FREEPORT-MCMORAN INC
Form 10-K
February 26, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-11307-01
Freeport-McMoRan Inc.
(Exact name of registrant as specified in its charter)

Delaware	74-2480931
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
333 North Central Avenue Phoenix, Arizona	85004-2189
(Address of principal executive offices)	(Zip Code)

(602) 366-8100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act þ Yes o No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes þ No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. þ Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

o Yes þ No

The aggregate market value of common stock held by non-affiliates of the registrant was $8.6 billion on February 19, 2016, and $19.1 billion on June 30, 2015.

Common stock issued and outstanding was 1,251,849,800 shares on February 19, 2016, and 1,040,217,108 shares on June 30, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our proxy statement for our 2016 annual meeting of stockholders are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this report.

FREEPORT-McMoRan INC.

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PART I

Items 1. and 2. Business and Properties.

All of our periodic reports filed with the United States (U.S.) Securities and Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available, free of charge, through our website, www.fcx.com, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports. These reports and amendments are available through our website as soon as reasonably practicable after we electronically file or furnish such material to the SEC.

References to “we,” “us” and “our” refer to Freeport-McMoRan Inc. (FCX) and its consolidated subsidiaries. References to “Notes” refer to the Notes to Consolidated Financial Statements included herein (refer to Item 8), and references to “MD&A” refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included herein (refer to Item 7).

GENERAL

We are a premier U.S.-based natural resources company with an industry-leading global portfolio of mineral assets and significant oil and natural gas resources. Our portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; significant mining operations in North and South America; the Tenke Fungurume (Tenke) minerals district in the Democratic Republic of Congo (DRC) in Africa; and significant U.S. oil and natural gas assets. Our principal executive offices are in Phoenix, Arizona, and our company was incorporated under the laws of the state of Delaware on November 10, 1987.

During 2015, in response to weak market conditions, we took actions to enhance our financial position, including significant reductions in capital spending, production curtailments at certain North and South America mines and actions to reduce operating, exploration and administrative costs. We are also taking continuing actions to reduce oil and gas costs and capital expenditures. Our oil and gas business (FCX Oil & Gas Inc., or FM O&G) is undertaking a near-term deferral of exploration and development expenditures by idling the three Deepwater Gulf of Mexico (GOM) drillships it has under contract. Refer to "Mining Operations" and "Oil and Gas Operations" for further discussion of revised operating plans.

Concerns about the global economy, and particularly the weakening of the Chinese economy, have dominated financial market sentiment and negatively impacted commodity prices, including copper. Oil prices have weakened to multi-year lows in response to excess global supplies and relatively weak economic conditions. Current market conditions and uncertainty about the timing of economic and commodity price recovery require us to continue taking actions to strengthen our financial position, reduce debt and re-focus our portfolio of assets. Our business strategy is focused on our position as a leading global copper producer. We will continue to manage our production activities, spending on capital projects and the administration of our business to enhance cash flows, and intend to complete asset sales to reduce debt. Several initiatives are currently being advanced, including an evaluation of alternatives for the oil and gas business as well as several potential transactions involving certain of our mining assets. In February 2016, we announced that we have entered into a definitive agreement to sell a 13 percent undivided interest in the Morenci unincorporated joint venture to Sumitomo Metal Mining Co., Ltd. for $1.0 billion in cash (refer to Note 18 for further discussion).

We are confident about the longer term outlook for copper prices based on the global demand and supply fundamentals. With our established reserves and large-scale current production base, our significant portfolio of undeveloped resources, and our global organization of highly qualified and dedicated workers and management, we believe we are well positioned to generate significant asset sale proceeds while retaining an attractive portfolio of

high-quality assets.

Our Board of Directors is undertaking a strategic review of alternatives for FM O&G. We and our advisors are actively engaged with interested participants in a process to evaluate opportunities that include asset sales and joint venture arrangements to generate cash proceeds for debt repayment. We expect to advance the evaluation of these alternatives during the first half of 2016.

