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July 18, 2016

**VIA EMAIL AND U.S. MAIL**

Mr. Fernando Martinez  
Director, Mining and Minerals Division  
Energy, Minerals and Natural Resources  
Department  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Ms. Trais Kliphuis  
Director, Water Protection Division  
New Mexico Environment Department  
Harold Runnels Building  
1190 South St. Francis Drive  
Santa Fe, NM 87502

**Re: Third Party Guarantees for the Chino, Tyrone and Continental Mining Facilities; Mining and Minerals Division Permits No. GR009RE, GR010RE, and GR002RE; New Mexico Environment Department Discharge Permits Nos. 1340, 1341 and 1403**

Dear Mr. Martinez and Ms. Kliphuis:

On behalf of my clients Freeport-McMoRan Chino Mines Company (“Chino”), Freeport-McMoRan Tyrone Inc. (“Tyrone”), and Freeport-McMoRan Cobre Mining Company (“Cobre”), as well as Freeport-McMoRan Inc. (“FMI”) and Freeport Minerals Corporation (“FMC”) (collectively “Freeport”), I am requesting that the Mining and Minerals Division (“MMD”) and the Environment Department (“NMED”) initiate a review of the audited financial statement of Freeport Minerals Corporation in anticipation of applications to replace existing financial assurance guarantees issued by FMI with guarantees issued by FMC. As I believe you are aware, FMC is a wholly-owned subsidiary of FMI. FMI is a public traded company (NYSE:FCX) and, as such, publishes annual and quarterly reports on Forms 10-K and 10-Q. FMC is not a publicly traded company.

MMD issued a letter to FMI, Chino, Tyrone and Cobre dated June 9, 2016 requiring action to replace Third-Party Guarantees issued by FMI with other financial assurance. At this time, in accordance with MMD’s letter dated July 7, 2016, Chino, Tyrone and Cobre are preparing applications to replace portions of the FMI guarantees with other financial assurances, particularly credit for funds already held in trust for the three mines and credit recognizing the current appraised value of real estate collateral currently held by MMD and NMED. Freeport contemplates that these applications and the requested permit modifications, if issued by MMD, will resolve the issues addressed in MMD’s June 9, 2016 letter. That said, it is possible that Chino, Tyrone and/or Cobre may propose guarantees to be issued by FMC to replace the existing FMI guarantees either now or in the future.

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The qualifications for third-party guarantees to be used as financial assurance are set forth in 19.10.12.1208(G) NMAC. Those requirements include support by financial statements to be audited by an independent certified public accountant with the accountant's certification provided to the Director and, if required by the Director, payment of any evaluations and analysis by an independent reviewer selected by the Director to evaluate the guarantor's financial ability to provide a guarantee. 19.10.1208(G)(6) NMAC. In contemplation that Chino, Tyrone and/or Cobre may propose to utilize one or more guarantees issued by FMC to replace one or more of the existing FMI guarantees, it is prudent to arrange for and undertake review of FMC's financial statements at this time. Chino, Tyrone and Cobre will agree to pay for such evaluations and analysis that the Director may require as provided by the above-referenced rule, and we will be happy to prepare and provide a draft agreement for such review or, if you prefer, to review a draft that you prepare.

FMC will provide its audited financial statements as of End of Year 2015 to MMD and NMED for your review. These financial statements are ready for review and can be submitted to MMD and/or NMED upon request. Please note, however, that these financial statements are not publicly available and will need to be submitted under a claim of business confidentiality as provided by Sections 69-36-10 and 74-6-15 NMSA 1978 and applicable rules. These financial statements may be updated for subsequent quarters.

I appreciate the consideration of MMD and NMED in this regard. Please contact the undersigned if you have any questions regarding this letter.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

  
Dalva L. Moellenberg

DLM

cc: William Brancard, Esq., General Counsel, EMNRD  
Jennifer L. Hower, Esq., General Counsel, NMED  
Gabriel Wade, Esq., Attorney, MMD  
Mr. Kurt Vollbrecht, Manager, Mining Environmental Compliance Section, NMED

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