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Magma Copper Company/Pinto Valley Copper Corporation

Opening 1986 Negotiations Meeting January 24, 1986

J. H. C.

Statement of Brian Woolfe, executive vice president

MAR 6 1986

Thank you for coming here today. This meeting gives me the chance to explain the problems which we are facing and how we propose to tackle those problems. In particular, I would like to welcome the delegation from Pinto Valley. Having assumed responsibility for Pinto Valley only recently, I have not had a great deal of time to get to know the people there. I hope to correct this during the next several months.

I would first like to point out to you that we, both sides of this table, have a common goal. We must never lose sight of that goal. Quoting I.W. Abel, former president of the United Steelworkers of America:

"The basic need of every company is to make a profit. Only then can it provide jobs and earnings for employees."

I believe Mr. Abel's profound statement to be the guts of the issues which we will be discussing during the coming months. We have to recognize the fact that our fundamental problem at Magma and at Pinto Valley is that we are not making a profit and have not been doing so since 1981.

How can we continue to operate while losing money? Of course, we've made money in the past. Newmont was willing to sustain these losses up until now because its other businesses have been profitable and because it was more optimistic on copper prices. Newmont wants to support us through these tough times, but only if it believes we can be profitable in the future. Faced with continuing depressed prices, Newmont cannot justify continuing its support of losing operations unless we are on the road to profitability by reducing our costs.

The decision, "Do we continue to operate?" has to be made soon, and at what level. If you have been in this business very long, you know that once you decide to close, you may never start up again. Once we turn off the flow of any income from copper sales, start-up costs are so great that it becomes easier - less costly - to stay closed.

So long as we and, more importantly, Newmont, our owner feel we have a basis for optimism for the future, it's better to keep operating than to close. Our losses are so great, however, that additional action on our part is necessary.

We will be providing the Steelworkers' International union with a great deal of important financial information to substantiate the extent of the losses which our two companies have suffered over this time span. Some of this is information we have never publicly disclosed before. The pre-tax losses at Magma and Pinto Valley amount to some \$330.9 million over the five years. In 1985 alone Magma suffered pre-tax losses from operations of \$54.1 million and Pinto Valley \$8.1 million. In addition, Magma has another \$40.3 million in losses connected with the Superior Division closure.

Last January in Albuquerque, I reported to the Magma Unity Council on the state of our industry and our company. We reviewed our losses as an industry and as a company.

Let's look at where we are with 1985 included:

INDUSTRY LOSSES

1982	\$623,000,000
1983	\$400,000,000
1984	\$400,000,000
1985	\$500,000,000

Let's look at how these losses have caused mine closings and the loss of 25,000 jobs since 1980.

(See chart on this page.)

These numbers were increased by lay offs at Inspiration and Pinto Valley last week. Now let's look at the Magma/Pinto Valley pre-tax losses.

(See chart on this page.)

At the end of 1985, our indebtedness to Newmont and lending institutions totalled \$304 million. This debt is significant as we are unlikely to get financing for additional losses unless we can show we can reduce our debt.

These figures for Magma and Pinto Valley are substantiated in the data we will be furnishing the unions.

Quite simply, the clock is running down and we have to demonstrate this year that we can reduce our costs and position ourselves to return to profitability or drastic remedies will have to be applied. 1986 is a time of decision for all of us. Newmont won't continue to support us at our current cost level. These are the most important negotiations we have ever conducted.

The difficult management decisions that need to be made by Newmont in 1986 will affect the future and job security of all of us - me and you. If Newmont money is directed to better investment opportunities, Magma and Pinto Valley may cease to exist in their present form. To serve its shareholders, Newmont has to invest money where it thinks it can get the best return. Its current operations in gold, coal and petroleum are all profitable. Copper is not. If we don't become profitable, our future is short.

Surviving is what we intend and are committed to do. There are many factors not under our control that affect whether or not we will survive. You should be aware of the factors which neither of us can control. You must be aware of and respond positively to the factors which we can control. We must take control of our own future.

This brings me back to where I started. Being here today gives me the opportunity to tell you about three specific areas:

1. The major problem we're facing.
2. What we have done to reduce costs in the areas where we have some control.
3. The help we need from you - and we need it as soon as possible.

Let's look at the first of these three points.

1. The major problems we're facing.

Our biggest problem is that a large part of the world's copper production has come under the control of governments like Chile, Peru, Mexico, Zambia and Zaire. Chile is by far the biggest producer with a production of 1,000,000 tons out of a world consumption of 7,000,000 tons. These countries need to sell their copper to get the dollars to pay for oil, food, and interest on their foreign debts. They also do not want the political problems that large numbers of unemployed copper miners would create. In effect, they prop up their governments with copper production.

In some cases, like Chile, their ore-bodies are rich enough and big enough that they can make money at copper prices which cause the U.S. mines to close or to operate at a loss.

Our foreign competitors, Chile, Zaire, Zambia and Peru, have many advantages over our American producers of copper. Here are several very important advantages that the foreign producers enjoy:

1. Ability to obtain low cost (or no cost) loans from world banks.
2. Ore grades ranging from 1.5% to 2% copper, two to three times our U.S. producers' grades.
3. Government subsidized operations.
4. Fewer government regulations and in particular no environmental controls which add some 15¢ per pound to the price of copper in the United States. Both Cananea and Nacozari just south of the border will shortly be operating with no environmental controls.

