



For years, UPS was one of the few visitors seen by the caretakers at Plateau Resources' Ticaboo mill. Now the mill, 1 of only 3 U.S. mills still permitted for operation, has been sold and may finally see commercial production. (PAY DIRT photos by Gary Dillard.)

U.S. Energy buys Ticaboo and its ill-fated uranium operation

By Bill Epler
Staff Reporter

Ticaboo, the long-closed uranium mill and nearly vacant community in the southeastern corner of Utah, has a new owner — U.S. Energy Corporation of River-ton, Wyoming.

The property was acquired August 11th from Consumers Power Company (CP) of Jackson, Michigan through the purchase of all the stock of Plateau Resources Ltd., a wholly owned CP subsidiary. The purchase price was not disclosed.

The plum of the purchase is the 750 tpd Shitamaring Canyon uranium mill that has not operated since a 2-month shakedown run during the summer of 1983. However, Plateau has maintained the mill in standby mode and — most important — its operating permit has been kept valid.

As a result, U.S. Energy (USE) and its joint venture partners now own 2 of the 3 remaining uranium mills in the United States — once there were more than 40 — with operating permits and in condition to do so.

The other 2 are the Red Desert mill in south-central Wyoming acquired last year by USE and a partner, Kennecott Energy, from Union Oil Company, and Energy Fuels Nuclear's mill at Blanding, Utah, just a few miles to the east of Ticaboo. Both of these mills are not presently operating.

"Plateau Resources will initiate a study to resume operations of the Shootaring (a discreet change of name?) mill in anticipation of higher uranium prices which we believe will occur within the next 3 years," John L. Larson, president of USE and now president of Plateau Resources, said in a news release. "We believe this will provide us with a significant competitive advantage when uranium prices recover in response to declining uranium inventories."

USE and its partners are making a heavy bet on that prediction.

It and its sister firm, Crested Corporation, and Kennecott Energy of Salt Lake City formed a partnership that has acquired the Green Mountain uranium mine near Jeffrey City, Wyoming and the Union Oil mill on the Red Desert, a few miles to the south.

They are in the permitting system for the mine, which was on the verge of startup a number of years ago when the oil company owner shut down because of declining prices. USE and partners have been doing preparatory work at the mine and at the mill.

Also acquired by USE was a Plateau subsidiary, Canyon Homesteads Inc., which, in a joint venture, developed the nearby Ticaboo townsite to house Plateau's mine and mill workers. The townsite has paved streets, sidewalks and a school with facilities for kindergarten through 12th grade. Canyon Homesteads also owns a 66-room motel together with 98 single-family homesites, 151 mobile homesites, 26 recreational vehicle sites, a restaurant, bar and grocery store.

Located 13 miles north of Bullfrog Basin Marina on popular Lake Powell, the townsite could benefit from the lake's increasing popularity. Larson indicated that when the uranium mill reopens that the motel and certain other facilities at Ticaboo will be reopened and operated as commercial enterprises.

When PAY DIRT attempted to contact Larson for additional details, he was out of town.

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and had not returned the call by presstime.

Among the questions we wanted to ask was where USE anticipates acquiring uranium ore to process at the Ticaboo mill since CP had in 1989 sold its nearby Tony M mine, which had been closed since about the time the mill shut down. According to the latest information PAY DIRT has, the long-closed mine is owned by Paul Schutt of Atlanta, president of Nuclear Fuel Services.

Contacted by PAY DIRT, Jerry Corley of Consumers Power said the Nuclear Regulatory Commission had quickly approved transfer of ownership of Plateau and its mill license.

"In fact," he said, "it took only a couple of days. We received a FAX notice on August 10th and the next day the sale of Plateau to USE was formally completed."

Corley said Kennecott Energy, USE's joint venture uranium partner in Wyoming, was not a party to the sale.

Although he acknowledged there were other interested bidders, he declined to say how many or to identify them. Corley also declined to reveal the price or conditions of the sale.

But he did add one detail that obviously pleased him, that all 4 Plateau employees who have been keeping the Ticaboo property on standby have been retained by the new owner and will continue in the same capacity.

(See related story for a history of Ticaboo.)

Ticaboo was derailed by changing conditions and markets

By Bill Epler
Staff Reporter

Behind U.S. Energy Corporation's purchase of Plateau Resources Ltd. is an interesting story, a development in which Consumers Power Company of Michigan spent some \$129 million on a uranium mine and mill that never went into commercial production.

