



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



August 24, 2016

Mr. Holland Shepherd
Program Manager, 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

Dear Mr. Shepherd and Ms. Kliphuis,

**Re: Freeport-McMoRan Tyrone Inc., Financial Assurance:
Mining and Minerals Division Permit No. GR010RE and
New Mexico Environment Department Discharge Permit - 1341**

Freeport-McMoRan Tyrone Inc. (Tyrone) under 19.10.12.1209 NMAC and Discharge Permit (DP) - 1341 requests to replace one of the existing financial assurance (FA) surety bonds with an equivalent surety bond. The replacement shall not constitute a release of financial assurance under 19.10.12.1210. The original Surety Bond No. 1000830830 is held by U.S. Specialty Insurance Company in the amount of \$25,000,000. The replacement Surety Bond No. AIC0000193214 is held by Arch Insurance Company for the same amount. The Mining and Minerals Division (MMD) of the Energy, Minerals and Natural Resources Department and the New Mexico Environment Department (NMED) are joint beneficiaries. The surety is associated with post-mining reclamation in accordance with the approved closure closeout plan for the Tyrone Mine. Tyrone requests that MMD facilitate the approval/execution of the enclosed FA instrument by both beneficiary agencies and mail a copy to my attention.

Immediately upon approval/execution of the enclosed surety bond, please mail the original Surety Bond No. 1000830830 directly to the person at the address shown below for cancellation.

Mr. Holland Shepherd and Ms. Trais Kliphuis

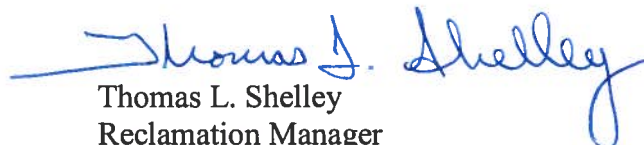
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Anoop Chawla Adlakha
Aon Risk Solutions – Surety Operations
5555 San Felipe, Suite 1500
Houston, Texas 77056
t +1.832.476.6803
anoop.chawla.adlakha@aon.com

Included in this request is a \$1000 check to process the MMD permit modification application. If you have any questions regarding this submittal, please contact Ms. Lynn Lande at (575) 912-5235.

Sincerely,



Thomas L. Shelley
Reclamation Manager
Environmental/Sustainable Development

TLS:lal
20160824-101

c: Mr. Kurt Vollbrecht - NMED
Mr. David Otori - MMD

New Mexico Energy, Minerals and Natural Resources Department
Mining and Minerals Division
Mining Act Reclamation Bureau
1220 South Saint Francis Drive
Santa Fe, NM 87505
Phone: 505/476-3400; Fax: 505/476-3402

*This bond supersedes and
replaces Bond No. 1000830830
issued by U.S. Specialty
Insurance Company

MINING ACT RECLAMATION SURETY BOND

KNOW ALL PERSONS BY THESE PRESENTS, THAT Freeport-McMoRan Inc., on behalf of Freeport-McMoRan Tyrone Inc., as Principal ("Principal"), and Arch Insurance Company and its successors and assigns ("Surety"), a corporation duly incorporated under the laws of the State of Missouri and licensed, registered, and otherwise authorized pursuant to the requirements of New Mexico law and regulations to do business as a surety in the State of New Mexico, are held and firmly bound unto the Mining and Minerals Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico, or its successor agency (together "MMD"), and the New Mexico Environment Department or its successor agency (together "NMED"), in the penal sum of Twenty-Five Million 00/100 dollars (\$25,000,000.00***) lawful money of the United States for the payment of which sum we hereby jointly and severally bind ourselves, our successors, and assigns.

THE CONDITION OF THE ABOVE OBLIGATION is such, that:

Whereas, the Principal has submitted to MMD an application for mining and reclamation operations, Permit No. GR010RE and DP-1341 (as may be modified or revised, from time to time "Permit"), including a mining and closeout/reclamation plan, to conduct and reclaim a mining operation, as defined in the New Mexico Mining Act, (as may be amended from time to time, "New Mexico Mining Act").