Continued on next page.

**U.S. COPPER INDUSTRY
OPERATING PROPERTIES WORKFORCE COMPARISON 1980-85
JANUARY 21, 1986**

	1980	12/1/85	Loss
Anaconda	2,525	-0-	2,525
ANAMAX	1,350	43	1,307
AMAX-Cartaret	1,808	610	1,198
ASARCO	4,616	2,365	2,251
Cyprus	1,747	514	1,233
Duval	2,933	1,103	1,830
Inspiration	2,116	1,202	914
Kennecott	10,892	1,893	8,999
Magma	6,274	3,340	2,934
Noranda	530	55	475
Phelps Dodge	6,785	3,796	2,989
Pinto Valley	847	657	190
	42,423	15,578	26,845

PRE-TAX LOSSES: 1981-1985

	Magma	Pinto Valley	Total
1981	\$25,033,000	\$3,479,000	\$28,512,000
1982	56,548,000	34,964,000	91,512,000
1983	53,307,000	3,835,000	57,142,000
1984	44,069,000	9,129,000	53,198,000
1985	94,426,000	6,059,000	100,485,000
	\$273,383,000	\$57,466,000	\$330,849,000

Brian Woolfe's statement at ope

The result is production costs that are much lower per pound compared with the costs of the typical U.S. producer.

Our government will not protect us from foreign competition by imposing tariffs and quotas. We have tried that in a cooperative effort of both companies and unions. It didn't work. The problems are so complex in this area that this Administration - or any other Administration - will not respond in any favorable way due to the impact such a step would have in other parts of the economy. Even our copper customers - fabricators particularly - would argue that more U.S. jobs would be lost in fabrication than would be saved at U.S. copper mines. If imported copper were curtailed. We must accept the fact that we have foreign competition and that in order to survive, we will have to meet that competition in the market place. Therefore, in these talks and in reaching a settlement in 1986, we must accept that foreign competition is a factor over which we have no control. It affects us, but we cannot make it go away. We must lower our costs.

Overall, free world copper usage is forecast to increase at less than 3% annually in the next few years. There are several reasons for this.

Substitution of other materials is displacing copper and reducing its use in industry. Some of these you will remember - aluminum cable replacing copper cable; fiber optics replacing copper wire in the telecommunications industry; aluminum radiators for cars; etc.

Although we have attempted to capture new markets, the gains haven't been great tonnage-wise. Through the efforts of the Copper Development Association (CDA) and the International Copper Research Association (ICRA), the copper industry is seeking new products and applications. Together these organizations have helped develop markets in such areas as: solar heating, fire sprinkling systems, plumbing systems, electric vehicles, copper/nickel alloy hulls for ships, a radically new copper automobile radiator, sheathing offshore ocean structures, soil additives for agriculture and many other areas.

In addition to our foreign competition, we must acknowledge our domestic competitors such as Phelps Dodge, White Pine and Kennecott who either already produce or plan to produce copper at costs well below current copper prices.

You may have read about Kennecott's plans to spend \$400 million in Utah for modernization of facilities. In its announcement, Kennecott said the physical improvements and expected labor cost reductions would allow it to produce copper at about 51¢ per pound. They are fortunate in having much richer ore than we have. Phelps Dodge announced a new large SX plant at Morenci to produce copper at about 30¢ per pound. This production will supplement existing low cost leach copper production at Morenci and at Tyrone. As distasteful as it may be, you cannot ignore that lower labor costs and the ability to use its labor force more efficiently are major reasons why Phelps Dodge was able to report profits in 1985 when the rest of us were reporting losses.

White Pine is coming back into production thanks to significant labor cost concessions and the ability to make more flexible and efficient use of labor. The Steelworkers and White Pine made

a five year agreement with total labor costs capped at less than \$12 per hour per employee from the former \$20 per hour per employee labor cost figure. That gives White Pine a significant cost advantage over Magma and Pinto Valley.

In addition to the foreign and domestic competition I've outlined above, we can't forget the potential open pit production which has been put on standby in the United States and Canada and which can be brought back into production fairly rapidly. This overhanging quick additional production could meet very short term price increases. It is a long term depressant on prices.

However, the longer a mine is kept out of production the more costly and more difficult it will be to bring it back into production. Eventually some of the closed mines which are presently on care and maintenance will be permanently shut down. Superior is an example of this. In late December we had to recognize that there is no realistic way to operate the labor-intensive Superior mine with its high labor costs with the copper prices which we can foresee in the future. That's why we took a \$40,300,000 additional loss in December as it is our conclusion that operations won't be resumed at Superior under Magma management. If the current negotiations to find a buyer or to lease the mine don't succeed, we will start

permanent closure and clean up of Superior shortly. That was a tough decision, but this is a period filled with tough decisions.

Now let's look at another factor we cannot control but which certainly affects us, copper price.

