



Tyrone Operations
P.O. Box 571
Tyrone, NM 88065



July 25, 2016

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

Re: Freeport-McMoRan Tyrone Inc., Permit GR010RE

Dear Director Martinez:

Freeport-McMoRan Tyrone Inc. ("Tyrone") submits this application to modify its permit GR010RE to change the mix of financial assurances specified in the permit. In particular, Tyrone requests that the permit be modified to (1) increase the amount in the Tyrone CCP Trust recognized as part of Tyrone's total financial assurance obligation from \$27,018,850 to \$48,200,000, (2) increase the amount credited for real estate collateral from \$27,933,136 to \$48,549,200, based on updated appraisals of the value of the real estate collateral, and (3) decrease the amount of the Freeport-McMoRan Inc. ("FCX") guarantee from \$92,601,614 to \$50,804,400. This modified application is intended to address the "Notice of Failure to Maintain Financial Soundness" that you issued on June 9, 2016, as well as your letter dated July 7, 2016.

Under the most recent Permit Modification 12-3 to Permit GR010RE, the current required financial assurance amount for Tyrone is \$179,504,992. This amount is currently covered as follows:

FCX Third Party Guarantee:	\$ 92,601,614
Tyrone CCP Trust	\$ 27,018,850
Letter of Credit	\$ 170,874
Surety Bond	\$ 31,780,518
Real Estate Collateral	\$ 27,933,136
TOTAL	\$179,504,992

The permit modification proposed in this letter would change these amounts as follows:

FCX Third Party Guarantee:	\$ 50,804,400
Tyrone CCP Trust	\$ 48,200,000
Letter of Credit	\$ 170,874
Surety Bond	\$ 31,780,518
Real Estate Collateral	\$ 48,549,200
TOTAL	\$179,504,992

Although the amount of funds in the Tyrone CCP Trust have grown substantially since the Trust was established in 2004, until now the amount credited toward Tyrone's financial assurance obligation has not been increased to reflect that growth. The most recent quarterly report for the Tyrone CCP Trust issued June 30, 2016, recently received and provided to MMD and NMED, indicates that the current market value (net assets) in the Trust is \$49,130,822. Consequently, there are sufficient funds already in the Tyrone CCP Trust to cover the increase in the "cash contribution." That report is incorporated into this application by reference.

With regard to the real estate collateral, the current value credited under the permit also has remained unchanged since Permit Modification 06-8 to Permit GR010RE was issued in February 2007, despite substantial appreciation in the appraised values of the real estate. Tyrone submitted updated appraisals of the value of the real estate collateral held by MMD and NMED as financial assurance for Tyrone, showing the total appraised value of \$60,686,500.00. A summary of this information is enclosed as Attachment "A." Tyrone incorporates the appraisal reports into this application by this reference. When the real estate collateral originally was accepted as financial assurance in 2007, MMD and NMED determined that the appraised value of the real estate collateral would be discounted by twenty percent (20%), based upon the criteria set forth in 19.10.12.1208(C)(1) NMAC. For purposes of this application, Tyrone proposes to use this same approach of a 20% discount, yielding a credit of \$48,549,200.00. Tyrone believes that this discount may be excessive based upon the regulatory criteria, and reserves the right to propose a reduced discount rate in the future. Tyrone acknowledges that MMD currently is completing a third-party review of the appraisal reports to verify the 2014 appraisal values and that the amount to be credited for the real estate value for purposes of this application may be adjusted based upon the outcome of that review.

The *pro forma* Certificate of Compliance submitted with the May 20, 2016 quarterly report shows that, with the reduction in the amount of the FCX guarantee for the Tyrone Mine as proposed in this application, along with reductions in the amounts of the FCX guarantees provided for Freeport-McMoRan Chino Mines Company and Freeport-McMoRan Cobre Mining Company covered by separate applications, FCX will meet the "Alternative 1" financial soundness test specified in 19.10.12.1208(G)(8) NMAC, based on the financial information in FCX's most recent Form 10-Q, filed with the United States Securities and Exchange Commission for the quarter ended March 31, 2016. That Form 10-Q was provided to MMD and NMED with the May 20, 2016 Certificate of Compliance and is incorporated into this application by reference. As a result of the changes to the Tyrone permit sought by this modification, along with the changes proposed in the Chino and Cobre applications, FCX will meet the "Alternative 1" financial soundness test for the guarantees provided by FCX for the Tyrone operations, as well as for Freeport-McMoRan Chino Mines Company and Freeport-McMoRan Cobre Mining Company.

An application for a permit modification or revision must be accompanied by sufficient information for the Director to determine whether any of the factors listed in 19.10.5.505 NMAC are present. Based upon the factors set forth in 19.10.5.505(B) NMAC, this application for a modification should not be treated as a revision. In particular, the requested modification would not have a significant environmental impact because it does not change the "design limits"

currently specified in the permit, it does not change the amount of financial assurance, and does not depart from the nature of scale of the current permit.

Also enclosed is a check in the amount of \$1,000 as the fee for the application. We appreciate your attention to this matter and look forward to timely action on this request.

Sincerely,



William E. Cobb
Vice President

Encl.

Cc: William Brancard, General Counsel, New Mexico Energy, Minerals and Natural Resources Department
Gabriel Wade, Attorney, Mining and Minerals Division
Holland Shepherd, Manager, Mining Act Reclamation Program, MMD
Trais Kliphuis, Director, Resource Protection Division, NMED
Kurt Vollbrecht, Manager, Mining Environmental Compliance Section, NMED