



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

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Lieutenant Governor

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Cabinet Secretary, NMED

Sent Via Email

October 18, 2024

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

Re: Joint Agency Approval of Collateral for Continental Mine, MMD No. GR002RE and NMED 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) reviewed the Freeport-McMoRan Chino Mines Company – Continental Mine (FMI Chino) – May 3, 2023 submittal of 2023 appraisal reports and environmental site assessments for H Heart and Baker Ranch properties (2023 Collateral Documents). The 2023 Collateral Documents and appraised values include the following:

1. The Baker Ranch, April 21, 2023 Appraisal Report prepared by Scott McNally - Bar M Real Estate, LLC. **Appraised value: \$18,572,000** (with \$561,000 already deducted for boundary fences).
2. The Baker Ranch, April 12, 2023 Phase 1 Environmental Site Assessment prepared by Souder, Miller & Associates.
3. The H Heart Ranch, April 21, 2023 Appraisal Report prepared by Scott McNally - Bar M Real Estate, LLC. **Appraised value: \$2,593,000** (with \$30,600 already deducted for repairs to irrigation system). Appraised value includes \$54,850 for water rights.
4. The H Heart Ranch, April 11, 2023 Phase 1 Environmental Site Assessment prepared by Souder, Miller & Associates.

Based on the 2023 Collateral Documents, the combined appraised value is \$21,165,000 for the two ranches. MMD and NMED made a \$100,000 deduction for two Recognized Environmental Conditions (REC) from Baker Ranch's Phase 1 ESA for a leaky transformer and petroleum-stained soils next to fuel storage without secondary containment. After applying a 20 percent discount or margin, pursuant to subsection 19.10.12.1208.C(1)(a) NMAC, the value approved for financial assurance is **\$16,852,000**.

Continental Mine (Two Collateral Ranches)

Ranch	2020 Appraisal	2023 Appraisal	Change in Value from 2020 to 2023
Baker Ranch <Phase 1 ESA REC's>	\$16,782,000	\$18,572,000 -\$100,000	\$1,790,000 -\$100,000
H Heart Ranch	\$2,281,000	\$2,593,000	\$312,000
Total Appraised Value	\$19,063,000	\$21,065,000	\$2,002,000
Total w/20% discount	\$15,250,400	\$16,852,000	\$1,601,600

This represents a \$1,601,600 increase above the existing collateral amount of the financial assurance instruments for the Continental Mine.

Since two Phase 1 Environmental Site Assessment (ESA) REC's would have to be considered in a property sale in the unlikely event of forfeiture, the State would likely have to lower the price or remedy the REC's at some unknown expense for a Phase 2 and Phase 3 ESA's and repairs. Thus, a \$100,000 deduction was made from the Baker Ranch appraised value.

This discounted value of \$16,852,000 for the collateral may be proposed for part of the financial assurance instruments proposed to the agencies during the ongoing permitting process of Revision 23-1 of GR002RE.

Please contact respective MMD and NMED permit leads Kevin Myers at 505-490-0726 and David Mercer at 505-372-8545 with any questions regarding permitting issues for the Continental Mine.

Sincerely,

Justin Ball, Bureau Chief
Ground Water Quality Bureau - NMED



DJ Ennis, Manager
Mining Act Reclamation Program
Mining and Minerals Division-EMNRD

cc: David Mercer, Permit Lead – NMED (david.mercer1@env.nm.gov)
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