MAGMA REALIZED COPPER PRICE

1974	74.62¢
1975	63.07¢
1976	69.22¢
1977	66.43¢
1978	65.60¢
1979	90.81¢
1980	101.88¢
1981	83.72¢
1982	72.47¢
1983	75.12¢
1984	66.34¢
1985	65.89¢

In 1983, the average price for copper was 75¢ per pound. In 1984, that price was 66¢ per pound. And in 1985, the average price was again 66¢. Future predictions - by leading experts, including Booz Allen Hamilton and Commodities Research Unit Ltd. - for the price of copper are not encouraging. A one dollar

per pound copper price simply is not in sight. We have to lower costs.

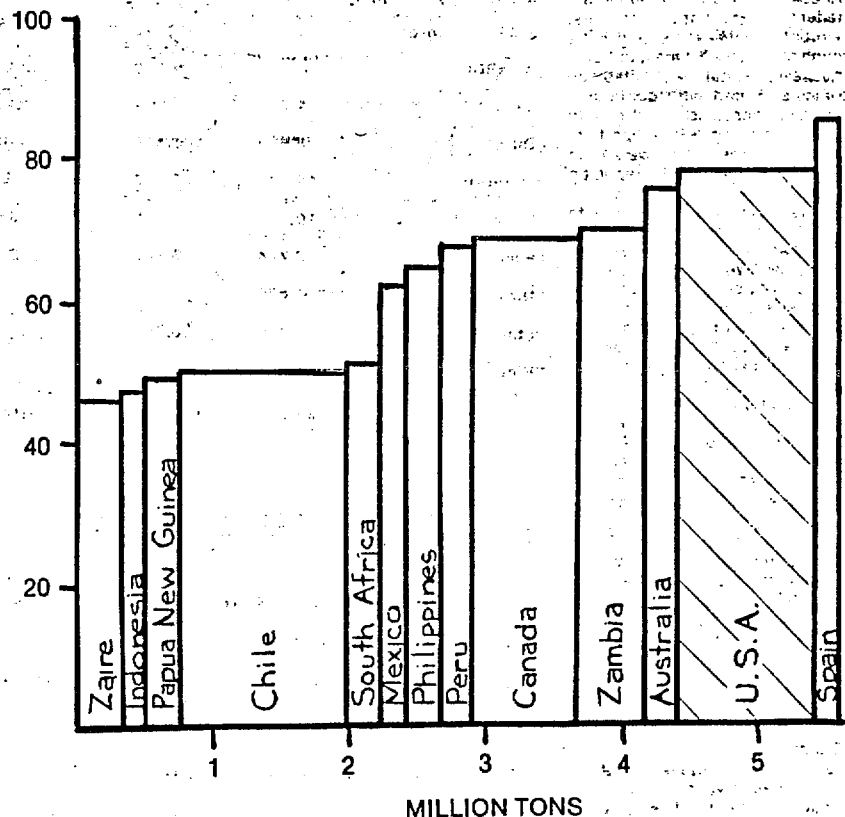
Now, those are some of the problems over which we have no control. They are not going to go away. They impact us very strongly. The message we get from studying these problems is loud and clear. If we cannot produce copper at a competitive price, a total cost of 60¢ a pound or less, we are left with no recourse except to shut down high cost operations. That's the bottom line in my message to you. Newmont does not feel we can compete and is unwilling to continue to finance us unless we can reduce our total cost of production to 60¢ per pound. I believe we can achieve the 60¢ figure by cost reductions from four principal areas (i) production of more leach copper, (ii) lower labor costs, (iii) improved mining methods and (iv) higher grade mining plans. It takes cost reductions in all four areas for us to be successful.

No one else will help us. The ball is in our court. We must help ourselves by lowering costs to compete. As part of lowering our costs, we have to remove barriers - contract language, jurisdictional and craft lines, - which impede productivity. Each of us has to be able to actually use all of his time and talents to more efficiently produce copper.

Let's look at how 60¢ will help us. (See chart on this page.)

1984 FREE-WORLD SUPPLY CURVE

CENTS/LB.



NOTES: •Supply curve based on production in 1984.

- Capacity additions/deletions are not assumed to change overall country costs.
- Cash costs exclude depreciation
- Curve expressed in current dollars.

Now, for our problems at Magma and Pinto Valley. First let me make it clear that we have to lower our costs regardless of whether or not we retrofit the smelter. If we do retrofit the smelter, it will require an investment of some 135 million dollars. Our studies to date show that a flash smelter taking 3,000 tpd day of concentrates has the lowest unit costs. However, Magma and Pinto Valley at best can only supply some 1,800 tpd of concentrate between them. The next best choice, a 2,100 tpd flash smelter, still leaves us with a short fall in concentrate feed which must come from elsewhere.

Our efforts to get another copper concentrate producer to join us in a joint venture to retrofit the smelter have so far been fruitless. The next best solution is to arrange for long term tolling contracts and/or long term contracts to purchase concentrate as high smelter throughput reduces our costs.

However, this is where we run into a "Catch 22" situation.

In order to negotiate a custom smelting or tolling contract, we have to have a price based on our estimated costs. A large part of these costs are labor costs. Our potential concentrate suppliers say they want to see definite evidence that we can reduce our costs as we predict we will, before they will consider a contract. To retrofit the smelter without assurance of the extra concentrate is extremely risky, if not impossible to justify. If we don't know our future costs for sure, we can't get a contract. We are rapidly running out of the time needed to retrofit the smelter and have it operating in 1988.

