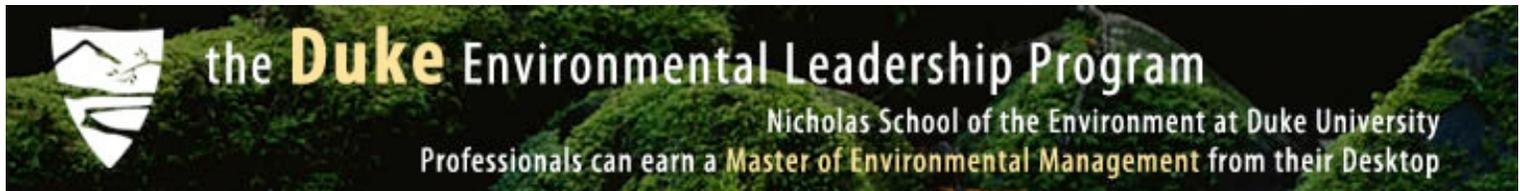


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Death of a mine

In Utah, a major new copper producer goes belly-up in just two years

Sidebar article - From the February 18, 2008 issue of High Country News by Jodi Peterson



In the fall of 2005, the country's first new copper mine in more than a decade declared itself open for business. Constellation Copper Corp. had labored for 13 years to clear regulatory and legal hurdles, find financing and obtain permits for its Lisbon Valley Mine in southeast Utah. A headline in *The Mining News* summed up the struggle: "Constellation Copper's motto: Never, ever give in."

But two years later, Constellation did just that: It closed the mine, laid off two-thirds of its workers, and declared that by 2010 it would finish processing its stockpiled ore and shut down completely.

The company's former president, Gregory Hahn, had predicted at least a 10-year life for the mine, and industry experts thought it would be a stellar success. Soaring copper prices and the high grade of the Lisbon deposits should have just about guaranteed a profitable operation, says Michael Nelson, associate professor in the College of Mines and Earth Sciences at the University of Utah. He and other mining experts see the failure of the Lisbon Valley Mine as simply a fluke, rather than a harbinger of doom for the West's other new copper mines.

Constellation's current CEO, Patrick James, concurs. He notes the unique nature of the mine's copper deposits - in soft sandstone rather than the harder rock types usually found around copper. The Lisbon ore broke down into sand, which leached copper out much more slowly than early lab tests had predicted. "We used up all of our capital just (mining and moving) ore onto the leach pad," he says. "Then we didn't get copper out fast enough to be able to continue to mine."

Although mine start-ups often have glitches to work out, the extent of Lisbon's problems was surprising, says Ken Krahulec, senior geologist with the Utah Geological Survey: "Something clearly went badly astray. Some of it was bad luck, some of it was bad test work."

Financial losses played into the shutdown as well. To get financing, the company had signed contracts to sell about 1 million pounds of copper each month for around \$2 per pound, but the market price quickly shot to more than

\$3 per pound. "In 40 years of mining, we had never seen \$1.80 copper, so (the contracts) looked really good at the time," says James. "Then the price climbed, and that would have been OK if we had made the production we expected." But when copper output didn't go up, the company was stuck selling most of the metal it did produce at a price far below market value.

Mining has always been a volatile industry. Over and over, hardrock mines have brought quick riches to Western communities, only to leave them with lasting environmental and economic problems when the vein plays out or metal prices plunge. "The (Lisbon Valley) mine is the poster child for the fast bust," says Roger Flynn of the nonprofit Western Mining Action Project. "Western communities need long-term diversified economies, not short-term boosts."

The mine's shutdown has been hard on the nearby communities of Monticello and Moab. The operation employed 159 workers with an annual payroll of about \$9 million. Jobs with good pay and benefits are hard to come by in the area; San Juan County's unemployment rate last year was 5.2 percent, nearly double the statewide average of 2.7 percent - and that was before the Constellation layoffs. To find equivalent work, former mine employees may have to move to Nevada or Arizona. "The wages (mine workers) were earning out there are not replaceable in this area," says Lisa Roman, with the Utah Department of Workforce Services.

Still, once Lisbon Valley shuts down completely, some other mining company may buy it and ramp it up again. "Another company could put it back into production and make money," says Krahulec. "You'd sell (copper) at \$3.20 a pound instead - if you could sell at that price you could solve the problems." But James isn't so sure. "I'd like to tell myself that we did as well as anyone could have with it," he says. "We've talked to a lot of other mining companies and nobody's come back with an idea that's better."

The author is HCN's associate editor.

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The sad tale here is that this mine was mis-managed from the beginning. They did not do their homework and, like any other big capital investment project, they tried to rush this thing into production and screwed up big time in the process. From the decision to crush and leach using a single (too small) crushing circuit, to sizing equipment without analyzing the market for tire availability, to not understanding how the leaching process reacts during cold conditions, to adding entirely too much acid in the initial leach cure, to hiring a staff relatively inexperienced in copper leaching; this project was doomed from the beginning. Ah yes, there is much more, however, too much to discuss here. The bottom line is that Constellation didn't do the most important analysis before beginning a project such as this, internal due dilligence. Mr. Krahulec, maybe someone will buy it, but it will be difficult go get around the "cement block" that has been created instead of a leach pad. And Mr. James, if that is your conclusion, you haven't been talking to the right people.....

Copperhead

Reply

LVMC Demise

Copperhead - your analysis is somewhat flawed. I worked there, I know. They didn't use too much acid at first - they didn't use enough. Tires weren't a major issue because the soft sandstone didn't erode the tires very fast. And the process staff was well qualified in processing copper.

The biggest problem we had to overcome was the comminution circuit. We should have sent run-of-mine directly to the leach pad, bypassing the exhaustive crushing circuit altogether. This together with other mine planning issues were key to the early demise.

Reply

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