



Cobre Mining Company
P.O. Box 10
Bayard, NM 88023

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 Cobre Mining Company, Permit GR002RE

Dear Director Martinez:

Freeport-McMoRan Cobre Mining Company (“Cobre”) submits this application to modify its permit GR002RE to change the mix of financial assurances specified in the permit. In particular, Cobre requests that the permit be modified to (1) increase the amount in the Cobre CCP Trust recognized as part of Cobre’s total financial assurance obligation from \$3,000,000 to \$5,300,000, (2) increase the amount credited for real estate collateral from \$6,173,600 to \$13,908,900, 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 \$18,181,672 to \$8,146,372. 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 07-1 to Permit GR002RE, the current required financial assurance amount for Cobre is \$27,355,272. This amount is currently covered as follows:

FCX Third Party Guarantee:	\$18,181,672
Cobre CCP Trust	\$ 3,000,000
Real Estate Collateral	\$ 6,173,600
TOTAL	\$27,355,272

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

FCX Third Party Guarantee:	\$ 8,146,372
Cobre CCP Trust	\$ 5,300,000
Real Estate Collateral	\$13,908,900
TOTAL	\$27,355,272

Although the amount of funds in the Cobre CCP Trust have grown substantially since the Trust was established in 2005, until now the amount credited toward Cobre’s financial assurance

obligation has not been increased to reflect that growth. The most recent quarterly report for the Cobre 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 \$5,399,600. Consequently, there are sufficient funds already in the Cobre 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 06-1 to Permit GR002RE issued in August 2007, despite substantial appreciation in the appraised values of the real estate. Cobre submitted previously updated appraisals of the value of the real estate collateral held by MMD and NMED as financial assurance for Cobre showing the total appraised value of \$17,386,000.00. A summary of this information is enclosed as Attachment “A.” Cobre incorporates the appraisal reports into this application by this reference. When the real estate collateral originally was accepted as financial assurance in 2005, 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, Cobre proposes to use this same approach of a 20% discount, yielding a credit of \$13,908,800.00. Cobre 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. Cobre 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 quarterly report dated May 20, 2016 shows that, with the reduction in the amount of the FCX guarantee for the Cobre operations 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 Tyrone Inc. 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 Cobre permit sought by this modification, along with the changes proposed in the Chino and Tyrone applications, FCX will meet the “Alternative 1” financial soundness test for the guarantees provided by FCX for the Cobre operations, as well as for Freeport-McMoRan Chino Mines Company and Freeport-McMoRan Tyrone Inc..

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