

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

Fernando Martinez, Director
Mining and Minerals Division



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CERTIFIED MAIL – RETURN RECEIPT REQUESTED

October 7, 2016

Mr. Thomas Shelley
Reclamation Manager
Environmental/Sustainable Development
Freeport-McMoRan Tyrone Operations
P.O. Box 571
Tyrone, NM 88065

RE: Approval of 2014 Collateral Appraisals for Financial Assurance for the Tyrone Mine Permit No. GR010RE

Dear Mr. Shelley,

The New Mexico Mining and Minerals Division (“MMD”) of the New Mexico Energy, Minerals, and Natural Resources Department has reviewed the 2014 collateral appraisals for the thirteen properties pledged as collateral for the Tyrone Mine (“Tyrone”) financial assurance (“FA”), together with the accompanying updated title reports and transaction screen reports (“TSR”) received in 2014.

In a letter dated September 9, 2016, MMD informed you that during the review of the TSR’s the New Mexico Environment Department (“NMED”) identified possible environmental impacts at the U-Bar Farm and Ranch and the Timberlake Ranch. These ranches are pledged as collateral for the Tyrone FA.

In addition, MMD has identified possible issues found in the 2014 updated title reports for the U-Bar Farm and Ranch, Timberlake Ranch and the Alamo Hueco Ranch. The issues identified are: 1) paragraph 10 of the Public Records Report for each ranch shows that a “Line of Credit Mortgage” was issued in the amount of \$75,000; and 2) paragraphs 22 and 24 of the Public Records Report for each ranch show documents have been intentionally omitted. These ranches are pledged as collateral for the Tyrone Mine FA.

MMD met with you and NMED on September 15, 2016 to discuss the issues with the TSR’s and title reports for the ranch collateral properties identified above. At the conclusion of the meeting it was agreed that Tyrone would submit a response to the environmental concerns that NMED identified at the U-Bar Farm and Ranch and the Timberlake Ranch summarized in NMED’s memorandum to MMD dated September 8, 2016. MMD received your letter responding to those concerns dated September 27, 2016. NMED has indicated to MMD in a

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memorandum dated October 5, 2016 that based on the review of your September 27th letter, the original environmental assessments, and the 2014 ranch appraisals, that NMED accepts the proposed values of the properties for FA (less a 20 percent margin). A copy of NMED's October 5th memorandum is attached.

MMD has received an electronic mail correspondence from the Modrall Law Firm, on behalf of Tyrone, dated September 30, 2016, with additional information regarding the issues that MMD found in the 2014 updated title reports for the U-Bar Farm and Ranch, Timberlake Ranch and the Alamo Hueco Ranch. After a review of the additional information, MMD has determined that Tyrone has adequately addressed MMD's concerns regarding the 2014 updated title reports that were summarized in the MMD letter dated September 9, 2016.

MMD has determined that the environmental and title issues summarized in the September 9, 2016 letter to you have been resolved to MMD's satisfaction. The list of the Tyrone collateral properties and their 2014 appraised and approved values is summarized in Attachment A. The total value of the Tyrone 2014 collateral appraisals that MMD is approving for the Tyrone Mine FA is listed below (highlighted in **bold**):

Tyrone (Thirteen Collateral Ranches)

2014 Appraised Value: \$60,686,500

2014 Value to be Approved: **\$48,549,200** (with 20% margin)

The approval of the 2014 updated collateral appraisals and the updating of the FA for the Tyrone Mine will be documented in Permit Modification 16-1 to Permit No. GR010RE.

Please contact Holland Shepherd, Program Manager, Mining Act Reclamation Program ("MARF") at 505-476-3437 or at Holland.Shepherd@state.nm.us if you have any questions.

Sincerely,



Fernando Martinez, Director
Mining and Minerals Division

Enclosure

cc: Holland Shepherd, Manager, MARF
Gabriel Wade, Assistant General Counsel
David Ogori, Permit Lead, MARF
Kurt Vollbrecht, Program Manager, NMED Ground Water Quality Bureau, Mining
Environmental Compliance Section
Mine File (GR010RE)



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Governor

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BUTCH TONGATE
Cabinet Secretary - Designate

J.C. BORREGO
Acting Deputy Secretary

MEMORANDUM

To: Holland Shepherd, Manager, Mining Act Reclamation Program

From: Kurt Vollbrecht, Manager, Mining Environmental Compliance Section 

Subject: Tyrone Mine Ranch Collateral Properties, Environmental Transaction Screen Process Reports

Date: October 5, 2016

The New Mexico Environment Department ("NMED"), Mining Environmental Compliance Section ("MECS") received correspondence from Freeport-McMoRan Tyrone Inc. ("Tyrone") in response to a memorandum from MECS dated September 8, 2016, ("Memorandum") outlining potential environmental liabilities associated with asbestos-containing materials in structures at the U-Bar Farm and Ranch and the Timberlake Ranch. In its September 27, 2016 letter responding to the Memorandum, Tyrone states that NMED previously determined, in connection with the initial ranch appraisals, that the environmental liabilities related to asbestos-containing materials at the ranch properties in question did not have an effect on the appraised values for those properties.

Based on NMED's review of the September 27, 2016 letter, the original environmental assessments, and of the 2014 ranch appraisals, NMED accepts the new proposed value of the properties for financial assurance. NMED notes that although the appraiser previously stated that notification to a potential buyer of ranch properties with structures containing asbestos-containing materials would not affect the appraised value of the properties, the possibility exists that a potential buyer would require the seller to either abate the properties in question, or would request a reduction in the sale price of the ranch property. NMED believes, however, that such a scenario is the type of uncertainty intended to be addressed by the 20% reduction in appraised value that will be applied to the ranch properties for use as collateral to meet the financial assurance requirements for the Tyrone Mine Closure/Closeout Plan.

NMED requests that final approval of the aforementioned ranch properties at the 2014 appraised values, less 20%, for inclusion as collateral for financial assurance for the Tyrone Mine Closure/Closeout Plan be formalized. Please call me at (505) 827-0195 if you have any questions.

Attachment A - Permit GR010RE

Tyrone Inc., Collateral Property 2014 List

Ranch Name	Appraisal Values	20% Margin	Approved Collateral Value
Alamo Hueco	\$21,000,000	\$4,200,000	\$16,800,000
Allison	\$3,296,000	\$659,200	\$2,636,800
Bill Evans	\$3,450,000	\$690,000	\$2,760,000
Bird Area	\$1,024,000	\$204,800	\$819,200
Saddle Rock	\$877,000	\$175,400	\$701,600
Silsby	\$456,000	\$91,200	\$364,800
Timberlake	\$10,100,000	\$2,020,000	\$8,080,000
Turner Farm/Ranch	\$2,031,500	\$406,300	\$1,625,200
Turner	\$3,610,000	\$722,000	\$2,888,000
Tyrone	\$1,396,000	\$279,200	\$1,116,800
U-Bar Farm & Ranch	\$6,746,000	\$1,349,200	\$5,396,800
Warm Springs	\$5,658,000	\$1,131,600	\$4,526,400
Winn Canyon	\$1,042,000	\$208,400	\$833,600
Total	\$60,686,500	\$12,137,300	\$48,549,200