Another important aspect of the smelter question is how long we can get concentrates from the San Manuel and Pinto Valley mines.

By adopting the new high grade mining plan at San Manuel, by lowering labor costs and by increasing production from leaching, San Manuel can get its cost of production down within the target area of 60¢ per pound. However, under this plan, we will exhaust our ore reserves at San Manuel in 1993. The only area where we can get additional reserves is the Kalamazoo which will require some \$80 million in development costs and this would be in addition to the \$135 million mentioned for the smelter retrofit. Development of the Kalamazoo must start shortly if there is not to be a gap in production and it will require a considerable amount of money before production begins.

At Pinto Valley, with present costs, the expected life is about 11 years. With reduced costs, I believe this life expectancy could be extended. However, Pinto Valley costs cannot be reduced to the same extent as those at Magma and without a good smelting/refining contract, continuing operations may not be possible.

What can we do to solve these problems and compete successfully? There are several areas.

Making every effort to use modern technology is an area we have been working on and one which we will strenuously pursue. However, applying new technology and getting the full benefit from it, invariably requires the investment of funds and time. It takes time, as well as a lot of planning and investigation, to find and to apply new technology and, in nearly every case, money must be spent on new equipment and/or plant.

An illustration of this problem is the mechanized block at the mine. We have borrowed equipment from Pinto Valley and also bought equipment. We have been limited in what could be done because the existing mine development plan did not fit a mechanized block. Really it is only in the virgin Kalamazoo ore body that a mechanized mining system could be developed to its full potential.

Now let me move to the second of my three points.

2. What we have done to reduce costs in the areas where we have some control.

For the past four years, at both Magma and Pinto Valley, we have changed the way we manage in a very serious effort to stay in business and to weather the economic storm. Some major examples of these changes include such activities as: (1) the development of quality circle groups throughout the San Manuel operations, (2) increased communications to keep all employees better informed about subjects of importance to each and every employee and his family, and (3) a revised management style to recognize the needs of individuals in the workforce. All of these changes were designed to involve the whole work force in our efforts to overcome our problems as our work force was and is our biggest asset in problem solving.

We have renegotiated our gas, coal, utility and other supply contracts, resulting in savings of many dollars to our operations on a yearly basis. In addition, we have withheld general pay increases for salaried personnel; we have restructured the salaried organization by eliminating and combining jobs; and we have assigned increased responsibilities to those remaining members of the salaried workforce.

Employees at both properties have been affected by the numerous changes which have been made in our quest for survival. You've experienced reduced workweeks, and workdays, working with fewer co-workers, making the job go with fewer materials, or, in many cases, repairing the old equipment rather than replacing it. We have all been working under increased pressure to work smarter. And our people at both Magma and Pinto Valley have responded in a very positive way. This is a source of pride to the entire team. We are extremely thankful for their support in the past and hopeful for their continued support in the future.

In spite of the problems that we have faced in the past several years, our employees have achieved good safety records at both operations. Also during this difficult time, our union representatives have responded in many ways to our needs. We have experienced a healthy labor relations attitude in our day-to-day business dealings with union representatives at both properties. We recognize the problems created for our union representatives by the hurricane-force winds of change. We hope the spirit of cooperation which we have seen both at Magma and Pinto Valley will continue during our talks in 1986.

The common ownership and management of Pinto Valley and Magma has given us additional opportunities to cut costs. Pinto Valley and Magma have an interdependence, which, if properly exercised, can be an advantage to both. If not exercised, it could mean

the individual operating costs of the two properties would be so high that their closures, independently of each other, would be inevitable in the not too distant future, if not immediately. The interdependence means Pinto Valley gains the advantage of lower cost smelting and refining. It was the high cost of smelting at Inspiration and refining at ASARCO that shut Pinto Valley down previously. By having the concentrates from Pinto Valley, Magma can increase its throughput at the smelter and refinery and thereby reduce its unit costs. This helps both properties.

We are doing joint purchasing by Pinto Valley and Magma. Placing orders together means larger orders, which in turn means better discounts. We have already achieved some success in joint purchasing of solvent extraction reagents and steel balls for the mills. But there are still areas to be exploited: rods, steel, mill reagents, tires, fuel and explosives for the pits, safety equipment, etc. Furthermore, it should be possible to reduce warehouse inventories. We will also have increased technical communication and interchange of technical expertise, eliminating duplicate facilities and personnel where possible.

There are definite advantages in working together and I intend to exploit every advantage I can to increase efficiency and to cut costs and with your help to save our jobs.

We have here at Magma and Pinto Valley and indeed throughout the United States, the best educated and best trained work force you could find anywhere. I believe we must take full advantage of this fact. At home our workforce is largely capable of servicing its own vehicles, making in-house repairs, including electrical, plumbing and painting. They have multiple talents. However, in the work place in nearly every case we restrict a person from the opportunity to develop or use talents other than those that he is specifically assigned to do. We can no longer afford the extra costs that this entails. If these work practices continue without modifications, it will mean lost jobs as operations will be forced to cut back or to shut down because these practices ensure needlessly higher costs because of lost time; lost efficiency; and a larger labor force than necessary. These are inefficiencies our foreign and, now, many of our domestic competitors do not have.

