

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 11, 2016

Mr. Erich Bower, General Manager
Freeport-McMoRan Tyrone Inc.
P.O. Box 571
Tyrone, New Mexico 88065

RE: Transmittal of Documents: Permit Modification 16-1 to Permit No. GR010RE and Certificate of Face Amount Adjustment to the Third Party Guarantee; Tyrone Mine

Dear Mr. Bower:

The New Mexico Mining and Minerals Division (“MMD”) has approved Modification 16-1 to Permit No. GR010RE; for the partial replacement of the third party guarantee financial assurance for the Tyrone Mine. Modification 16-1 recognizes the increase in the value of the Tyrone Closure/Closeout Plan Trust Fund from \$27,018,850 to \$48,200,000 and recognizes the increase in the value of real estate collateral from \$27,933,136 to \$48,549,200. The third party guarantee is consequently reduced from \$92,601,614 to \$50,804,400. MMD and the New Mexico Environment Department have signed the Certificate of Face Amount Adjustment to the Third Party Guarantee for the Tyrone Mine financial assurance (Certificate) dated August 22, 2016. A copy of the modification document and the Certificate are enclosed with this letter. MMD will retain the original of these documents on file.

If you have any questions in this matter, please feel free to contact me at 505-476-3432 or at David.Ohori@state.nm.us.

Sincerely,

David R. Ohori, Permit Lead
Mining Act Reclamation Program (“MARF”)
Mining and Minerals Division

Enclosures

RE: Transmittal of Documents: Permit Modification 16-1 to Permit No. GR010RE and Certificate of Face Amount Adjustment to the Third Party Guarantee; Tyrone Mine

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cc: Holland Shepherd, Program Manager, MARP
Kurt Vollbrecht, Program Manager, NMED GWQB, Mining Environmental Compliance Section
William E. Cobb, Vice President, Freeport-McMoRan Tyrone Inc.
Thomas Shelley, Manager, Reclamation, Freeport-McMoRan Tyrone Inc.
Lynn Lande, Chief Environmental Engineer, Freeport-McMoRan Tyrone Inc.
Allyson Siwik, Executive Director, Gila Resources Information Project
Mine File (GR010RE)

**PERMIT MODIFICATION 16-1 TO PERMIT NO. GR010RE
TYRONE MINE
EXISTING MINING OPERATION**

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

Permit Modification 16-1 (“Modification 16-1”) to Permit No. GR010RE (“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 Tyrone Inc. (“Tyrone”)
whose correct address is: P.O. Box 571
Tyrone, NM 88065

(“Permittee”) for the Tyrone Mine located in Grant County, New Mexico.

The total amount of financial assurance (“FA”) required for the closure/closeout of the Tyrone Mine is \$179,504,992 (net present value or “NPV”). This Modification 16-1 approves the partial replacement of the third party guarantee pursuant to §19.10.12.1209 NMAC. The specific instruments and amounts being adjusted by Modification 16-1 are below:

- MMD recognizes the increase in the value of the Tyrone Closure/Closeout Plan Trust Fund (“Tyrone CCP Trust”) from \$27,018,850 to \$48,200,000; and
- MMD recognizes the increase in the value of the real estate collateral provided by Freeport-McMoRan Inc. (“FCX”) from \$27,933,136 to \$48,549,200 by approving the 2014 real estate collateral appraisals;
- Accordingly, the Third Party Guarantee (“TPG”) provided by FCX is reduced from the amount of \$92,601,614 to \$50,804,400.

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

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

In order to accomplish the approval contemplated by this Modification 16-1, the following subparagraphs are added to Permit No. GR010RE:

Section 1 (16-1). 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 (16-1).

PERMIT APPLICATION PACKAGE

- A. The Modification 16-1 Permit Modification Package (“16-1 PMP”) is comprised of the following documents:
- 1) 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.
 - 2) 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 Tyrone Mine from \$92,601,614 to \$50,804,400 to account for the 1st quarter 2016 value of the Tyrone CCP Trust and the 2014 appraised real estate collateral value.
 - 3) Letter dated July 25, 2016 from Tyrone requesting a permit modification to increase the amount proposed to be credited from the Tyrone CCP Trust to \$48,200,000, to increase the amount credited for real estate collateral to \$48,549,200 and reduction in the amount of the FCX TPG to \$50,804,400.
 - 4) Letter dated August 26, 2016, providing the Certificate of Face Amount Adjustment to the Third Party Guarantee amending the FCX TPG from \$92,601,614 to \$50,804,400 for the Tyrone Mine.
 - 5) Letter dated September 27, 2016 from Tyrone responding to potential environmental liabilities associated with asbestos-containing materials in structures at the U-Bar Farm and Ranch and the Timberlake Ranch identified by the New Mexico Environment Department (“NMED”) in a memorandum to MMD dated September 8, 2016.
 - 6) Electronic mail correspondence from the Modrall Sperling Law Firm, on behalf of FCX, dated September 30, 2016 responding to a letter to FCX from MMD dated September 9, 2016 that identified potential issues found in the 2014 updated title reports for the U-Bar Farm and Ranch, the Timberlake Ranch and the Alamo Hueco Ranch.

Section 3 (16-1).

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.
- 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 NMED regarding the proposed replacement of FA including: recognition of the 2014 real estate collateral appraised values, the increase in value of the Tyrone Closure/Closeout Plan Trust Fund, and the reduction in the TPG.
- F. Pursuant to §19.10.5.505.C NMAC, 16-1 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 16-1.
- 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 \$179,504,992 NPV, which has been determined by MMD to be sufficient to meet the requirements of the Act, Rules, and the Permit.

Section 8 (16-1).

