market and global economic downturn, LVMC has been severely impacted. LVMC had been working on a transaction for several months that was set to close on Friday March 13, 2020, with its copper offtake counterparty that would have resulted in substantial liquidity to the Company. That day, as a result of the global economic turmoil, the counterparty advised LVMC that it was withdrawing from the transaction and would be unable to provide an emergency bridge loan. LVMC immediately engaged in a search for alternate sources of financings but for various reasons, including the short amount of time, no party was willing to provide financing. As a result, LVMC had no choice but to make the decision to quickly shutdown all operations.

On March 18th, all LVMC employees were furloughed. A number of LVMC employees have volunteered to operate the business since March 18<sup>th</sup> and have successfully de-energized and shutdown the processing facility as well transferred much of the processing solution to storage tanks. Natural gas supply will be turned off today or over the weekend.

The Company has maintained line power to the leach pad pumps and ponds and is recirculating solution. The Company has emergency generators on site if line power is lost in the short term. However, the volunteers are exhausted after several days of little or no sleep and are devastated by the abrupt steps that the Company has required over the past several days and they cannot work under these conditions much longer now that the site has be put into care and maintenance safely. Additionally, the weather has been difficult with snow and rain and wide temperature swings risk breaking solution pipes. This makes the situation very fragile to retain control of solution in the leach pad.

We are requesting immediate assistance and forfeit the Company's surety. Thank you for your prompt attention to our situation and communications with our environmental point person Aly Tarrant. Please contact either of us as necessary to advance discussion and action steps and we will continue to keep us posted.

Sincerely,  
  
George Shaw  
Director

Cc: Ken Garnett, Grant Lyon

**FW: Lisbon Valley Copper Mine****Sentman, Jeremy <JSentman@sompo-intl.com>**

Fri 3/20/2020 11:50 AM

**To:** Gordon Rowe <growe@agutah.gov>**Cc:** Beggs, Brian <bbeggs@sompo-intl.com>; Hennesy, Pat <phennesy@sompo-intl.com>; Haley Sousa <hsousa@agutah.gov>; Crawley, Shawn <scrawley@sompo-intl.com>

Gordon,

Thank you for speaking with me earlier.

I understand from our call that the Lisbon Valley Copper Mine in San Juan County, Utah has ceased operations and the employees are leaving the mine. This lack of supervision may be creating a potentially hazardous situation at the mine.

Please forward the name and contact information you have for any owners, permittees or operators at the mine. Furthermore, you indicated that you have been in contact with a contractor familiar with the mine and its operation that might be able to immediately step to secure and maintain the mine until a more permanent plan can be enacted. Please forward that information as well.

As I requested during our call, please confirm with your client that any money spent by the surety will reduce the penal sum of any bonds issued on behalf of the principal for the Lisbon Valley Copper Mine dollar for dollar. Please be advised that the surety is acting under a full reservation of all rights and defenses secured to it under the terms and conditions of its bonds and all applicable regulations, statutes and laws.

Below please find my contact information and my cell phone number. Please feel free to reach out anytime including over the weekend.

I will contact you later today with an update on the current situation. I look forward to receiving the above requested information.

Thank you in advance for your assistance and we look forward to working with you and your client in the future.

Sincerely,

Jeremy

**Jeremy T. Sentman, Esq, PE, PLS***Senior Vice President**Head of Surety Claims*

12890 Lebanon Road

Mt. Juliet, TN 37122

Direct Tel [+1-312-994-5473](tel:+1-312-994-5473)Mobile [+1-630-514-9471](tel:+1-630-514-9471)Email: [jsentman@sompo-intl.com](mailto:jsentman@sompo-intl.com)[www.sompo-intl.com](http://www.sompo-intl.com)

**From:** Beggs, Brian <[bbeggs@sompo-intl.com](mailto:bbeggs@sompo-intl.com)>  
**Sent:** Friday, March 20, 2020 12:07 PM  
**To:** Sentman, Jeremy <[JSentman@sompo-intl.com](mailto:JSentman@sompo-intl.com)>  
**Subject:** FW: Lisbon Valley Copper Mine

**From:** Gordon Rowe <[growe@agutah.gov](mailto:growe@agutah.gov)>  
**Sent:** Friday, March 20, 2020 12:00 PM  
**To:** Beggs, Brian <[bbeggs@sompo-intl.com](mailto:bbeggs@sompo-intl.com)>  
**Cc:** Haley Sousa <[hsousa@agutah.gov](mailto:hsousa@agutah.gov)>  
**Subject:** Lisbon Valley Copper Mine

EXTERNAL SENDER

Mr. Beggs,

I am contacting you in regards to the surety bond Sompo International provides for the Lisbon Valley Copper Mine in San Juan County, Utah. I've been informed by my client, the Utah Division of Oil, Gas, and Mining, that there has been incident at the mine that requires reclamation immediately.

Currently, we are working to seek an order from the Utah Board of Oil, Gas, and Mining to allow for the forfeiture the surety held by Sompo under emergency authority to allow the Division to work with a contractor to reclaim the hazard and eventually the entire mine. We hope to have an order in place by the end of the day.

Please contact me as soon as you are able so we can discuss Sompo's role in the action. You can reach me on my cell phone at 505-400-9431.

Best,  
Gordon

Gordon Rowe  
Assistant Attorney General  
Utah Office of the Attorney General,  
Natural Resources Division  
Direct: (801)538-7438

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