Now, to my third area. Despite efforts to reduce costs, we haven't done enough.

3. The help we need from you - and we need it as soon as possible.

In the Magma audio visual presentation of last July, we stressed the subject of change. We said, "Magma will change." And change we - Magma and Pinto Valley - must if we are to meet the needs and expectations of all who depend on our success. This includes employees who depend on wages, suppliers and vendors who depend on our purchases, local and state government agencies which depend on our tax contributions, and lastly, our investors - the stockholders - who depend on us to make a profit. We must show our parent company, Newmont, that we are the type of organization that makes continued investment worthwhile.

Labor costs are a significant proportion of our costs. Labor costs are the area where we need your help if we are going to be survivors. Let's look at what's happened to labor costs since 1973.

(See chart on this page.)

As responsible labor and management representatives, we must address the subject of labor cost reductions in a very serious, sincere and straightforward way. We cannot duck this responsibility. The welfare of all of our people, our labor organizations, and our companies is at stake. No one on this side of the table attempts to blame any one particular group for the dilemma which we find ourselves in today. Spending time blaming is non-productive. We are in the situation we are in and we have to correct it.

Collectively, we have a common problem. Any hope for long-term profitability must include significant wage reductions and some benefits plans changes and more efficient and productive work practices. This is where you come in. Our proposal includes permanent wage reductions and is predicated on improving the way we utilize manpower. There is no other way. Again, I want to repeat the most important point in my presentation to you: If we don't get our costs down to 60¢ per pound, we have no future. We cannot lower costs sufficiently without the level of labor cost reductions we are proposing to you. More leached copper and high grade efficient mining plans won't work by themselves without lower labor costs. This is why I said earlier that 1988 is the year of decision. Newmont will make the decision, but what we do - you and I - will affect what they do about our futures at both Magma and Pinto Valley.

Continued on next page.

CHANGES IN PRICE, WAGES, CPI

	1974-1985		Net % Change
	1974	1985	
Price Per Pound	75c	66c	-12.0%
Average Wage	\$5.585	\$13.545	+143.0%
Consumer Price Index	148.0	318.2	+115.0%

Brian Woolfe's statement at opening of negotiations, January 24, 1986

WAGE SPREAD COMPARISON

1974-1985

	1974	1985
Laborer	\$4.710	\$12.030
Mechanic	\$5.935	\$14.151

26% 17.6%

There is another area that affects costs and efficiency as far as labor costs are concerned and that is the way across-the-board raises have increased the wages of the unskilled jobs out of proportion to those of skilled jobs. If this continues, it will end up with every job, skilled or unskilled, paid the same wages. With no incentive to study and to train for more skilled work, we'll end up with a work force that will not be able to compete on any terms at all. This disparity is further confirmed by looking at what other employers in the area pay.

You will see that the non-mining labor market recognized the need to pay more for skilled than for semi-skilled jobs.

(See chart on this page.)

We must face these challenges as other companies and labor organizations have. I believe very firmly if labor and management do not change their ways and face up to the challenges from overseas and at home, we will both fail and it is the working people of the United States, not just at Magma and Pinto Valley, both salaried and hourly-rated, who will suffer. And we, both sides of the table, will properly be blamed because we lacked the courage to do what was needed. We must make changes in how we operate. We must achieve maximum efficiency and minimum costs. Even with the reductions we are proposing, we can be proud that our wage and salary structure will still be competitive in this area.

(See chart on this page.)

Let me again make our objective in these negotiations very clear to all concerned. We want signed agreements with the unions representing our employees by July 1, 1986, or sooner if at all possible. The sooner we lower our costs, the brighter our future. These agreements must include those changes - labor cost reductions and the ability to do all work by the most efficient, economical and expeditious methods available - which are vital and necessary to continued operations at Magma and Pinto Valley. We intend to negotiate these contracts with you, the labor unions representing our employees. Our problems and needs are peculiar to Magma and Pinto Valley. We are not concerned about other companies in our industry during these negotiations as we each have our own situations to consider. Certainly, a settlement at another company in the industry will be of interest, but only because it affects

the cost of a competitor. It will not solve our problems. If it ever existed, pattern or coordinated bargaining does not exist in the copper industry in 1986. Magma and Pinto Valley must do their own thing in 1986 negotiations regardless of the other companies. It's our survival we're negotiating for, not that of ASARCO, Kennecott or Inspiration. Those companies and non-union operations are competing with us to see who will survive - us or them. We need a settlement that reflects our needs, not what's appropriate for a competitor.

If Magma cannot be "saved," Pinto Valley may not be saved. As I said before, Pinto Valley needs low-cost smelting. If the Magma smelter is not retrofitted, Pinto Valley would have to find a comparable low cost

smelting and refining contract or close its sulfide production facilities. Even if it can continue to have low cost smelting and refining, Pinto Valley also needs to significantly lower its costs in order to have a better chance of surviving in the face of increased costs due to declining ore grades, increased stripping ratios and rising costs of material, equipment and supplies.

It is our intent that we, the two parties at this table, come to an early agreement on what is to be done. We want an agreement without the confrontation that seems to have marked past negotiations, or resulted elsewhere in people losing jobs and homes and dividing families. We want this, we believe our employees want this. We believe you want this also.

