State of New Mexico
Energy, Minerals and Natural Resources Department

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November 9, 2026

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

RE: Technical Comments on Revised Cost Estimate and Net Present Value Calculation, Revision 24-2, 2024 CCP Update, Chino Mine, Grant County, New Mexico, Permit No. GR009RE

Dear Ms. Burt-Kested:

The New Mexico Mining and Minerals Division ("MMD") has reviewed the *Revised Reclamation Cost Estimate* (RCE), received September 25, 2026, and prepared by Freeport-McMoRan Chino Mines Company (Chino) as part of Revision 24-2 to Permit No. GR009RE for the 2024 Chino Mine Closure/Closeout Plan (CCP) Update. The RCE submittal includes a cost estimate for all activities required for closure of the Chino Mine, including primarily earthwork and water treatment, a proposal for a Net Present Value calculation (NPV), as well as spreadsheets, calculations, and documentations used to calculate the estimate (Backup Documents). Two versions of the cost estimate are included in the submittal, outlining the costs of reclaiming the proposed Kessel Stockpile at either the 5-year Highest Liability Year scenario or the ultimate full build-out scenario.

Based on a technical review of the submitted RCE, MMD has the following comments to be addressed within 30 days of the date of this letter.

MMD Technical Comments

1. In a meeting held with Chino and MMD on October 6, 2026, it was requested MMD only consider the 'Full Buildout Kessel Waste Rock Stockpile Scenario' (Full Buildout Scenario) as presented in the submitted RCE, NPV and Backup Documents. Please confirm that Chino wishes for MMD to only consider the Full Buildout Scenario for approval. Please note, any relevant MMD comments in this letter will only refer to the Full Buildout Scenario versions of the RCE and the NPV.

RCE

2. Swell Factor: The RCE includes a standard swell factor of 8% for materials removed from RCM stockpiles and in-situ material. Please provide a justification and supporting documentation of how Chino arrived at this standard swell factor across different materials.

3. RS Means Unit Costs: Unit costs sourced from RS Means are generally expected to increase over time due to inflation, increasing labor costs, and other factors. In comparison with the RCE

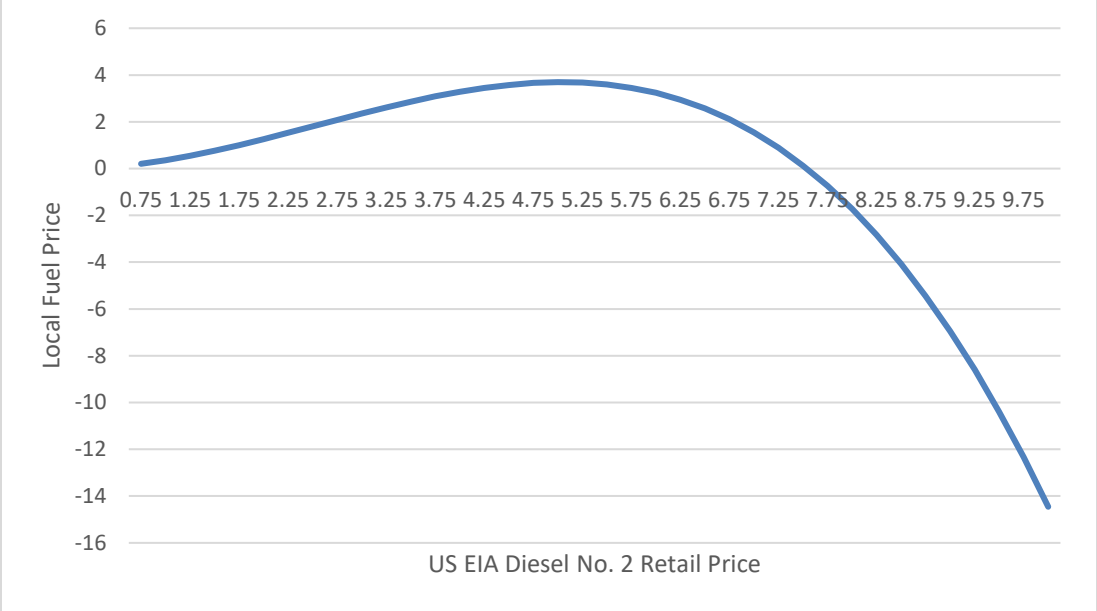
submitted for the Continental/Cobre Mine as part of Revision 23-1 of Permit No. GR002RE, there are few unit costs utilized in the Chino RCE sources from RS Means that either did not increase or substantially decreased. Please verify that the following unit costs are sourced from the most recent RS Means edition:

a. U21 – Reinforced Concrete Wall Demolition (decrease of $47.00)
b. U24 – Cleanup & Disposal of Wastes Requiring Special Handling (no change)
c. U25 – Transportation of Wastes Requiring Special Handling (no change)
d. U28 – Livestock Fencing (decrease of $61.88)