The story begins in the 1930s. The setting is the Ticaboo Plateau, a name bestowed a long time ago by the Ute Indians. In their language, Ticaboo means "friend" or "friendly place."

It's in a high-desert area on the western slopes of the Henry Mountains that include a north-south string of peaks ranging from 7,930-foot Mt. Holmes to 11,506-foot Mt. Ellen. Rearing up behind Ticaboo is the southernmost peak, 8,150-foot Mt. Ellsworth. Off to the west a few miles is the Waterpocket Fold, a tortured, high north-south escarpment

nearly 100 miles long.

In between the 2 are plateaus cut by deep, steep-walled canyons that have eroded through thick layers of sandstone. It's a rugged, arid land with few roads and ever fewer inhabitants. The only way to get around is by horseback or on foot, and then mainly either in the bottom of the canyons or on top of mesas as there only a few places where you can get up or down between the 2.

Into this particular section of the rugged Colorado Plateau in the 1930s came the late G.J. "Tony" Mastrovich of Grand Junction who for many years was employed by Climax Molybdenum. As we understand it, however, he was prospecting on his own, looking for vanadium.

In 1937 he found what he was looking for in Shitamaring Canyon. He located a number of claims, but the location was so remote and difficult to access that no one was interested, especially when ample supplies of vanadium,

used to harden steel, were readily available elsewhere.

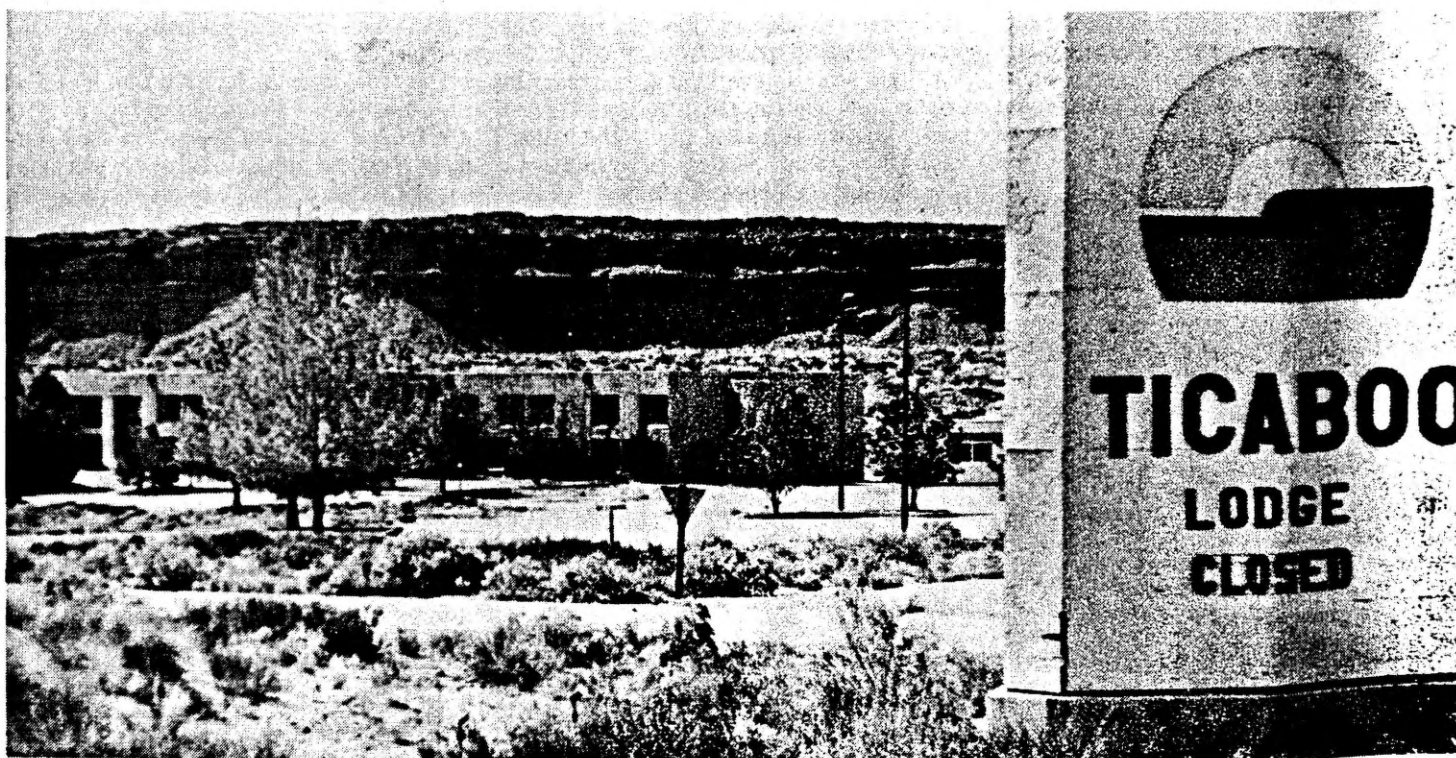
But Mastrovich hung onto his claims, hoping that some day the situation would change. That it did, years later, and, as frequently happens in the mining industry, in a completed unexpected way.