Now, let me say in conclusion:

First, we have several problems: foreign and domestic competition; a continuing slow growth in demand for copper; continuing low prices; a need to demonstrate our profitability in order to assure future investment funds; a requirement to lower costs.

Secondly, we've made changes in our operations to reduce costs where we can, including consolidating functions between Magma and Pinto Valley, increased mechanized mining; withholding general salary increases; reductions in the total number of employees; negotiating supply contracts with lower costs.

Thirdly, we need help from you as soon as possible. Labor costs have to be permanently reduced.

Mr. Slevwright will shortly be explaining our proposals to you. However, we are not firmly entrenched in some areas on the way these reductions, or the savings they represent, are implemented,

only in the total amount of savings that are required. One reason why reductions of wage rates are important is that the cost saving is immediately effective.

Negotiated cost savings must be long term if we expect our shareholders to continue to support us and carry our losses until we can reduce our costs. Further investment or even continuing to carry us will be out of the question unless there is a definite opportunity for them to see the opportunity to make a reasonable profit on any money invested.

We asked to have this meeting early because we want you and our employees to be made fully aware of the problems we face. Also, we wanted everyone to have an opportunity to weigh the concessions asked for and to have the time to weigh all the consequences and possibilities without letting last minute emotions cloud the issues.

We are willing to discuss any proposals you may have that will give us the savings we ask for but in a different form. We can not agree to any proposals which increase our costs or reduce efficiency. We cannot guarantee jobs or continued operations. We must have labor cost savings if we are to continue operation at our present scale.

I remind you again of our commitment to be survivors. We can and will be survivors. With your help, we believe we can survive together and continue to provide good jobs for good people.

Thank you for your patience in listening to me. If you have questions, I or one of my colleagues will attempt to answer them. Mr. Slevwright will now take over and explain the substance of the savings and improvements we are seeking.

AREA RATES

	1974	1985	Change
Janitor	\$3.39	\$5.26	+ 55.2%
Equipment Operator	\$5.71	\$11.28	+ 97.5%
Mechanic	\$5.66	\$10.26	+ 81.3%
Electrician	\$6.13	\$11.86	+ 93.5%
Welder	\$5.66	\$11.10	+ 96.1%

MAGMA RATES

	1974	1985	Change
Laborer/Janitor	\$4.710	\$12.030	+155.4%
Mill Operator	\$5.410	\$13.242	+144.8%
Miner	\$5.585	\$13.545	+142.5% (Avg. Rate)
Equipment Operator	\$5.935	\$14.151	+138.4%
Mechanic	\$6.110	\$14.454	+136.6%
Electrician	\$6.110	\$14.454	+136.6%
Welder	\$6.110	\$14.454	+136.6%

Consumer Price Index Change: 1974-1985 +115.0%

Cost of Living Adjustment \$6.37/hour

(7/1/72 through 10/1/85)

Economic proposals for 1986 negotiations presented to Magma/Pinto Valley Unions on January 24, 1986

1. 54-month agreements to expire December 31, 1990.

2. An average \$4 per hour wage reduction. The proposed new wage schedules which achieve the \$4 wage reduction and still offer rates which are competitive are attached as Exhibits I (Magma) and II (Pinto Valley). We are prepared to discuss benefit reduction alternatives to offset some of the proposed wage reduction.

3. Modify all agreements, as necessary, to recognize that all production and maintenance work shall be accomplished by the most efficient, economical and expeditious methods available to the Company.

4. COLA to be eliminated from all agreements.

5. All future cost increases in Medical and Dental Plans will be paid by employees. (Any increase in per capita claims expense above level of base six months (January - June 1986) will be paid by employee payroll deduction in succeeding six months i.e. if current per capita cost is \$175 per month and it increases to \$185 per month, each employee would pay \$10 per month.)

6. New employees hired on and after July 1, 1986, will be covered by a new Comprehensive Medical Plan (Exhibit III) and a new Comprehensive Dental Plan (Exhibit IV).

7. New MCC employees hired on and after July 1, 1986, will not participate in the Supplemental Death Benefits Plan and the Severance Pay Plan.

8. New PVCC employees hired on and after July 1, 1986, will not participate in the Sick/Severance Pay Plan and the Employee Benefits Plan.

9. New employees hired on and after July 1, 1986, will be covered by a new Pension Plan which will have no supplemental pensions (disability, 70/80, 30/60). Pre-retirement or post-retirement surviving spouse benefits will be provided on an actuarially reduced basis. Age 65 will be the normal retirement age. For present employees there will be no change in the Pension Plan.

10. Modify the Medical Plan for Retired Hourly-Rated Employees of Magma Copper Company to provide that coverage for those who retire on and after July 1, 1986, is only available to those age 60 and over with at least 10 years of Credited Service at the time of retirement from employment with the Company.

11. Modify the Optional Medical Plan for Retired Hourly-Rated Employees of Pinto Valley Copper Corporation to provide that coverage for those who retire on and after July 1, 1986, is only available to those age 60 and with at least 10 years of Credited Service at the time of retirement from employment with the Company. The Optional Plan would be the only plan available to retirees.

12. Modify the Life Insurance Plan to provide that post-retirement coverage is only available to those who retire on and after July 1, 1986, who are at least age 60 and have at least 10 years of Credited Service at the time of retirement from employment with the Company.

