

**PERMIT MODIFICATION 16-4 TO PERMIT NO. GR009RE
CHINO MINE
EXISTING MINING OPERATION**

**MINING AND MINERALS DIVISION
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT**

Permit Modification 16-4 ("Modification 16-4") to Permit No. GR009RE ("Permit") is issued by the Director of the Mining and Minerals Division ("MMD") of the New Mexico Energy, Minerals and Natural Resources Department to:

Freeport-McMoRan Chino Mines Company ("Chino")
whose correct address is: P.O. Box 10
Bayard, NM 88023

("Permittee") for the Chino Mine located in Grant County, New Mexico.

The total amount of financial assurance ("FA") required for the closure/closeout of the Chino Mine is \$166,336,545 (net present value or "NPV"). This Modification 16-4 approves the partial replacement of one financial assurance ("FA") mechanism/instrument pursuant to §19.10.12.1209 NMAC. The specific instruments and amounts being adjusted by Modification 16-4 are below:

- Reduction of the Third Party Guarantee ("TPG") provided by Freeport-McMoRan Copper & Gold Inc. ("FCX") in the amount from \$102,294,241 to \$45,336,545; and,
- Revision to the initial amount of cash contribution to the Chino Closure/Closeout Plan Trust Fund ("Chino CCP Trust") from \$64,042,304 to \$121,000,000 through recognition of the increase in the value of the Chino CCP Trust.

The new financial assurance amounts and instruments are summarized as follows:

FCX Third Party Guarantee	\$45,336,545
Cash Contribution/Chino CCP Trust	<u>\$121,000,000</u>
Total	\$166,336,545

In order to accomplish the approval contemplated by this Modification 16-4, the following subparagraphs are added to Permit No. GR009RE:

Section 1 (16-4). STATUTES AND REGULATIONS

- A. This Permit modification is issued pursuant to the New Mexico Mining Act, NMSA 1978, §69-36-1, et seq. (1993, as amended through 2016) ("Act") and New Mexico Mining Act Rules, Title 19, Chapter 10 of the New Mexico Administrative Code ("NMAC" or "Rules" or "Regulations").
- B. This Permit modification is subject to the Act, the Rules and any other regulations which are now or hereafter in force under the Act; and all such regulations are made a part of this

Permit by this reference.

Section 1a (16-4). **PERMIT APPLICATION PACKAGE**

- A. The Modification 16-4 Permit Modification Package ("16-4 PMP") is comprised of the following documents:
- 1) Letter dated April 21, 2016 from Chino requesting to modify permit number GR009RE through an increase in the cash contribution of \$10,000,000 via recognition of net gains in the Chino CCP Trust, and reduction of the FCX Third Party Guarantee ("TPG") by \$10,000,000 for the Chino Mine;
 - 2) Letter dated April 29, 2016 from FCX addressing the treatment of oil and gas impairments as depreciation, depletion and amortization in the financial demonstration submitted by FCX;
 - 3) Letter dated May 2, 2016 from FCX notifying MMD of an increase in the amount of the FCX TPG issued to the Arizona Department of Environmental Quality for an Aquifer Protection Permit on behalf of Freeport-McMoRan Safford mine;
 - 4) Letter dated May 20, 2016 from FCX with an updated *pro forma* Certificate of Compliance showing a reduction in the amount of the FCX guarantee for the Chino Mine from \$102,294,241 to \$45,336,545 to account for the 1st quarter 2016 value of the Chino CCP Trust;
 - 5) Letter dated July 25, 2016 from Chino Mines Company amending the April 21, 2016 application to increase the amount proposed to be credited from the Chino CCP Trust to \$121,000,000 and reduction in the amount of the FCX TPG to \$45,336,545.
 - 6) Certificate of Face Amount Adjustment to the Third Party Guarantee, dated August 22, 2016, changing the FCX TPG from \$102,294,241 to \$45,336,545.

Section 3 (16-4). **FINDINGS OF FACT**

- A. The Permittee has paid the permit modification fee of \$1,000.00 as required by §19.10.2.201 NMAC.
- B. Pursuant to §19.10.5.505.B NMAC, the proposed change does not require public notice nor the opportunity for public hearing.
- C. Pursuant to §19.10.5.505.B(1) NMAC, the proposed changes would not have a significant environmental impact.

