

Freeport-McMoRan Chino Mines Company
P.O. Box 10
Bayard, NM 88023

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June 16, 2020

Certified Mail: 7018 2290 0001 6073 8228

Mr. Holland Shepherd
Energy, Minerals and Natural Resources Department
Mining and Minerals Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Dear Mr. Shepherd:

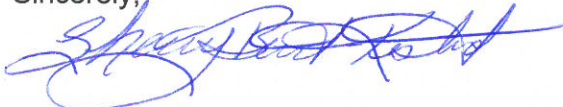
**Re: Freeport-McMoRan Chino Mines Company
Mining Act Permit No. GR009RE and Discharge Permit DP-1340**

In a letter dated May 26, 2020 the Mining and Minerals Division (MMD) approved the Reclamation Cost Estimate (RCE) for Freeport-McMoRan Chino Mines Company (Chino) and requested the Net Present Value Calculation and proposal for Financial Assurance instruments by June 26, 2020.

Based on the revised cash flow submitted by Chino on April 8, 2020 and approved by MMD on May 26, 2020 and the NPV methodology proposed by the January 8, 2020, Joint Agency Response, a revised NPV calculation is provided in Attachment 1. The resulting NPV is \$228,393,363.

Chino proposes to change the FA instruments required under Permits GR009RE and DP-1340 consistent with the updated CCP and RCE and generally consistent with the recommendations in the January 8, 2020, Joint Agency Response and Chino's January 23, 2020 letter. Chino proposes to keep the same FA instruments in place, but to modify the values of the Cash Trust Floor and Third Party Guarantee to provide the NPV amount shown above. Chino requests a 30-day extension for submittal of the values of the Cash Trust Floor and Third Party Guarantee in order to receive the most recent quarterly report (second quarter) on the Cash Trust, which is expected in early July.

Sincerely,



Sherry Burt-Kested, Manager
Environmental Services

cc: Kurt Volbrecht, NMED GWB
Enclosures

20200616-001

Freeport-McMoRan Chino Mine Cost Estimate
June 16, 2020

	Yr 1-10	Yr 11-100
Escalation Rate	2.24%	2.54%
Discount Rate	5.09%	6.12%

Component	Current Cost	NPV
Earthwork	\$ 185,462,713	\$ 133,539,633
Water Management	\$ 244,923,199	\$ 94,853,729
Total	\$430,385,911	\$ 228,393,363

Component	Current Cost
Earthwork	\$ 185,462,713
Water Management	\$ 244,923,199
Total	\$430,385,911