13. Modify the Severance Pay Plan of MCC to provide that payment is only made to those who retire on and after July 1, 1986, who are age 60 or over with at least 10 years of Credited Service at time of retirement from employment with the Company.

14. At PVCC reduce the annual contribution to the Sick/Severance Pay Plan from \$400 to \$100.

15. The companies reserve the right to amend, to modify or to add to these proposals.

EXHIBIT I

MAGMA COPPER COMPANY PROPOSED NEW HOURLY RATES JANUARY 24, 1986

Pay Grade	Current (1) Rate	12/31/85 Number of Incumbents	Proposed Rate	\$ Reduction	% Reduction
1	\$12.030	194	\$ 6.80	\$5.230	43.5
2	12.333	63	7.30	5.033	40.8
3	12.636	335	7.80	4.836	38.3
4	12.939	28	8.30	4.639	35.9
5	13.242	197	8.80	4.442	33.5
6	13.545	574	9.30	4.245	31.3
7	13.848	126	9.80	4.048	29.2
8	14.151	216	10.35	3.801	26.9
9	14.454	844	11.30	3.154	21.8
10	14.757	18	11.80	2.957	20.0
11	15.060	55	12.30	2.760	18.3
12	\$15.363	11	\$12.80	\$2.563	16.7
Weighted Average	\$13.66	2,661	\$ 9.66	\$4.00	29.3

(1) Does not include \$0.14 unrolled COLA

EXHIBIT II

PINTO VALLEY COPPER CORPORATION PROPOSED NEW HOURLY RATES JANUARY 24, 1986

Pay Grade	Current (1) Rate	12/31/85 Number of Incumbents	Proposed Rate	\$ Reduction	% Reduction
2	\$11.91	9	\$ 6.70	\$ 5.21	43.7
3	12.19	26	7.20	4.99	40.9
4	12.50	27	7.70	4.80	38.4
5	12.81	33	8.20	4.61	36.0
6	13.13	5	8.70	4.43	33.7
7	13.45	5	9.20	4.25	31.6
8	13.78	114	9.70	4.08	29.6
9	14.25	59	10.25	4.00	28.1
10	14.54	132	11.15	3.39	23.3
11	14.85	1	11.70	3.15	21.2
12	15.16	0	12.10	3.06	20.2
13	\$15.47	10	\$12.70	\$2.77	17.9
Weighted Average	\$13.82	421	\$ 9.82	\$4.00	29.2

(1) Does not include \$0.14 unrolled COLA

EXHIBIT III

Comprehensive Medical Plan

1. Benefits:

a. 90% of usual, reasonable and customary (URC) charges for out-patient surgery.

b. 90% of URC for second opinion surgery.

c. 90% of pre-admission testing charges.

d. 80% of all medically necessary charges except psychiatric and elective surgery performed without concurring second opinion.

e. 50% of (i) psychiatric care and (ii) elective surgery performed without concurring second opinion.

2. Deductible:

\$100 Per Person/\$300 Per Family/Per

Calendar Year.

3. Stop Loss (The maximum deductible and 10% and 20% co-payments for any covered individual would not exceed \$1,000 per person, \$3,000 per family per calendar year. Thereafter the plan would pay 100% of those covered medical expenses otherwise payable at 80% or 90% for the balance of the year.)

\$1,000 Per Person/\$3,000 Per Family/Per Calendar Year.

4. Maximum Benefit: \$250,000 Per Person (\$10,000 annual psychiatric limitation).

EXHIBIT IV

Comprehensive Dental Plan

1. Benefits:

a. 100% of usual, reasonable and customary (URC) charges for routine oral examination prophylaxis. Not subject to deductible.

b. 80% of URC for x-rays, extractions, fillings, etc. Subject to deductible.

c. 50% of URC for bridgework, dentures, bridges, orthodontic (age 19 and under

only), oral surgery.

2. Deductible:

\$50 Per Person/\$150 Per Family/Per Calendar Year.

3. Maximum Benefit:

\$1,000 per plan year per person, except orthodontics \$650 lifetime for orthodontics.

PINTO VALLEY COPPER CORPORATION

PINTO VALLEY MINE

MINE STATISTICS

Average Planned Production Rate	136,068 TPD
Stripping Ratio, Planned	1.30 : 1
Bench Height	45'
Rotary Drilling @ 12¼" Dia., 8' Subgrade (1986)	767 Ft/Shf
Average Production Drillhole Spacing (1986)	31' x 37'
Blasting Agent	(IRECO) Iremex & Iregel
In-Place Rock Specific Wt.	12.5 Ft ³ /Ton
Tons Per Shovel Shift (1985)	
15 CY	12,200
20 CY	13,820
25 CY	16,340
Tons Per Truck Shift (1985)	3,678
Haul Distance, Avg. One Way (1985)	1.31 mi
Ramps, Planned Nominal Maximum	8%
Slopes, Inter-Ramp	
1. Monzonite & Related	48° Maximum
2. Schist	40° Maximum
Current Planned Bottom Bench	3140
Pit Dimensions, Current	2,500' N-S x 6,000' E-W
Cutoff, Sulfide Copper	0.27%
Average Annual Rainfall (Since 1973)	25.85"
Pit Water Flows	
1. Sustained	100-250 GPM
2. Rain Storm Avg. Maximums	500-800 GPM
Dump Area Under Leach	70 Acres