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- D. Pursuant to §19.10.5.505.B(2) NMAC, the application was accompanied by sufficient information for the Director to determine whether any of the factors listed in §19.10.5.505.B(1) are present.
- E. Pursuant to §19.10.5.505.B(3) NMAC, the Director consulted with the New Mexico Environment Department regarding the proposed replacement of FA.
- F. Pursuant to §19.10.5.505.C NMAC, 16-4 PMP was in a format acceptable to the Director. The application for permit modification has been reviewed in accordance with §19.10.5.505 NMAC. The application for permit modification is complete, accurate, and complies with the requirements for permit modifications under §19.10.5.505 NMAC.
- G. Pursuant to §19.10.12.1209.A NMAC, the proposed replacement of FA mechanisms provides equivalent coverage.
- H. Pursuant to §19.10.12.1209.B NMAC, the Director approves the replacement of FA through this Modification 16-4.
- I. Pursuant to §19.10.12.1209.B NMAC, this replacement of FA does not constitute a release of FA under §19.10.12.1210 NMAC.
- J. MMD holds FA in the total amount of \$166,336,545 NPV, which has been determined by MMD to be sufficient to meet the requirements of the Act, Rules, and the Permit.

Section 8 (16-4).

GENERAL OBLIGATIONS AND CONDITIONS

Financial Assurance

- A. Chino has provided the following two forms of FA pursuant to Part 12 of the New Mexico Mining Act Rules: the Chino CCP Trust and a Third Party Guarantee.
 - 1. Chino CCP Trust. The initial amount of the Chino CCP Trust that was established by the Permittee in Section 8, Paragraph M.4.a of Revision 01-1 to Permit GR009RE is hereby increased from \$64,042,304 to \$121,000,000.
 - 2. Third Party Guarantee from FCX. With this Modification 16-4, the TPG from FCX for the Chino Mine is hereby reduced from \$102,294,241 to \$45,336,545. FCX has provided a Certificate of Face Amount Adjustment to the TPG in a form acceptable to the Director.
- B. The Permittee shall be responsible at all times to maintain FA in a form(s) and in an amount sufficient to meet the requirements of the Mining Act Rules.
- C. The Permittee shall review the amount of funds in the Chino CCP Trust based upon the valuation report provided by the Trustee to MMD and NMED as of the end of every

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calendar year and shall provide additional FA as follows:

1. If the amount of funds in the Chino CCP Trust is not equal to or greater than the revised initial amount of \$121,000,000 at the end of any annual review conducted pursuant to Revision 01-1 to Permit GR009RE, Section 8, Paragraph M.5.a, then the conditions of Revision 01-1 to Permit GR009RE, Section 8, Paragraph M shall apply.

Section 9 (16-4).

CONCLUSIONS OF LAW

- A. The Director has jurisdiction over the Permittee and the subject matter of this proceeding.
- B. 16-4 PMP is complete, accurate, and complies with the requirements of the Act and §19.10.5.505 of the Rules and with conditions described in this Permit Modification 16-4 document.

All other provisions, modifications, and revisions for mining and reclamation contained in the Chino Mine Permit No. GR009RE remain unchanged.

CERTIFICATION

I certify that I have personally examined and am familiar with the information submitted herein, and based on my inquiry of those individuals responsible for obtaining the information; I believe the submitted information is true, accurate, and complete.

I certify that I have read, understand and will comply with the requirements of this Permit Modification. I also agree to comply with the performance and reclamation standards and requirements of the Permit, and Modifications and Revisions, the Rules, and the Act, and allow the Director to enter the permit area without delay for the purpose of conducting inspections.

WB Coff
Authorized Representative of the Permittee

VICE PRESIDENT of Chino Acquisition, Inc. and
Title Freeport-McMoRan Chino Inc.,
General Partners

Freeport-McMoRan Chino Mines Company
Company Name

Subscribed and sworn to before me this 31ST day of AUGUST, 2014

Pamela Clausen
Notary Public

My Commission Expires

JANUARY 30, 2017

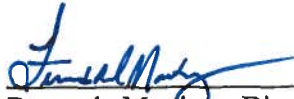


ORDER

NOW THEREFORE, IT IS HEREBY ORDERED that Permit Modification 16-4 to Permit No. GR009RE allowing the replacement of FA for the Chino Mine is approved. The Permit may not be transferred without approval by the Director. The Permit is subject to all conditions set out in the Director's Findings of Fact, General Obligations and Conditions, and Order.

