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September 19, 2016

Mr. Fernando Martinez, Director
Mining and Minerals Division
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Freeport-McMoRan Cobre Mining Company, Permit GR002RE

Dear Director Martinez:

Enclosed is Permit Modification 16-1 for the Cobre (Continental) Mine signed on behalf of Freeport-McMoRan Cobre Mining Company. The enclosed version is the amended document sent with Mr. Shepherd's email of September 15, 2016. You should have in hand a Certificate of Face Value Adjustment signed on behalf of Freeport which will reduce the amount of the Freeport-McMoRan Inc. guarantee consistent with this Permit Modification. Please let us know if you need anything else in this regard. We look forward to receiving the Permit Modification and the Certificate of Face Value Adjustment signed on behalf of the agencies.

We appreciate your attention to this matter.

Sincerely,

William E. Cobb

Cc: William Brancard, General Counsel, New Mexico Energy, Minerals and Natural Resources Department
Gabriel Wade, Attorney, Mining and Minerals Division
Holland Shepherd, Manager, Mining Act Reclamation Program, MMD
Trais Kliphuis, Director, Resource Protection Division, NMED
Kurt Vollbrecht, Manager, Mining Environmental Compliance Section, NMED

**PERMIT MODIFICATION 16-1 TO PERMIT NO. GR002RE
CONTINENTAL MINE
EXISTING MINING OPERATION**

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

Permit Modification 16-1 (“Modification 16-1”) to Permit No. GR002RE (“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 Cobre Mining Company (“Cobre”)
whose correct address is: 303 Fierro Road
 P.O. Box 10
 Bayard, NM 88023

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

The total amount of financial assurance (“FA”) required for the closure/closeout of the Continental Mine is \$27,355,272 (net present value or “NPV”). This Modification 16-1 approves the partial replacement of one financial assurance (“FA”) mechanism/instrument pursuant to §19.10.12.1209 NMAC. The specific instruments and amounts being adjusted by Modification 16-1 are below:

- Increase of the cash contribution within the Cobre Closure/Closeout Plan Trust Fund (“Cobre CCP Trust”) from \$3,000,000 to \$5,300,000;
- Increase of real estate collateral contribution provided by FCX from \$6,173,600 to \$13,908,800 by approving the 2014 real estate collateral appraisals; and,
- Reduction of the Third Party Guarantee (“TPG”) provided by Freeport-McMoRan Inc. (“FCX”) in the amount from \$18,181,672 to \$8,146,372.

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

FCX Third Party Guarantee	\$8,146,372
Cash Contribution/Cobre CCP Trust	\$5,300,000
<u>Real Estate Collateral</u>	<u>\$13,908,900</u>
Total	\$27,355,272

In order to accomplish the approval contemplated by this Modification 16-1, the following subparagraphs are added to Permit No. GR002RE:

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 Continental Mine from \$18,181,672 to \$8,146,372 to account for the 1st quarter 2016 value of the Cobre CCP Trust and the 2014 appraised real estate collateral value;
 - 3) Letter dated July 25, 2016, from Freeport-McMoRan Cobre Mining Company requesting an increase in the amount proposed to be credited from the Cobre CCP Trust to \$5,300,000, to increase the amount credited for real estate collateral to \$13,908,900 and a reduction in the amount of the FCX TPG to \$8,146,372.
 - 4) Letter dated August 22, 2016, providing the Certificate of Face Amount Adjustment to the Third Party Guarantee amending the FCX TPG from \$18,181,672 to \$8,146,372 for the Continental Mine.

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 the New Mexico Environment Department regarding the proposed replacement of FA.
- 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 \$27,355,272 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. Cobre has provided the following five forms of FA pursuant to Part 12 of the New Mexico Mining Act Rules: Third Party Guarantee, Cobre CCP Trust and Real Estate Collateral.
 - 1. Cobre CCP Trust. With this Modification 16-1, the initial amount of the Cobre CCP Trust that was established by the Permittee in Section 9.N.4.a of Revision 01-1 to Permit No. GR002RE is hereby increased from \$3,000,000 to \$5,300,000.
 - 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 real estate collateral is hereby increased from \$6,173,600 to \$13,908,900.
 - 3. Third Party Guarantee from FCX. With this Modification 16-1, the TPG from FCX for the Continental Mine is hereby reduced from \$18,181,672 to \$8,146,372. 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 Cobre 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 Cobre CCP Trust is not equal to or greater than the revised minimum account balance of \$5,300,000 at the end of any annual review conducted pursuant to Revision 01-1 to Permit GR002RE, then within sixty (60) days after the end of the calendar year, the Permittee shall make payments sufficient to equal \$5,300,000. 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 Cobre equals \$5,300,000. Notwithstanding anything in this section, any withdrawal from the Cobre trust(s) established under this subparagraph shall not reduce the total balance of all of the Cobre trust funds to less than \$5,300,000.

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 Continental Mine Permit No. GR002RE, 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.

WR CRR

Authorized Representative of the Permittee

VICE PRESIDENT

Title

Freeport McMoan Ran Cabre Mining Company
Company

Subscribed and sworn to before me this 19th day of September, 2016

Sandra G. Skinner
Notary Public

My Commission Expires

July 22, 2018



Permit Modification 16-1 To Permit GR002RE
Continental Mine
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ORDER

NOW THEREFORE, IT IS HEREBY ORDERED that Permit Modification 16-1 to Permit No. GR002RE allowing the replacement of FA for the Continental 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: _____