Elevations:	Mine Office	3886
	Primary Crusher	4026
	Top Operating Bench	4265
	Bottom Operating Bench	3590
Employees:	Mine	129
	Company, All Other	475
	Company, Total	604

MAJOR MINE EQUIPMENT

DRILLS: 4 - Marion M-4, 12¼" Bit Size, 60'
Single Pass Capability

SHOVELS: 2 - P & H 2100BL, 15 CY
3 - P & H 2300, 20 CY
1 - P & H 2300XP, 25 CY

FRONT END LOADERS: 1 - International 580, 22 CY
1 - Dart D-600, 12CY

TRUCKS: 15 - Wabco, 150B
7 - Wabco, 170C
2 - Wabco, 170D

WATER TRUCKS: 3 - 16,000 Gal., 10,000 Gal., & 8,000 Gal.

BLADES: 3 - Cat 16G

DOZERS: 6 - D9G
2 - D9H

RUBBER-TIRED DOZERS: 4 - Michigan 280

Production price of Cu - say 70 k (68 k probab)

8 lb/lbm recovered -

Smelt & Ref - 25 k/lb

$8 \times 45 = 3.60$ /ton ore

64

Commission

Recov 12.5 lb/ton

Smelt Ref 30 k/lb

12.5

Costa Down 40 m

358 M at 144 g/cm
start in 1972 of prod. 76 - 123 000 tpd
1984 - w/o 1.3/1

SPRING MEETING

The agenda for the Spring Meeting will be as follows:

- 8:30 - 9:30 a.m. - Registration - IBEW Hall
- 9:30 - Noon
 - Technical Sessions - Chairman - Dan Goar, Mine Superintendent
 - Pinto Valley Yesterday and Today - Sandi Kastner, Sr. Mine Engineer
 - Computerized Mine Planning - Nancy Mackay, Sr. Planning Engineer
 - Mine Maintenance Planning - Dwight Ridenour, Maintenance Engineer
- 10:35 - 10:45 a.m. - 10 Minute Break
 - Red Hill Slope Failure - Gary Lenzi, Sr. Mine Geologist
 - Pinto Valley Dump Leaching - Gene Santellanes, Assistant Leaching Superintendent
- Noon - 2:00 p.m. - Cocktails and Lunch - Cobre Valley Country Club
- 2:00 - 4:00 p.m. - Mine Tour
- 4:00 p.m. - Return to IBEW Hall

leach 6 to 8 months

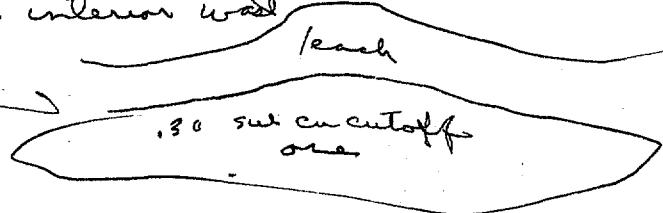
product \pm ²⁰⁰⁰ ~~5000~~ tons/year

bacterial leach - cpy - cc

90-95% extraction from solution

ore body overline 54 ± 300' leach material
 0 → up to 800
 quite irregular - much interior waste

Schist - unmin



1. PCE - 5m + 5m p.

2. Diabase

3. granodiorite w/ky min Cities Service Company

4. Granite por - smelter stock Pinto Valley Operations

SPRING AIME OPEN PIT MEETING

5 min West of mine

cuttle down 1948-83

40 mill tons - .62% Cu

(sulphide) 350 Mil

213 holes - 350 .44%

1.5/1 w/o -

RE grt zone - mon 3 por

on body 6200 EW

2000 N-S

dips 20° N - w 800 thick

Miami, Arizona

May 19, 1978

40,000 tpd #100 min?

54 M tons pre prod. strip

45' benches at 45° slope

125 M tons copper (140 @ .40% Cu)

8:30 a.m. - 9:30 a.m.

Registration at the American Legion Hall -
 Globe, Arizona.

9:30 a.m. - 12:00 noon

TECHNICAL SESSIONS - Chairman - Gordon Steele -
 Mine Superintendent.

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Pinto Valley History and Geology - Tom Dever -
 Mine Geologist.

Pre-Production and Plant Construction - Don
 Skeels - Staff Engineer.

Truck Dispatching and The Modat System - Mary
 White - Senior Engineer.

Pinto Valley Blasting - Jerry Wills - Drilling
 and Blasting Foreman.

Pinto Valley Today - Ken Byrne - Mine Engineer.

12:00 noon - 1:00 p.m.

LUNCH

1:00 p.m. - 4:00 p.m.

Tour of Pinto Valley Mine (Transportation Provided
 - Please Furnish Your Own Safety Gear If Possible.)

5:00 p.m. - 6:00 p.m.

Social Hour - American Legion Hall - Globe, AZ.

6:00 p.m. - 8:00 p.m.

Dinner - American Legion Hall.

Prod started July 74

new

long

1234

Wednesday, June 14, 1972

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THE MINING RECORD

