

Questa mine closed; 300 lose jobs

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Chevron Mining has permanently closed its Questa molybdenum mine, citing low market prices and increasing operational costs.

The closure was announced at an employee meeting Monday morning (June 2). About 300 employees were laid off.

"It's really an economic decision," said David Partridge, president and CEO of Chevron Mining, in an interview outside the mine's mill site Monday.

Molybdenum (known simply as "moly") is a metallic element used to harden steel. After a nearly a century in production, the Questa facility is watching as more lucrative mines in South America and Asia come online. At the same time, the price of moly remains very low, and experts say there's no indication it will rebound any time soon.

Officials say the highest quality, most accessible ore was extracted from the Questa mine long ago. Recently, the only mining happening in Questa was underground, where it's extremely costly to retrieve the rock and get it back to the surface for processing.

In the face of stagnant market prices and increasing competition, officials say the Questa mine has become virtually obsolete. "We're not in a position to be a cost effective producer anymore," Partridge said. "In fact, we're the highest cost producer in the world in terms of the global market."

Partridge said the final decision to shut down was made at the end of April, when officials quietly began plans to announce the closure.

The news hit longtime Questa miners hard despite their familiarity with the mining industry's boom-and-bust life cycle.

The mine had layoffs in 1971, 1973, 1986, 1992 and 1999. Most recently, Chevron Mining laid off 227 workers in 2009 after the price of moly plummeted. The mine has since curtailed ore extraction and has been in a holding pattern waiting for the market to rebound.

But it hasn't, and Partridge said there were not indications that it would bounce back in the foreseeable future.

Questa miners have also heard the words “permanent closure” before. In 1992, then-owner MolyCorp closed the mine when moly prices bottomed out. The underground mine flooded and many believed the operation was dead. But a few years later, the moly price came back and the mine went back into production.

Partridge was adamant this bust would be Questa’s last.

“We’ve told [the employees] this is final closure of the mine and we’re going into full reclamation of the mine,” Partridge said. “We don’t believe we’ll reopen again.”

If mine officials in Questa knew anything about the impending closure earlier this year, they didn’t let on. The company was still buying new equipment for underground work, and the construction of an enormous water treatment facility suggested Chevron was investing in the mine’s longterm future.

Mine manager Phil Howard told *The Taos News* during a site visit April 14 the mine was prepping two different ore blocks he hoped would go into rotating production by 2016. Howard projected employment would jump in late 2016 when the mill was expected to start running part-time.

Howard said this week he got news of the closure about a week after the April interview.

What’s next?

While mining operations will cease in Questa, there’s still a lot of work to be done.

In 2011, the mine and its nearby tailings facility were declared a Superfund site by the Environmental Protection Agency. A year earlier, the agency proposed a massive cleanup plan to reduce mine-related water contamination. The total cleanup is expected to cost as much as \$800 million.

Chevron has said the EPA-mandated cleanup will continue, and Chevron Mining’s Partridge said the cleanup cost was not a factor in the decision to close the mine. “The mine stands on its own as far as an economic decision,” he said.

Even before the closure was announced, the mine planned to decommission the tailings facility west of Questa and the nine-mile pipeline that carried slurry to the tailings ponds. That work is expected to move forward as planned.

In addition, the mine says it will likely demolish or remove most mine buildings and other infrastructure. Partridge said work will probably take one to two years. Specific closure plans for the Questa mine are included in its groundwater discharge permits and its mining permit, both of which are overseen by the state.

Jim Winchester, spokesman for the state Environment Department, told *The Taos News* in an email Chevron had assured his agency that Superfund-related cleanup will continue. The state holds about \$260 million in “financial assurance” from Chevron meant to cover the cost of closure in case the company fails to do the work, Winchester said.

No doubt the biggest challenge at the mine site will be figuring out how to regrade hundreds of millions of tons of waste rock that loom over the canyon and have the potential to leech

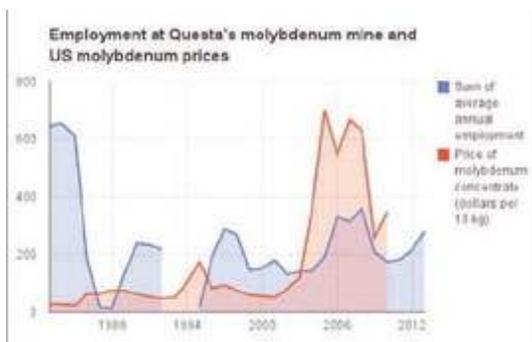
contaminants into the Red River. The company has been meeting with several stakeholders for more than a year to come up with an engineering solution to the problem, and the details are still being worked out.

“Nobody knows what the final solution is going to be,” said Brian Shields, executive director of the environmental group Amigos Bravos, which has long been a watchdog of the mine and is one of the stakeholders helping to prepare a cleanup plan.

While this planning work was happening before the closure was announced, Shields said the shutdown changes things. Focus will obviously shift from figuring out how to do cleanup while mining still takes place, to how to permanently repair the damage that’s been done by a century of mining and restore the canyon to a relatively natural state.

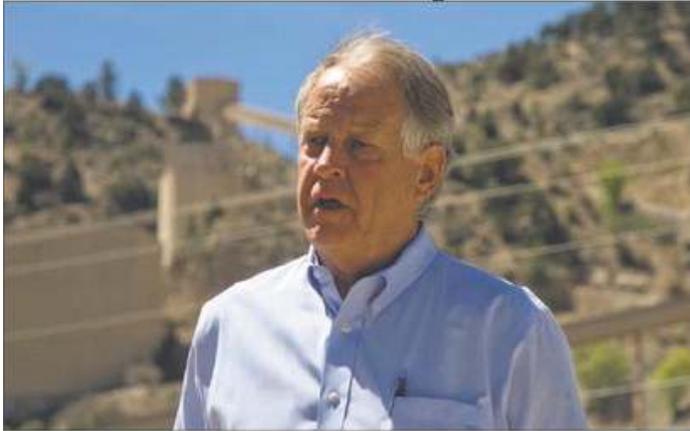
But even if things go well, and the regulatory process doesn’t get bogged down in negotiations or lawsuits, Shields said the impact of the mine will be obvious for a long time.

“In the best case scenario, when you drive up that canyon in 30 years, you’ll wonder what the hell happened there,” Shields said.



Graphic by Andrew Oxford

Employment at the Questa mine has yo-yoed for decades, usually following swings in the market price of molybdenum. Source: Mine Safety and Health Administration (employment data from 1983-2012), and the U.S. Geological Survey (price data from 1983-2010).



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David Partridge, president and CEO of Chevron Mining, explains the reasons for closing the Questa molybdenum mine Monday (June 2). While the mine has had its ups and downs over its 100-year history, Partridge said this shutdown is permanent.