4. Diesel Fuel Unit Cost: The RCE is based on a diesel fuel unit cost of $3.55 per gallon (note: all prices in this comment are dollars per gallon). MMD assumes that this value was calculated by using the U.S. Energy Information Administration (EIA) No. 2 Diesel Retail Price for 8/31/26 of $5.599 and the following equation provided in the 'Fuel Cost' calculation sheet found in Attachment 2 *Key Equations and Calculations* of Appendix F of the CCP Update:

$$\textit{Local fuel price} = -0.0593x^3 + 0.4528x^2 - 0.0447x + 0.012$$

This equation was derived from a trend analysis of EIA No.2 Diesel Retail Prices from 1995 to 2018 and quotes requested by FMI from local providers between 2005 to 2018. The prices in the analysis largely varied between $1 to $4, with an average difference between EIA and FMI prices of $0.69. The price listed in the RCE diverges from this average difference significantly with FMI showing a discount of $2.05 from the EIA retail rate. Given the latest EIA retail price of $6.276 (as of 10/19/26), the formula provides a local fuel price of $2.90, a discount of $3.37 from the EIA retail cost and a decrease from 8/31/26 updated value included in the RCE. Increasing the EIA retail cost value shows the limits of this formula, as it begins producing *negative* local fuel prices at retail cost of $7.75, as shown in this graph:



The fundamental issue may be that the original analysis was conducted on a data set of diesel prices values from $1 to $4, and a function derived from a trend analysis of those values will only

be applicable to values within the bound of the initial data set. Given that prices of No. 2 Diesel have exceeded $4.50 since March 2026, this function is no longer useful for calculation of diesel fuel prices to be considered as part of the RCE. Chino should review how local diesel fuel prices are calculated for the RCE and provide MMD with a revised calculation method and current local diesel fuel price for approval.

5. Full Buildout Scenario Estimation Inconsistencies: It is MMD's understanding that the only difference between the separate RCE prepared for Full Buildout Scenario and the 5-year Kessel Buildout should be the inclusion of extra reclamation activities related to expansion of Kessel from 243 acres to 808.2 acres at closure. However, upon review of the two scenarios, there are several inconsistencies in the RCE unrelated to Kessel itself. Here are some examples:

    a. The '2 Full Site O&M' sheet bases calculations on a total of 4,002 acres under the 5-year Scenario versus a total of 3,947 acres under Full Buildout Scenario.

    b. The 'Full SiteVeg Maint' sheet omits or changes acreages for specific tasks, examples below.:

ID	Description	Full Buildout	5-year
2207-M-e-U9	Post-Closure O&M-Previously Reclaimed-Final Grade	0.2	21.4
3206-M-e-U9	Post-Closure O&M-Previously Reclaimed-Final Grade	-	599.0
3500-M-e-U9	Post-Closure O&M-Miscellaneous SMA-Final Grade	-	201.2

    This results in an overall decrease of 256 acres (from 5921 to 5665) included in the Full Buildout calculation for Vegetation Maintenance.

    c. '3 Full Site O&M Summ' The above inconsistencies decreased O&M costs by $53,569 in the Full Buildout Scenario rather than an increase in costs that would be expected given the 565 acre increase in acreage.

    Chino should explain the above changes and any other decreases in reclaimed acreages and associated costs present in the 5-year Scenario that are removed in the Full Buildout Scenario.

NPV

6. On the 'Earthwork Cashflow' tab of the NPV spreadsheet, Vegetation Maintenance costs are spread across 32 years. In Table 16 'Reclamation Schedule' of the CCP Update, Reclamation O&M are listed for the first 35 years of reclamation activities following closure. Please explain the discrepancy between these two timelines.

7. As with Comment 4 above, the NPV calculations show a decrease in costs for Vegetation Maintenance and Earthwork O&M in the Full Buildout Scenario from the 5-year scenario. Given the assumed overall increase in reclaimed acreage under the Full Buildout Scenario and associated Vegetation Maintenance and Earthwork O&M, please explain this discrepancy or correct the calculations as needed.

If you have any questions, please contact the permit lead for Permit No. GR009RE at (505) 470-5354 or kevin.barnes@emnrd.nm.gov.

Sincerely,



Kevin Barnes
Permit Lead, Mining Act Reclamation Program
Mining and Minerals Division

cc: David "DJ" Ennis, Mining Act Reclamation Program (MARP) Program Manager
Brad Reid, NMED
Ned Hall, FMI
Mine File (GR009RE)