By Order of the Director, Mining and Minerals Division, Energy, Minerals and Natural Resources Department, of the State of New Mexico.

By:



Fernando Martinez, Director
Mining and Minerals Division
Energy, Minerals & Natural Resources Department

Date:

9/1/2016

FREEMPORT-McMoRAN

Freeport-McMoRan Inc
333 North Central Avenue
Phoenix, AZ 85004

Jerry Roose
Director, North America Environmental Operations
Telephone (602) 366-8458

August 26, 2016

Certified Mail

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

Re: Freeport-McMoRan Chino Mines Company, Permit GR009RE
Freeport-McMoRan Tyrone Inc., Permit GR010RE
Freeport-McMoRan Cobre Mining Company, Permit GR002RE

Dear Director Martinez:

In response to your letter to me of August 12, 2016 and Mr. Holland Shepherd's email of August 22, 2016, and in accord with the applications of Freeport-McMoRan Chino Mines Company, Freeport-McMoRan Tyrone Inc. and Freeport-McMoRan Cobre Mining Company dated July 25, 2016, enclosed are the Certificates of Face Value Adjustment to the existing Freeport-McMoRan Inc. guarantees provided as financial assurance for the three mines. As you are aware, on August 15, 2016, we submitted updated financial information regarding FMI for the Second Quarter of 2016. We understand that your present intention is to act on the July 25, 2016 applications and then to address the information submitted on August 15, 2016. If you need any additional information in this regard, or if you would like to meet with us to discuss the path forward to maintain compliance with the financial assurance requirements for these three mines, please let us know.

We appreciate your attention to this matter.

Sincerely,



Jerry R. Roose
Director, North American Environmental Operations

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
Bruce Yurdin, Director, Resource Protection Division, NMED
Kurt Vollbrecht, Manager, Mining Environmental Compliance Section, NMED

Certificate of Face Amount Adjustment
to the Third Party Guarantee

Date: August 22, 2016

Director
Energy, Minerals and Natural
Resources Department
Mining & Minerals Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505
Phone: 505/476-3400; Fax: 505/476-3402

Secretary
New Mexico Environment Department
1190 South St. Francis Drive
Santa Fe, New Mexico 87502
Phone: 505/827-2855; Fax: 505/827-2836

**RE: Financial Assurance for the Chino Mine
 Freeport-McMoRan Chino Mines Company
 Mining and Minerals Division Permit No. GR009RE
 New Mexico Environment Department Discharge Permit DP-1340**

Gentlemen:

1. Existing Third Party Guarantee: On December 18, 2008, Freeport-McMoRan Copper & Gold Inc. (FCX), now known as Freeport-McMoRan Inc., a corporation incorporated under the laws of the State of Delaware, made a Third Party Guarantee (the "Guarantee") on behalf of Freeport-McMoRan Chino Mines Company (the "Operator") to the State of New Mexico, acting through the New Mexico Mining and Minerals Division of the Energy, Minerals, and Natural Resources Department ("MMD") and the New Mexico Environment Department ("NMED"). The Guarantee was in the amount of one hundred twenty one million, one hundred thirty six thousand, two hundred and one dollars (\$121,136,201), subject to adjustment as provided in Section 4 of the Guarantee. Three prior adjustments has been made to reduce the face amount to one hundred two million, two hundred ninety-four thousand, and two hundred forty-one dollars (\$102,294,241), which is the current amount of the Guarantee.
2. Face Amount Adjustment: Section 4 of the Guarantee provides that the Face Amount may be adjusted from time to time if approved in writing by MMD and NMED and shall be automatically modified as of the date of their approval. Section 4 further provides that following such automatic modification of the Face Amount, any party may request of another party, and the other party shall then provide, a certificate

setting forth the adjusted Face Amount (the "Certificate") and that said Certificate shall constitute an amendment to the Guarantee.