Whereas, the Principal has chosen to provide this Surety Bond as a guarantee that the reclamation required by the Permit, the New Mexico Mining Act, and the rules promulgated pursuant to the New Mexico Mining Act ("New Mexico Mining Act Rules") (collectively, the Permit, the New Mexico Mining Act and the New Mexico Mining Act Rules are referred to herein as "Applicable Authorities") at the Tyrone mine, Grant County, State of New Mexico, will be performed and completed as required by the Applicable Authorities;

Whereas, the Surety and their successors and assigns agree to guarantee the Principal's obligations to MMD and NMED and to indemnify, defend, and hold harmless MMD and NMED from any and all losses and expenses which MMD and NMED may sustain as a result of the Principal's failure to comply with the condition of the obligation;

Whereas, obligations guaranteed by this Surety Bond shall be in effect for the following described lands approved as the permit areas or increments upon which initial or succeeding operations will be conducted: Sections 17,18,19,20,21,28,29,30 and 33 of T18S, R15W; Sections 3,4,5,8,9,10,11,13,14,15,16,17,21,22,23,24,25,26,27 and 28 of T19S, R15W; Sections 19,20,29 and 30 of T19S, R14W; Sections 1,2,11,12,13 and 24 of T18S, R16W; Sections 34 and 35 of T17S, R16W; Grant County, New Mexico and any and all lands that may subsequently be made part of the permit areas.

NOW, THEREFORE, the conditions of this obligation are such that this Surety Bond shall be in full force and effect:

- (a) beginning on the date that MMD approves this Surety Bond and extending (i) for a minimum term of five (5) years thereafter ("Termination Date") or (ii) until this Surety Bond is released pursuant to the New Mexico Mining Act Rules or is replaced in accordance with the New Mexico Mining Act Rules, whichever is earlier and
- (b) No Later than one hundred and twenty (120) calendar days prior to the Termination Date, Principal shall provide the Director of MMD ("Director") with evidence that (i) this Surety Bond will be continued for another five (5) year term or (ii) another form of financial assurance that is acceptable to the Director and as required by the Permit, the New Mexico Mining Act and the New Mexico Mining Act Rules will replace this Surety Bond. If this Surety Bond is not continued for another five (5) year term at least thirty (30) calendar days prior to the Termination Date and if another type of financial assurance that is acceptable to the Director is not provided to the Director at least thirty (30) calendar days prior to the Termination Date, the Principal shall cease operations and shall forfeit the amount of this Surety Bond. If, but only if, the Principal (a) so forfeits the amount of this Surety Bond and (b) provides the Director with financial assurance that is acceptable to the Director prior to the Termination Date, the forfeited funds, less any costs associated with the forfeiture, will be refunded to the Surety.

Upon (i) the failure of the Principal to fulfill any of the obligations under the Applicable Authorities or (ii) the failure of Principal to fulfill its obligations under paragraph (b), above, the amount of this Surety Bond shall be forfeited to MMD according to the procedure described in the New Mexico Mining Act Rules. Neither MMD nor NMED are required to suffer actual loss before effecting such forfeiture or before effecting a forfeiture as provided in paragraph (b), above, The Surety agrees this Surety Bond shall not be canceled at any time for any reason prior to the Termination Date, including, but not limited to, nonpayment of the premium or bankruptcy of the Principal during the period of liability, without written consent of MMD.

The amount of the Surety's liability may be reduced by MMD and NMED pursuant to the New Mexico Mining Act Rules for lands that have been reclaimed, upon application by the Principal pursuant to the New Mexico Mining Act Rules for partial release of financial assurance, as may be approved by MMD and NMED. This Surety Bond may also be reviewed by MMD and NMED annually, or at other time increments as deemed necessary, pursuant to the New Mexico Mining Act Rules. Pursuant to any such review, MMD and NMED may require an increase or allow a decrease in this Surety Bond.

The Surety hereby agrees to give immediate notice to the Principal and to MMD and NMED of any notice received or action filed alleging the insolvency or bankruptcy of the Surety, or alleging any violations or regulatory requirements which would result in suspension or revocation of the Surety's license or powers to do business. Surety further represents and warrants that it has taken all steps necessary to legally conduct business in New Mexico.

Upon the incapacity of the Surety by reason of the filing of bankruptcy, whether voluntary or involuntary, insolvency, or suspension or revocation of its license, the Principal shall be deemed without bond coverage in violation of the New Mexico Mining Act Rules and subject to enforcement action described in the New Mexico Mining Act Rules.

Any notice or communication that is required by the terms of this Surety Bond shall be delivered by United State First Class, Certified Mail, Return Receipt Requested or by overnight courier as follows:

If to the Surety:

Arch Insurance Company

By: Anoop Chawla Adlakha

Anoop Chawla Adlakha, Attorney-in-Fact

Date: August 24, 2016

If to the Principal:

Freeport-McMoRan Tyrone Inc.
Attn: General Manager
(P.O. Drawer 571)
Highway 90 South
Tyrone Mine Road
Tyrone, NM 88065

If to MMD:

New Mexico Mining and Minerals Division
Attn: Director
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

If to NMED:

New Mexico Environment Department
Ground Water Quality Bureau
Attn: Bureau Chief
1190 St. Francis Dr.
Santa Fe, New Mexico 87502

Surety, Principal, MMD and NMED may change their notice address by delivering notice of same to the other party(ies), MMD and NMED, as applicable, as set forth above.