Year	Earthwork				Water Management and Treatment			
	Current Cost			NPV	Current Cost			NPV
	Capital ¹	O&M ²	Total		Capital Cost ³	O&M ⁴	Total	
1	1,000,000	48,305	1,048,305	1,048,305	2,481,440	3,397,026	5,878,466	5,878,466
2	4,000,000	48,305	4,048,305	3,938,517	0	3,562,966	3,562,966	3,466,339
3	9,936,280	66,090	10,002,369	9,467,205	0	2,996,020	2,996,020	2,835,722
4	9,936,280	66,090	10,002,369	9,210,458	0	2,432,274	2,432,274	2,239,705
5	9,936,280	66,090	10,002,369	8,960,674	9,860,560	1,871,578	11,732,139	10,510,297
6	9,936,280	126,771	10,063,051	8,770,552	2,213,782	5,334,088	7,547,869	6,578,420
7	9,936,280	140,949	10,077,228	8,544,719	1,254,044	4,208,640	5,462,683	4,631,938
8	9,936,280	140,949	10,077,228	8,312,990	0	4,218,268	4,218,268	3,479,768
9	9,936,280	140,949	10,077,228	8,087,545	0	4,226,188	4,226,188	3,391,755
10	9,936,280	140,949	10,077,228	7,868,214	0	4,234,005	4,234,005	3,305,875
11	9,936,280	140,949	10,077,228	7,149,931	0	4,073,258	4,073,258	2,890,032
12	9,936,280	140,949	10,077,228	6,908,725	0	3,934,261	3,934,261	2,697,242
13	9,936,280	153,204	10,089,484	6,683,775	0	3,591,925	3,591,925	2,379,469
14	9,936,280	165,039	10,101,319	6,465,871	0	3,445,223	3,445,223	2,205,293
15	9,936,280	167,273	10,103,552	6,249,123	0	3,272,045	3,272,045	2,023,784
16	9,936,280	167,273	10,103,552	6,038,307	0	2,668,152	2,668,152	1,594,599
17	9,936,280	167,273	10,103,552	5,834,602	0	2,626,467	2,626,467	1,516,733
18	9,936,280	167,273	10,103,552	5,637,769	0	2,584,631	2,584,631	1,442,221
19	9,936,280	167,273	10,103,552	5,447,577	0	2,542,635	2,542,635	1,370,924
20	3,000,000	167,273	3,167,273	1,650,102	0	2,501,028	2,501,028	1,302,998
21	0	132,680	132,680	66,792	0	2,459,912	2,459,912	1,238,343
22	0	132,680	132,680	64,539	0	2,419,698	2,419,698	1,177,006
23	0	132,680	132,680	62,362	0	2,385,967	2,385,967	1,121,445
24	0	132,680	132,680	60,258	0	2,352,266	2,352,266	1,068,307
25	0	132,680	132,680	58,225	0	2,307,475	2,307,475	1,012,611
26	0	132,680	132,680	56,261	0	2,272,548	2,272,548	963,640
27	0	132,680	132,680	54,363	0	2,234,821	2,234,821	915,674
28	0	132,680	132,680	52,529	0	2,200,536	2,200,536	871,209
29	0	132,680	132,680	50,757	0	2,166,684	2,166,684	828,868
30	0	132,680	132,680	49,045	0	2,133,038	2,133,038	788,469
31	0	132,680	132,680	47,390	0	2,099,821	2,099,821	750,006
32	0	86,973	86,973	30,017	0	2,066,810	2,066,810	713,311
33	0	86,973	86,973	29,004	0	2,018,437	2,018,437	673,115
34	0	86,973	86,973	28,026	0	2,011,961	2,011,961	648,321
35	0	86,973	86,973	27,080	0	2,005,309	2,005,309	624,378
36	0	86,973	86,973	26,167	0	1,998,666	1,998,666	601,316
37	0	86,973	86,973	25,284	0	1,992,030	1,992,030	579,101
38	0	86,973	86,973	24,431	0	1,985,402	1,985,402	557,703
39	0	86,973	86,973	23,607	0	1,978,783	1,978,783	537,092
40	0	86,973	86,973	22,810	0	1,972,173	1,972,173	517,240
41	0	61,908	61,908	15,689	0	1,972,173	1,972,173	499,790
42	0	61,908	61,908	15,160	0	1,972,173	1,972,173	482,930
43	0	61,908	61,908	14,648	0	1,972,173	1,972,173	466,638
44	0	61,908	61,908	14,154	0	1,972,173	1,972,173	450,896
45	0	61,908	61,908	13,677	0	1,972,173	1,972,173	435,684
46	0	61,908	61,908	13,215	0	1,972,173	1,972,173	420,986
47	0	61,908	61,908	12,769	0	1,972,173	1,972,173	406,784
48	0	61,908	61,908	12,339	0	1,972,173	1,972,173	393,061
49	0	61,908	61,908	11,922	0	1,972,173	1,972,173	379,801
50	0	61,908	61,908	11,520	0	1,972,173	1,972,173	366,988
51	0	61,908	61,908	11,131	0	1,972,173	1,972,173	354,608
52	0	61,908	61,908	10,756	0	1,972,173	1,972,173	342,645
53	0	61,908	61,908	10,393	0	1,972,173	1,972,173	331,086
54	0	61,908	61,908	10,042	0	1,972,173	1,972,173	319,917
55	0	61,908	61,908	9,704	0	1,972,173	1,972,173	309,124
56	0	61,908	61,908	9,376	0	1,972,173	1,972,173	298,696
57	0	61,908	61,908	9,060	0	1,972,173	1,972,173	288,619
58	0	61,908	61,908	8,754	0	1,972,173	1,972,173	278,882
59	0	61,908	61,908	8,459	0	1,972,173	1,972,173	269,474
60	0	61,908	61,908	8,174	0	1,972,173	1,972,173	260,383
61	0	61,908	61,908	7,898	0	1,972,173	1,972,173	251,599
62	0	61,908	61,908	7,631	0	1,972,173	1,972,173	243,111