The corner was turned with development of the atomic bomb and the resultant rush for uranium. Up until that time, the uranium contained in Tony M ore was considered worthless.

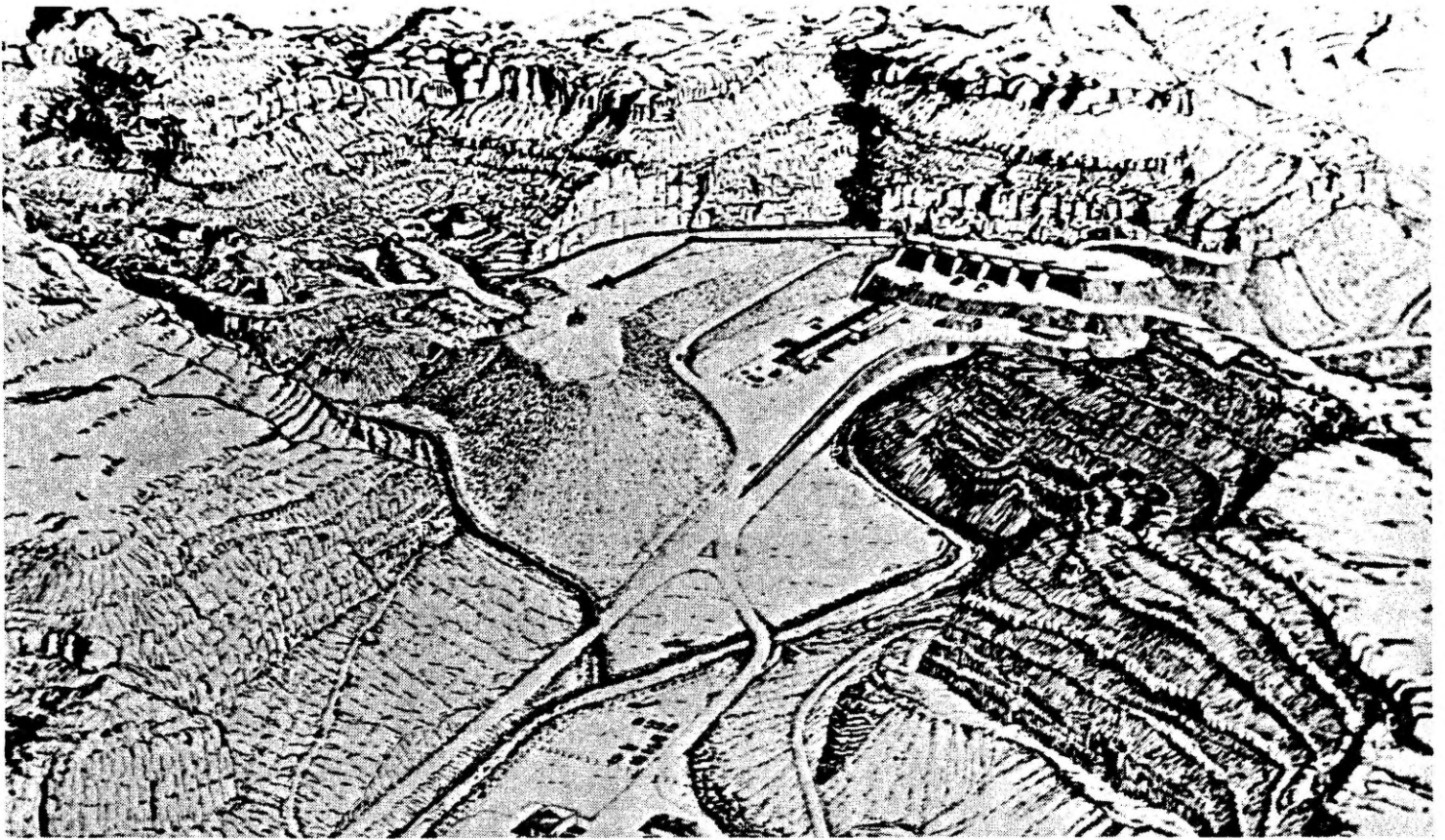
With that, Mastrovich figured he had it made, but success proved elusive—again because of the difficult location and low grade, only 0.14 percent U3O8.