This Surety Bond shall be construed and performed in accordance with the laws of the State of New Mexico, except that the New Mexico choice of law rules shall not apply.

Surety may not assign, sell, transfer or otherwise dispose of this Surety Bond or its obligations under this Surety Bond without the prior written consent of MMD and NMED.

Agreement by Principal and Surety

IN WITNESS WHEREOF, THE Principal and Surety have caused this Surety Bond to be sealed with their respective corporate seals and executed by their respective duly authorized officials as of the dates set forth below.

Freeport-McMoRan Inc., on behalf of Freeport-McMoRan Tyrone Inc.,

Principal

By: Robert R. Boyce
Authorized Official

Name
Title: Robert R. Boyce
Title: Assistant Treasurer
Date: August 29, 2016

Arch Insurance Company
Surety

BY: Anoop Chawla Adlakha
Authorized Official

Title: Attorney-in-Fact, Anoop Chawla Adlakha

Date: August 24, 2016

WITNESSED:

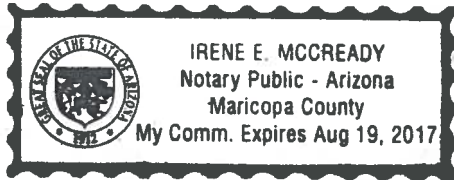
By: Carol M. Lindsay of
Carol M. Lindsay, Witness
for Freeport-McMoRan Inc.

By: Naomi Harris of
Naomi Harris, Witness
For Arch Insurance Company

ACKNOWLEDGEMENT OF PRINCIPAL

On this 29th day of August, 2016, before me appeared Robert R. Boyce to me personally known, who, being by me duly sworn, did depose and say that he signed the attached Surety Bond and acknowledged said instrument to be a free act and deed.

In WITNESS HEREOF I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Irene E. McCreedy
Notary Public
My commission expires: August 19, 2017

ACKNOWLEDGMENT AND JUSTIFICATION OF SURETY

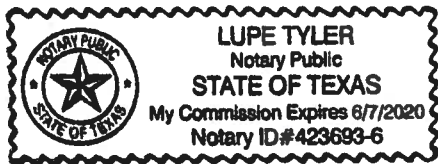
STATE OF TEXAS)

) SS

COUNTY OF HARRIS)

On this 24th day of August, 2016, before me appeared to me personally known, who, being by me duly sworn, did depose and say that Anoop Chawla Adlakha is a duly authorized official of the Arch Insurance Company (Surety) and that the seal affixed to this instrument is the corporate seal of the Surety and that the instrument was signed and sealed on behalf of the Surety by authority of its board of directors and Anoop Chawla Adlakha acknowledged the instrument to be a free act and deed of the Sureties; and Anoop Chawla Adlakha did further depose and say that the Surety had complied with the laws of New Mexico with reference to the transaction of a surety business therein, and that its assets exceed its liabilities by the sum of \$

IN WITNESS HEREOF I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Lupe Tyler
Notary Public
My commission expires: June 7, 2020

MMD-AUTHORIZED REPRESENTATIVE SIGNATURE

The foregoing instrument was approved by me this _____ day of _____, 20__.

BY: _____
MMD Director

NMED-AUTHORIZED REPRESENTATIVE SIGNATURE

The foregoing instrument was approved by me this _____ day of _____, 20__.

BY: _____
New Mexico Environment Department

THIS POWER OF ATTORNEY IS NOT VALID UNLESS IT IS PRINTED ON BLUE BACKGROUND.

This Power of Attorney limits the acts of those named herein, and they have no authority to bind the Company, except in the manner and to the extent herein stated. Not valid for Mortgage, Note, Loan, Letter of Credit, Bank Deposit, Currency Rate, Interest Rate or Residential Value Guarantees.

POWER OF ATTORNEY

Know All Persons By These Presents:

That the Arch Insurance Company, a corporation organized and existing under the laws of the State of Missouri, having its principal administrative office in Jersey City, New Jersey (hereinafter referred to as the "Company") does hereby appoint:

Anoop Chawla Adlakha, Donna L. Williams, Lisa A. Ward, Lupe Tyler, Melissa L. Fortier, Michael J. Herrod, Nancy Thomas and Wendy W. Stuckey of Houston, TX (EACH)

its true and lawful Attorney(s)in-Fact, to make, execute, seal, and deliver from the date of issuance of this power for and on its behalf as surety, and as its act and deed:

Any and all bonds, undertakings, recognizances and other surety obligations, in the penal sum not exceeding Ninety Million Dollars (\$90,000,000.00).

