

Tyrone Operations  
P.O. Drawer 571  
Tyrone, NM 88065

December 23, 2008

**Certified Mail #70081140000159614429**  
**Return Receipt Requested**

Mr. Bill Brancard, Director  
Mining and Minerals Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

Dear Mr. Brancard:

**Re: Tyrone Mine Financial Assurance Reduction**  
**Request for Modification of Permit No. GR010RE, Revision 01-1**

Freeport-McMoRan Tyrone Inc. (Tyrone) requests a partial release of financial assurance pursuant to 19.10.12.1210 NMAC and a modification of Mining Act Permit GR010RE Revision 01-1 to reduce the amount of financial assurance required for implementation of the closeout plan. Tyrone specifically requests that the financial assurance be reduced for work completed on the Nos. 1, 1A, 1X and 2 Tailing Impoundments (See Figure 1).

Tyrone requests that the financial assurance be reduced by a total of **\$25,507,835** (2003 dollars) or **\$23,135,364** (net present value, NPV) to account for reclamation work completed to date on the above referenced projects. The distribution of the reduction request to the four projects is presented in the table below (all values in 2003 dollars).

Facility	Total \$ Amount in Financial Assurance	Requested \$ Amount of Reduction in Financial Assurance	Remaining \$ Amount (accounting for previous releases also)
1 Tailing	\$9,470,618	\$8,270,966	\$1,199,652
1A Tailing	\$8,606,670	\$7,143,010	\$1,463,660
1X Tailing	\$9,155,105	\$8,348,452	\$806,653
2 Tailing	\$3,295,828	\$1,745,407	\$1,550,421
Total	\$30,528,221	\$25,507,835	\$5,020,386

The numbers above reflect the current financial assurance cost estimate in 2003 dollars to complete the specific reclamation projects listed. The middle column of the table represents the portion of financial assurance that Tyrone desires be released from financial assurance at this time. These current dollar amounts were assumed to be distributed over a 13 year period in the closure cost cash flow to yield the NPV of these combined projects in the amount of \$23,135,364.

This application includes all the information required by the New Mexico Mining Act regulations for a request to release financial assurance. Attachments are provided that contain the following information:

Attachment A: Approved Financial Assurance Cash Flow and NPV Calculation dated December 12, 2007. This is the most recent approved financial assurance estimate that was used as the starting basis for the calculations of NPV for the reductions presented herein. This cash flow and NPV calculation were approved by the Mining and Minerals Division (MMD) and the New Mexico Environment Department (NMED) in a letter dated July 15, 2008.

Attachment B: Financial Assurance Current Dollar Reduction Cost Estimate. This was the approved financial assurance estimate that provided the present day (2003) cost estimate that was used in the closeout cash flow for Attachment A and is the source of the direct cost present day estimates for each of the projects listed above. The calculation of this request for financial assurance release (in 2003 dollars) is summarized in the last tab of this spreadsheet.

Attachment C: Proposed Modifications to Financial Assurance Cash Flow and NPV Calculation. This attachment provides the calculation of the amount that Tyrone requests be released at this time for comparison with the currently approved financial assurance (Attachment A). A calculation showing the net present value reduction (as compared to Attachment A) and the proposed method to cash flow the overall reduction are provided in Attachment C.

Attachments D, E, F and G: Present Day (2003) Financial Assurance Cost Estimate for each of the projects listed above (respectively). These attachments contain information to help the reviewer understand the scope of work that has been completed at each project area (including acres reclaimed and other pertinent construction facts) and relate the work completed to the approved financial assurance raw dollar costs contained in Attachment B. Each of these attachments includes the following key sections: 1) Project Completion Facts; 2) Map(s) of Project Area and Photos of Completed Project Work; 3) Calculation of Financial Assurance Amount Corresponding to Completed Scope in 2003 Dollars (direct and indirect costs referenced to Attachment B); 4) Summary of Remaining Financial Assurance amount if release is approved.