Freeport-McMoRan Chino Mine Cost Estimate
June 16, 2020

Year	Current Cost			NPV	Current Cost			NPV
	Capital ¹	O&M ²	Total		Capital Cost ³	O&M ⁴	Total	
63	0	61,908	61,908	7,374	0	1,972,173	1,972,173	234,910
64	0	61,908	61,908	7,125	0	1,972,173	1,972,173	226,985
65	0	61,908	61,908	6,885	0	1,972,173	1,972,173	219,328
66	0	61,908	61,908	6,653	0	1,972,173	1,972,173	211,929
67	0	61,908	61,908	6,428	0	1,972,173	1,972,173	204,779
68	0	61,908	61,908	6,211	0	1,972,173	1,972,173	197,871
69	0	61,908	61,908	6,002	0	1,972,173	1,972,173	191,196
70	0	61,908	61,908	5,799	0	1,972,173	1,972,173	184,746
71	0	61,908	61,908	5,604	0	1,972,173	1,972,173	178,513
72	0	61,908	61,908	5,415	0	1,972,173	1,972,173	172,491
73	0	61,908	61,908	5,232	0	1,972,173	1,972,173	166,672
74	0	61,908	61,908	5,055	0	1,972,173	1,972,173	161,049
75	0	61,908	61,908	4,885	0	1,972,173	1,972,173	155,616
76	0	61,908	61,908	4,720	0	1,972,173	1,972,173	150,366
77	0	61,908	61,908	4,561	0	1,972,173	1,972,173	145,294
78	0	61,908	61,908	4,407	0	1,972,173	1,972,173	140,392
79	0	61,908	61,908	4,258	0	1,972,173	1,972,173	135,656
80	0	61,908	61,908	4,115	0	1,972,173	1,972,173	131,079
81	0	61,908	61,908	3,976	0	1,972,173	1,972,173	126,657
82	0	61,908	61,908	3,842	0	1,972,173	1,972,173	122,385
83	0	61,908	61,908	3,712	0	1,972,173	1,972,173	118,256
84	0	61,908	61,908	3,587	0	1,972,173	1,972,173	114,266
85	0	61,908	61,908	3,466	0	1,972,173	1,972,173	110,412
86	0	61,908	61,908	3,349	0	1,972,173	1,972,173	106,687
87	0	61,908	61,908	3,236	0	1,972,173	1,972,173	103,088
88	0	61,908	61,908	3,127	0	1,972,173	1,972,173	99,610
89	0	61,908	61,908	3,021	0	1,972,173	1,972,173	96,250
90	0	61,908	61,908	2,919	0	1,972,173	1,972,173	93,003
91	0	61,908	61,908	2,821	0	1,972,173	1,972,173	89,865
92	0	61,908	61,908	2,726	0	1,972,173	1,972,173	86,834
93	0	61,908	61,908	2,634	0	1,972,173	1,972,173	83,904
94	0	61,908	61,908	2,545	0	1,972,173	1,972,173	81,074
95	0	61,908	61,908	2,459	0	1,972,173	1,972,173	78,339
96	0	61,908	61,908	2,376	0	1,972,173	1,972,173	75,696
97	0	61,908	61,908	2,296	0	1,972,173	1,972,173	73,142
98	0	61,908	61,908	2,219	0	1,972,173	1,972,173	70,675
99	0	61,908	61,908	2,144	0	1,972,173	1,972,173	68,290
100	0	61,908	61,908	2,071	0	1,972,173	1,972,173	65,987
Total	176,916,753	8,545,960	185,462,713	133,539,633	15,809,826	229,113,373	244,923,199	94,853,729

Notes

1. Includes all earthwork current costs - Refer to Earthwork Cash Flow sheets from the Chino Stockpile Tailing Earthwork RCE cost estimate spreadsheets
2. Includes all revegetation and all other maintenance costs -Refer to Earthwork Cash Flow sheets from the Chino Stockpile Tailing Earthwork RCE cost estimate spreadsheets
3. Includes water management capital cost and capital cost indirects - Refer to Chino CCP Costs spreadsheet 2019 CCP Cash Flows
4. Includes routine maintenance and replacement O&M - Refer to Chino CCP Costs spreadsheet 2019 CCP Cash Flows