This authority does not permit the same obligation to be split into two or more bonds In order to bring each such bond within the dollar limit of authority as set forth herein.

The execution of such bonds, undertakings, recognizances and other surety obligations in pursuance of these presents shall be as binding upon the said Company as fully and amply to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal administrative office in Jersey City, New Jersey.

This Power of Attorney is executed by authority of resolutions adopted by unanimous consent of the Board of Directors of the Company on September 15, 2011, true and accurate copies of which are hereinafter set forth and are hereby certified to by the undersigned Secretary as being in full force and effect:

AUG 24 2016

"VOTED, That the Chairman of the Board, the President, or the Executive Vice President, or any Senior Vice President, of the Surety Business Division, or their appointees designated in writing and filed with the Secretary, or the Secretary shall have the power and authority to appoint agents and attorneys-in-fact, and to authorize them subject to the limitations set forth in their respective powers of attorney, to execute on behalf of the Company, and attach the seal of the Company thereto, bonds, undertakings, recognizances and other surety obligations obligatory in the nature thereof, and any such officers of the Company may appoint agents for acceptance of process."

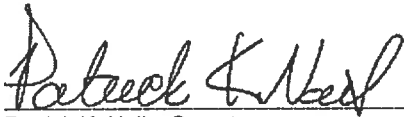
This Power of Attorney is signed, sealed and certified by facsimile under and by authority of the following resolution adopted by the unanimous consent of the Board of Directors of the Company on September 15, 2011:

VOTED, That the signature of the Chairman of the Board, the President, or the Executive Vice President, or any Senior Vice President, of the Surety Business Division, or their appointees designated in writing and filed with the Secretary, and the signature of the Secretary, the seal of the Company, and certifications by the Secretary, may be affixed by facsimile on any power of attorney or bond executed pursuant to the resolution adopted by the Board of Directors on September 15, 2011, and any such power so executed, sealed and certified with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding upon the Company.

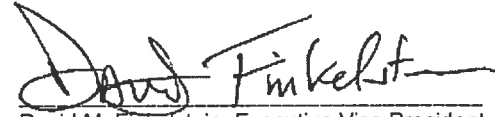
In Testimony Whereof, the Company has caused this instrument to be signed and its corporate seal to be affixed by their authorized officers, this 3rd day of August, 2016.

Attested and Certified

Arch Insurance Company


Patrick K. Nails, Secretary

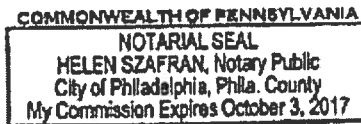




David M. Finkelstein, Executive Vice President

STATE OF PENNSYLVANIA SS

COUNTY OF PHILADELPHIA SS

I, Helen Szafran, a Notary Public, do hereby certify that Patrick K. Nails and David M. Finkelstein personally known to me to be the same persons whose names are respectively as Secretary and Executive Vice President of the Arch Insurance Company, a Corporation organized and existing under the laws of the State of Missouri, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seal and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary acts for the uses and purposes therein set forth.

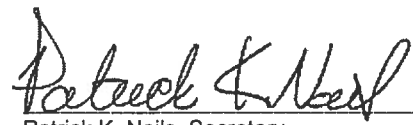



Helen Szafran, Notary Public
My commission expires 10/03/2017

CERTIFICATION

I, Patrick K. Nails, Secretary of the Arch Insurance Company, do hereby certify that the attached Power of Attorney dated August 3, 2016 on behalf of the person(s) as listed above is a true and correct copy and that the same has been in full force and effect since the date thereof and is in full force and effect on the date of this certificate; and I do further certify that the said David M. Finkelstein, who executed the Power of Attorney as Executive Vice President, was on the date of execution of the attached Power of Attorney the duly elected Executive Vice President of the Arch Insurance Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the Arch Insurance Company on this _____ day of _____, 20_____.


Patrick K. Nails, Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein and they have no authority to bind the Company except in the manner and to the extent herein stated.

PLEASE SEND ALL CLAIM INQUIRIES RELATING TO THIS BOND TO THE FOLLOWING ADDRESS:

Arch Insurance – Surety Division
3 Parkway, Suite 1500
Philadelphia, PA 19102