Attachment H: Public Notice Documentation. The list of individuals that Tyrone provided the public notice to via certified mail is provided in this attachment with an example copy of the notice letter. The list includes landowners of record within ½ mile of the property, state and federal agencies, local municipalities and interested parties. Also included in this attachment are affidavits documenting that the public notice for this application was published in the Silver City Daily Press on December 15, 2008. The list of public areas where the notice was posted is also provided. These notices were provided in accordance with 19.10.12.1210 A (3), 19.10.902 and 19.10.903 NMAC.

Attachment I: Electronic Copy of Application Materials (provided on CD).

The estimate of total remaining closure/closeout work at Tyrone required for financial assurance is \$339,052,827 (current dollars) and \$186,871,833 (NPV). This amount excludes \$170,874 required for the reclamation of Copper Mountain South Pit. With the Copper Mountain South Pit obligation included, the remaining financial assurance required amount would be \$187,042,707 if this application is approved with no changes. The remaining financial assurance and project scope for each project area for which

release is requested is presented in Attachments D, E, F and G. The total financial assurance remaining includes the cost estimated by the State to meet all other closeout requirements in GR010RE Revision 01-1.

Tyrone looks forward to the Director scheduling the required inspection of the closeout measures completed in relation to this application.

#### Proposal to Modify Financial Assurance Instruments

An overview of the current Tyrone financial assurance and the instruments by which it has been implemented is provided in the Tyrone Mining Act Permit GR010RE Revision 01-1, Modification 07-1. Current financial assurance for Tyrone Mine closure/closeout is in place in the form of a cash trust (balance of \$28,956,164 as of November 30, 2008, \$25,500,000 of the cash trust was deposited in accordance with the terms of Permit GR010RE and the rest is interest), a third party guarantee issued by Freeport McMoRan Copper and Gold, Inc. (\$124,774,693), letters of credit (LOCs, \$31,951,392, including the LOC for Copper Mountain South Pit financial assurance) and collateral instruments (\$27,951,986) for a total of \$213,634,235. This amount exceeds that required by permit which is currently \$210,178,071 (including the Copper Mountain South Pit obligation).

Tyrone requests that the State agencies approve the following instruments and amounts for each to incorporate this reduction of financial assurance.

Instrument	Dollar Amount (not including interest)
Third Party Guarantee	\$101,639,329
Cash Trust - Tyrone Contributions	25,500,000
Collateral	\$27,951,986
Letters of Credit (including Copper Mountain)	\$31,951,392
Total	\$187,042,707

In this proposal, all of the reduction is taken out of the third party guarantee. No change is proposed to the collateral instruments and the cash trust would continue to increase due to required contributions and earnings as currently required in the permit. Tyrone is not requesting a reduction to the guarantee to reflect earnings on the trust fund at this time, but reserves the right to request such a reduction in the future.

#### Proposed Permit GR010RE Modifications

Tyrone requests that Permit GR010RE Revision 01-1 (as modified by Modification 07-1) be modified as follows and in all areas where specific financial assurance numbers are called out.

Introductory Paragraph and Financial Assurance Table as well as Section 9 – the new required amount of financial assurance should be changed from \$210,007,197 to \$187,042,707 and the respective instrument amounts should reflect the table above.

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A check in the amount of \$500.00 accompanies this application. Tyrone appreciates your consideration of these issues. Please contact Mr. Tom Shelley at (575) 538-7173 if you require any additional information.

