



State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT
and the
ENVIRONMENT DEPARTMENT

Michelle Lujan Grisham
Governor

Howie Morales
Lieutenant Governor

Sarah Cottrell Propst
Cabinet Secretary, EMNRD

James C. Kenney
Cabinet Secretary, NMED

Electronic Transmission

July 9, 2021

Sherry Burt-Kested
Manger, Environmental Services
Freeport-McMoRan Chino Mines Company
P.O. Box 10
Bayard, NM 88023

Re: Response to FMI Proposal for Adjustment of Cost Estimate and Financial Assurance for Continental Mine, MMD Permit No. GR002RE and NMED Discharge Permit DP-1403

Dear Ms. Burt-Kested,

The Energy, Minerals and Natural Resources Department, Mining and Minerals Division (MMD) and the New Mexico Environment Department (NMED) have reviewed the April 30, 2021 letter (Letter) submitted by Freeport-McMoRan Chino Mines Company – Continental Mine (FMI Chino) that proposes an adjustment of the reclamation cost estimate (RCE) and financial assurance (FA) for the Continental Mine, MMD Permit No. GR002RE and NMED discharge permit DP-1403. The FMI Chino Letter responded to the agency requirements set forth in a joint letter dated April 1, 2021. The agencies need additional information.

The agencies request the following information:

1. The Cobre Trust balance as of 6/30/2021.
2. The agencies understand that the overall FA will increase by \$475,088. The current Cobre Trust balance should be evaluated prior to any increase in third-party guarantee. The agencies strongly prefer not to increase the third-party guarantee unless absolutely necessary, and the agencies may require alternate forms of FA after review of current trust balance.

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3. The agencies concur with FMI Chino's proposal that the remaining \$1,341,500 of the FA amount adjustment will be the excess value held from the collateral properties based on the recent appraisals.
4. The agencies concur that the total increase in the FA amount required by agency permits is \$1,816,588 using 2018 dollars and a net present value (NPV) calculation applying the same rates used in February 2020. This modification will increase the total required FA amount from \$21,444,901 to \$23,261,489 NPV of 2018 dollars.
5. MMD anticipates modifying FA permit language as part of Modification 21-1. This will include making permit No. GR002RE consistent with the timeframes in the Chino and Tyrone permits to maintain minimum trust balances in response to market fluctuations.
6. The adjustment for the RCE and FA will be processed by MMD as Modification 21-1 for permit No. GR002RE. Please provide a check for \$1000 to MMD.
7. MMD and NMED will defer further specific cover material comments until the 2023 permit revision and renewal. Specifically, the agencies will evaluate the updated closeout/closure plan with respect to the details of hauling cover materials from the Upper South Stockpile (USS) and the Cobre Haul Road (CHR). In the 2023 plan and evaluation, the agencies will evaluate in more detail the three proposed cover materials from the CHR, the USS and the Continental Mine carbonate waste rock to ensure that the resultant three feet of cover would meet water holding capacity, plant establishment and erosion protection requirements. The adjusted RCE contains similar cost issues raised by MMD, in a comment letter dated May 6, 2021, and responded to by Tyrone Little Rock Mine on June 8, 2021, regarding the stockpile earthwork tab and specific heavy equipment selected. These changes will have relatively minor changes in cost to the overall RCE. Overall, the RCE provides a reasonable estimate as a placeholder until 2023.

The agencies require responses within 30 days, and if necessary, we can setup a meeting to discuss the responses and process moving forward.

Please contact respective MMD and NMED permit leads Kevin Myers at 505-490-0726 and Anne Maurer at 505-660-8878 with any questions regarding permitting issues for the Continental Mine.

Sincerely,



Kurt Vollbrecht, Manager
Mining Environmental Compliance Section
Ground Water Quality Bureau - NMED

Holland Shepherd, Manager
Mining Act Reclamation Program
Mining and Minerals Division-EMNRD

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cc: Anne Maurer, Permit Lead – NMED (anne.maurer@state.nm.us)
Kevin Myers, Permit Lead, EMNRD-MMD (kevin.myers@state.nm.us)
David Otori, EMNRD-MMD (david.otori@state.nm.us)
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