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Following are our ownership interests at December 31, 2015, in operating mines through our subsidiaries, Freeport Minerals Corporation (FMC) and PT Freeport Indonesia (PT-FI), and in our oil and gas business through our subsidiary, FM O&G:

a. FMC has an 85 percent undivided interest in Morenci via an unincorporated joint venture (as further discussed in Note 18, we have entered into a definitive agreement to sell a 13 percent undivided interest in Morenci; the transaction is expected to close in mid-2016). Additionally, PT-FI has established an unincorporated joint venture with Rio Tinto plc (Rio Tinto) related to our Indonesia operations. Refer to Note 3 for further discussion of our ownership in subsidiaries and joint ventures.

As further discussed in Note 2, in November 2014, we completed the sale of our 80 percent ownership interests in the Candelaria and Ojos del Salado copper mining operations in Chile. During 2014, we also completed the sale of our Eagle Ford shale assets in Texas and acquired additional oil and gas interests in the GOM.

Mining

At December 31, 2015, our estimated consolidated recoverable proven and probable mineral reserves totaled 99.5 billion pounds of copper, 27.1 million ounces of gold, 3.05 billion pounds of molybdenum, 271.2 million ounces of silver and 0.87 billion pounds of cobalt. Following is a summary of our consolidated recoverable proven and probable mineral reserves at December 31, 2015, by geographic location (refer to “Mining Operations” for further discussion):

	Copper	Gold	Molybdenum	Silver	Cobalt
North America	34 %	1 %	78 %	29 %	— %
South America	31	—	22	32	—
Indonesia	28	99	—	39	—
Africa	7	—	—	—	100
	100 %	100 %	100 %	100 %	100 %

In North America, we operate seven copper mines – Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico, and two molybdenum mines – Henderson and Climax in Colorado. In addition to copper, certain of our North America copper mines also produce molybdenum concentrate and silver. In South America, we operate two copper mines – Cerro Verde in Peru and El Abra in Chile. In addition to copper, the Cerro Verde mine also produces molybdenum concentrate and silver. In Indonesia, our subsidiary PT-FI operates the mines in the Grasberg minerals district. In addition to copper, the Grasberg minerals district also produces significant quantities of gold and silver. In Africa, our subsidiary Tenke Fungurume Mining S.A. (TFM) operates the mines in the Tenke minerals district. In addition to copper, the Tenke minerals district also produces cobalt hydroxide.

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Following is a summary of our consolidated copper, gold and molybdenum production for the year 2015 by geographic location (refer to "Mining Operations" for further information):

	Copper		Gold		Molybdenum	
North America	48	%	2	%	92	%[a]
South America	22		—		8	
Indonesia	19		98		—	
Africa	11		—		—	
	100	%	100	%	100	%

a. Our Henderson and Climax molybdenum mines produced 52 percent of consolidated molybdenum production, and our North America copper mines produced 40 percent.

The locations of our operating mines are shown on the world map below.

Oil and Gas

At December 31, 2015, our estimated proved oil and natural gas reserves (all of which are located in the U.S.) totaled 252 million barrels of oil equivalents (MMBOE), with 82 percent comprised of oil (including natural gas liquids, or NGLs) and 67 percent represented by proved developed reserves. Refer to “Oil and Gas Operations” for further discussion.

Our portfolio of oil and gas assets include significant oil production facilities and growth potential in the Deepwater GOM, established oil production onshore and offshore California, large onshore natural gas resources in the Haynesville shale in Louisiana, natural gas production from the Madden area in central Wyoming, and a position in the Inboard Lower Tertiary/Cretaceous natural gas trend onshore in South Louisiana.

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The locations of our U.S. oil and gas operations are shown on the map below:

COPPER, GOLD, MOLYBDENUM AND OIL

Following provides a brief discussion of our primary natural resources – copper, gold, molybdenum and oil. For further discussion of historical and current market prices of these commodities refer to MD&A and Item 1A. "Risk Factors."