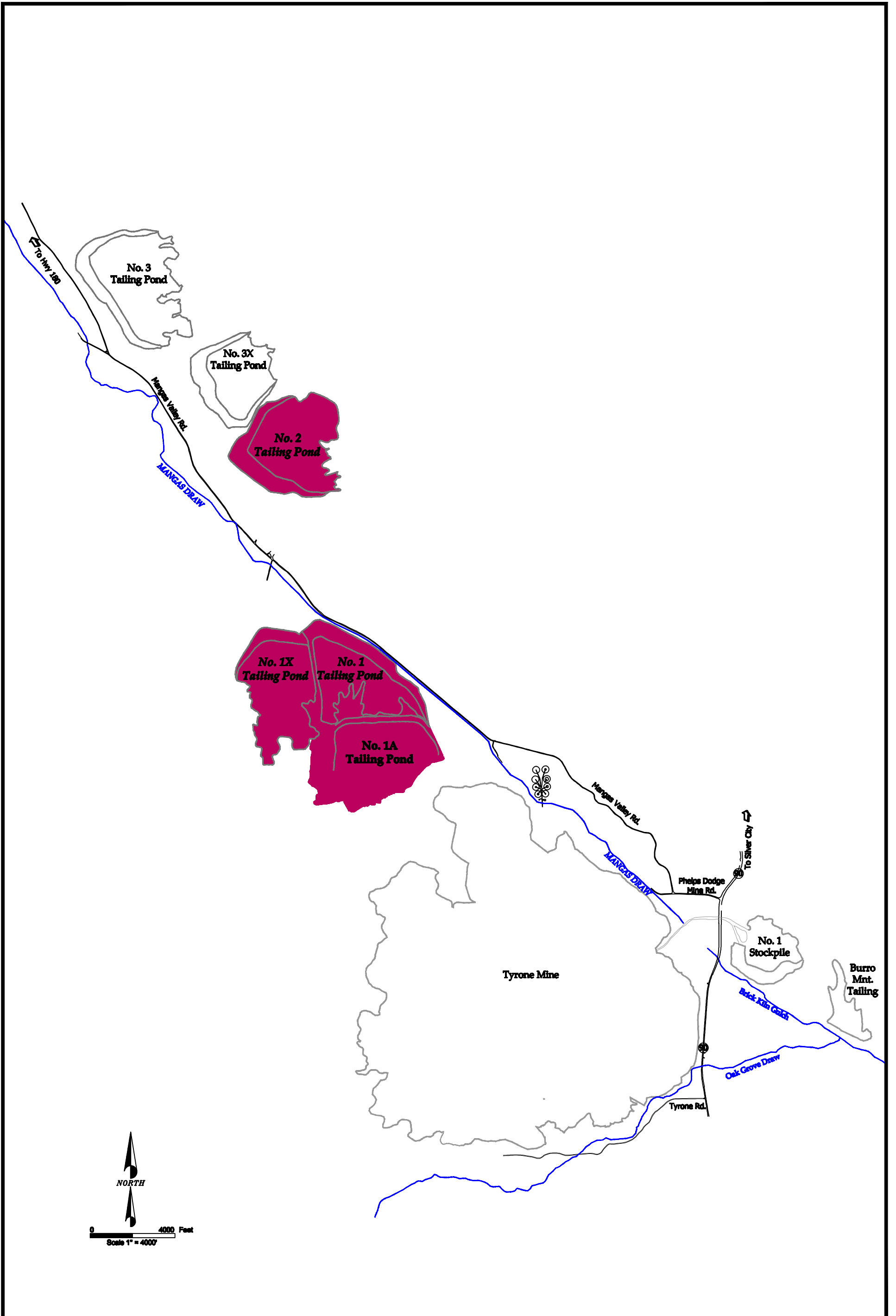
Very truly yours,

A handwritten signature in black ink, appearing to read "B.R. Fletcher", with a long horizontal flourish extending to the right.

Brent R. Fletcher, Manager  
Environment, Land & Water

BRF:ts  
Attachments  
20081223-100

c David Ohori, MMD  
Bill Olson, NMED w/o attachments  
Clint Marshall, NMED w/o attachments



Drawn	SMG
Designed	
Checked	TLS
Date	12-23-2008
Job No.	



Mangas Valley  
Tailing Impoundments

Scale: As Noted	
Dept. Environment, Land & Water	
Drawing No.	Rev.
Figure 1	0