3. Written Approval by MMD and NMED: Pursuant to Section 4 of the Guarantee, MMD and NMED have requested that the Guarantor provide them with a Certificate setting forth the adjusted Face Amount. By providing their approval below, MMD and NMED hereby consent to an adjustment of the Face Amount of the Guarantee, to forty-five million, three hundred thirty-six thousand, and five hundred forty-five dollars (\$45,336,545), subject to further adjustment as provided by Section 4 of the Guarantee.
4. Issuance and Approval by Guarantor: The duly authorized agents of Guarantor hereby represent that they are authorized officers of the Guarantor, and, in such capacity, they have authority from the Guarantor's Board of Directors to issue and approve this Certificate on behalf of the Guarantor.
5. Approval and Acceptance by Operator: The duly authorized agent of the Operator hereby represents that he is a duly authorized agent of the Operator, and, in such capacity, he has authority from the Operator's Board of Directors to approve and accept this Certificate on behalf of the Operator by authority of the Operator.
6. Guarantee Not Affected: Except as to the Face Amount, as stated above, all other provisions of the Guarantee shall remain in full force and effect and shall continue to be binding on the Guarantor.

Very truly yours,

Guarantor: Freeport-McMoRan Inc.

By: 

Chief Financial Officer

Printed Name:

Kathleen L. Quirk
Executive Vice President, Chief Financial Officer,
And Treasurer

Acknowledgment of Authorized Guarantor Agent:

On this 26 day of August, before me appeared Kathleen L. Quirk to me personally known, who, being by me duly sworn, did depose and say that she is a duly authorized official of Freeport-McMoRan Inc. ("FCX"), that the Certificate of Face Amount Adjustment to the Third Party Guarantee was signed on behalf of the Guarantor by the authority of its Board of Directors, and acknowledged said Certificate of Face Amount Adjustment to the Third Party Guarantee to be a free act and deed of the Guarantor.

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



Jill R. Harness
Notary Public

My commission expires: 10.23.18

By: *Richard McMillan II*
Chief Legal Officer

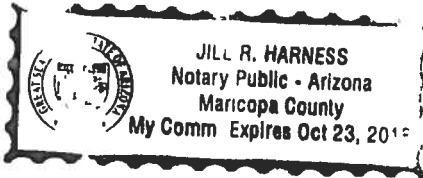
Printed Name:

J. Richards McMillan II
Senior Vice President and General Counsel

Acknowledgment of Authorized Legal Counsel:

On this 26 day of August before me appeared L. Richards McMillan II to me personally known, who, being by me duly sworn, did depose and say that he is a duly authorized Legal Counsel of Freeport-McMoRan Inc. ("FCX"), that the certifications made are true and accurate, that the certifications were made on behalf of the Guarantor by the authority of its Board of Directors, and acknowledged said certifications to be a free act and deed of the Guarantor.

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



Jill R. Harness
Notary Public

My commission expires: 10.23.18

(Additional signatures appear on page that follows)

Agreement by Operator:

The foregoing instrument is agreed upon by the Operator as shown below by signature of an authorized representative.

By: WE Cobb
Authorized Agent of Operator

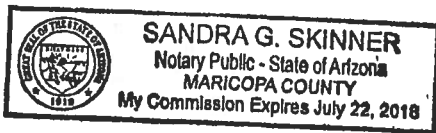
Printed Name: William E. Cobb
Authorized Agent of Operator

Title: Vice President
Freeport-McMoRan Tyrone Inc.

Acknowledgment of Authorized Agent of the Operator:

On this 25th day of August before me appeared William E. Cobb to me personally known, who, being by me duly sworn, did depose and say that he signed the attached Certificate of Face Amount Adjustment to the Third Party Guarantee on behalf of Freeport-McMoRan Tyrone Inc.

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



Sandra G. Skinner
Notary Public

My commission expires: July 22, 2018

(Additional signatures appear on page that follows)

Agreement by Authorized Representative of Mining and Minerals Division:

The foregoing instrument was approved by me this 29th day of August 2016.

By: 
Director, Mining and Minerals Division

Printed Name: Fernando Martinez
Director, Mining and Minerals Division

Acknowledgment by Authorized Representative of the New Mexico Environment Department:

The foregoing instrument was approved by me this 31st day of August 2016.

By: 
Secretary, New Mexico Environment Department

Printed Name: Butch Tongate
Secretary, New Mexico Environment Department