GENERAL OBLIGATIONS AND CONDITIONS

Financial Assurance

- A. Tyrone has provided the following five forms of FA pursuant to Part 12 of the New Mexico Mining Act Rules: Third Party Guarantee, Tyrone CCP Trust, Real Estate Collateral, Surety Bonds and a Letter of Credit.
 - 1. Tyrone CCP Trust. With this Modification 16-1, the initial amount of the Tyrone CCP Trust that was established by the Permittee in Section 9.M.4.a of Revision

Permit Modification 16-1 To Permit GR010RE
Tyrone Mine
Page 4 of 7

01-1 to Permit No. GR010RE is hereby increased from \$27,018,850 to \$48,200,000.

2. Real Estate Collateral. With this Modification 16-1, the real estate collateral values provided by FCX in the 2014 real estate collateral appraisals are hereby approved (minus a twenty percent margin pursuant to 19.10.12.1208.C.1.a NMAC) and the initial real estate collateral is hereby increased from \$27,933,136 to \$48,549,200.
 3. Surety Bonds. Surety Bond No. 022025842 in the amount of \$6,780,518 by the Liberty Mutual Insurance Company and Surety Bond No. 1000830830 in the amount of \$25,000,000 by the U.S. Specialty Insurance Company.
 4. Letter of Credit. Irrevocable Letter of Credit No. 96218/80085 in the amount of \$170,874 by Scotiabank.
 5. Third Party Guarantee from FCX. With this Modification 16-1, the TPG from FCX for the Tyrone Mine is hereby reduced from \$92,601,614 to \$50,804,400. 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 Tyrone CCP Trust based upon the valuation report provided by the Trustee to MMD and NMED as of the end of every calendar year and shall provide additional FA as follows:
1. If the amount of funds in the Tyrone CCP Trust is not equal to or greater than the revised minimum account balance of \$48,200,000 at the end of any annual review conducted pursuant to Revision 01-1 to Permit GR010RE, then within sixty (60) days after the end of the calendar year, the Permittee shall make payment sufficient to bring the Tyrone CCP Trust account balance to \$48,200,000. To make this payment the Permittee may establish a separate trust fund in a form approved by the Director in accordance with 19.10.12.1208.E NMAC in an amount such that the total of all trust funds provided as financial assurance for Tyrone equals \$48,200,000. Notwithstanding anything in this section, any withdrawal from the Tyrone trust(s) established under this subparagraph shall not reduce the total balance of all of the Tyrone trust funds to less than \$48,200,000.

Section 9 (16-1).

CONCLUSIONS OF LAW

- A. The Director has jurisdiction over the Permittee and the subject matter of this proceeding.
- B. 16-1 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 16-1

document.

All other provisions, modifications, and revisions for mining and reclamation contained in the Tyrone Mine Permit No. GR010RE, 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.

WJ Cliff
Authorized Representative of the Permittee

VICE PRESIDENT
Title

FREEPORT-McMORAN TYRONE INC.
Company

Subscribed and sworn to before me this 10th day of October, 2016
Sandra G. Skinner
Notary Public

My Commission Expires

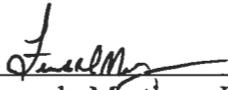
July 22, 2018



ORDER

NOW THEREFORE, IT IS HEREBY ORDERED that Permit Modification 16-1 to Permit No. GR010RE allowing the replacement of FA for the Tyrone 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: 10/11/2016

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 Tyrone Mine
 Freeport-McMoRan Tyrone Inc.
 Mining and Minerals Division Permit No. GR010RE
 New Mexico Environment Department Discharge Permit DP-1341**

Gentlemen:

1. Existing Third Party Guarantee: On October 7, 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 Tyrone, Inc. (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-four million, seven hundred seventy-four thousand, six hundred ninety-three dollars (\$124,774,693), subject to adjustment as provided in Section 4 of the Guarantee. Six prior adjustments have been made to adjust the face amount to ninety-two million, six hundred one thousand, six hundred fourteen dollars (\$92,601,614), 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 fifty million, eight hundred four thousand, and four hundred dollars (\$50,804,400), 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

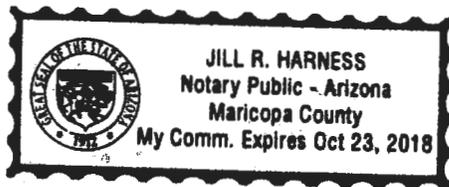
Printed Name:

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

Acknowledgment of Authorized Guarantor Agent:

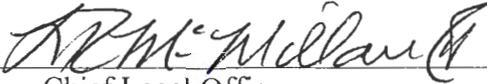
On this 26 day of August, before me appeared Kathleen L. Quirk to me personally known, who, being by me duly sworn, did depose and say that she is a duly authorized official of Freeport-McMoRan Inc. ("FCX"), that the Certificate of Face Amount Adjustment to the Third Party Guarantee was signed on behalf 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: 
Chief Legal Officer

Printed Name:

L. 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 Chino Mines Company

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 Chino Mines Company.

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



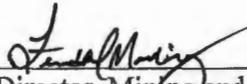
Sandra G. Skinner
Notary Public

My commission expires: July 22, 2018

(Additional signatures appear on page that follows)

Agreement by Authorized Representative of Mining and Minerals Division:

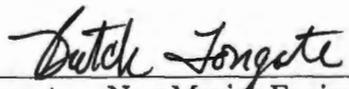
The foregoing instrument was approved by me this 2nd day of September 2016.

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 7th day of September 2016.

By: 
Secretary, New Mexico Environment Department

Printed Name: Butch Tongate
Secretary, New Mexico Environment Department