Tony's day finally came

The break came in the late 1970s when Consumers Power (CP), a pioneer in nuclear power generation, went looking for a captive source of uranium. The demand for fuel for



Tumbleweeds have taken over at the Ticaboo Lodge, a resort looking for a future, just up the road from Lake Powell's Bullfrog Marina.



The Tony M uranium mine was sold earlier by Consumers Power and isn't part of the package recently purchased by U.S. Energy.

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the rapidly expanding nuclear power industry became greater than supplies, sending prices skyrocketing and making it impossible for utilities to secure long-term supply contracts. As a result, plant operators had to secure and develop their own sources.

So, to nail down fuel for its existing and planned plants, CP formed Plateau Resources Ltd. in 1976 and went looking. The search led to Ticaboo and the Tony M mine. The deal to acquire the mine was completed in May 1977 and in September underground mine development got under way with driving of portals on structure in the canyon wall.

Four miles south of the mine, Plateau bought a 265-acre tract of land as the site for the state-of-the-art uranium mill it built at a cost of about \$54 million. Although the mill is rated at 750 tpd, the contractor, Mountain States Engineering of Tucson, figured it would process closer to 1,000 tpd.

In the years following 1977, Plateau invested \$49 million in the mine for equipment, surface buildings, underground exploratory drilling and the driving of 13 miles of underground workings. Further development was halted when ore containing 10 million pounds of U₃O₈ had been blocked out. At a time when yellowcake was selling for \$40 to \$50 a pound, Plateau figured it could produce its reserves at a variable cost of about \$28 a pound.

As work started, Plateau, as mentioned in the previous story, built a town and shopping center for its employees.

The Ticaboo uranium mill, completed in early 1982, made a satisfactory 2-month shakedown run and then "temporarily" shut down — never to reopen.

All this because everything was going to hell back in Michigan and in the uranium and nuclear power industries across the nation. In addition, the public nationwide was developing an anti-nuclear attitude.

The principal problem for CP was that projected construction costs for its big new Midland nuclear power plant, originally estimated to cost \$260 million, were bumping \$2 billion, the rate regulatory agency was getting onery and CP was running out of money.

It avoided bankruptcy by converting the plant to natural gas and a sale-leaseback deal.

But that also put an end to the need for Ticaboo, especially when CP could now buy fuel for its existing nuclear plants on the open market for less than projected production costs at Ticaboo.

All workers, with exception of a caretaker staff of 4, were gradually let go. Population of the town dwindled from 800 in 1982 to 8 by late 1992, most of them teachers and maintenance people. The strip mall has now been closed for nearly 3 years.

But during all those years since activity

sputtered to a halt, Consumers Power and Plateau Resources have faithfully bankrolled the community, paying for its water and electricity, plus state lease payments. They also paid all debt connected to the project, including bank construction loans and a county revenue bond.

The uranium mill has been kept intact, in part because the company has kept its state and federal operating permits in good standing. Near the mill is a large ore stockpile, capped with dirt at the request of regulators, that is ready for processing.

Late last year, CP and Plateau decided something had to be done. At first, it was considering surrendering its permits and decommissioning the mill. When word of that got around, there were expressions of interest in acquiring the permits and property, so the whole ball of wax was put up for bids.

U.S. Energy got the nod. Whether USE is seen in the future as "visionary" or "stupid" will depend on uranium demand and prices in the years ahead. But that's the name of the game in mining where fateful decisions have to be made years in advance.

But at least USE has the guts to roll the dice.