Copper
Copper is an internationally traded commodity, and its prices are determined by the major metals exchanges – the London Metal Exchange (LME), New York Mercantile Exchange (NYMEX) and Shanghai Futures Exchange. Prices on these exchanges generally reflect the worldwide balance of copper supply and demand, and can be volatile and cyclical. During 2015, the LME spot copper price averaged $2.49 per pound, ranging from a low of $2.05 per pound to a high of $2.92 per pound, and was $2.13 per pound at December 31, 2015.

In general, demand for copper reflects the rate of underlying world economic growth, particularly in industrial production and construction. According to Wood Mackenzie, a widely followed independent metals market consultant, copper’s end-use markets (and their estimated shares of total consumption) are construction (30 percent), consumer products (28 percent), electrical applications (19 percent), transportation (12 percent) and industrial machinery (11 percent).

Gold
Gold is used for jewelry, coinage and bullion as well as various industrial and electronic applications. Gold can be readily sold on numerous markets throughout the world. Benchmark prices are generally based on London Bullion Market Association (London) PM quotations. During 2015, the London PM gold price averaged $1,160 per ounce, ranging from a low of $1,049 per ounce to a high of $1,296 per ounce, and was $1,062 per ounce at December 31, 2015.

Molybdenum
Molybdenum is a key alloying element in steel and the raw material for several chemical-grade products used in catalysts, lubrication, smoke suppression, corrosion inhibition and pigmentation. Molybdenum, as a high-purity metal, is also used in electronics such as flat-panel displays and in super alloys used in aerospace. Reference prices for molybdenum are available in several publications, including Metals Week, Ryan’s Notes and Metal Bulletin. During 2015, the weekly average price of molybdenum quoted by Metals Week averaged $6.66 per pound, ranging from a low of $4.46 per pound to a high of $9.35 per pound, and was $5.23 per pound at December 31, 2015.

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Oil

Oil products include transportation fuels, fuel oils for heating and electricity generation, asphalt and road oil, and the feedstocks used to make chemicals, plastics and synthetic materials. The price of crude oil is set in the global marketplace, with prices largely determined by regional benchmarks, including Brent, West Texas Intermediate (WTI) and Heavy Louisiana Sweet. Prices generally reflect the worldwide supply and demand balance, and can be volatile. During 2015, the Brent crude oil price averaged $53.64 per barrel, ranging from a low of $36.11 per barrel to a high of $67.77 per barrel, and was $37.28 per barrel at December 31, 2015.

PRODUCTS AND SALES

FCX's consolidated revenues for 2015 primarily included sales of copper (67 percent), oil (11 percent), gold (10 percent) and molybdenum (5 percent). Oil and gas sales to Phillips 66 Company represented 7 percent of our consolidated revenues in 2015 and 12 percent in 2014; no other customer accounted for more than 10 percent of our consolidated revenues in any of the past three years. Refer to Note 16 for a summary of our consolidated revenues and operating income (loss) by business segment and geographic area.

Copper Products

We are one of the world's leading producers of copper concentrate, cathode and continuous cast copper rod. During 2015, 43 percent of our mined copper was sold in concentrate, 33 percent as cathode and 24 percent as rod from North America operations.

Our copper ore is generally processed either by smelting and refining or by solution extraction and electrowinning (SX/EW). Before being subject to the smelting and refining process, ore is crushed and treated to produce a copper concentrate with copper content of approximately 20 to 30 percent. Copper concentrate is then smelted (i.e., subjected to extreme heat) to produce copper anode, which weighs between 800 and 900 pounds each and has an average copper content of 99.5 percent. The anode is further treated by electrolytic refining to produce copper cathode, which weighs between 100 and 350 pounds each and has an average copper content of 99.99 percent. For ore subject to the SX/EW process, copper is extracted from the ore by dissolving it with a weak sulphuric acid solution. The copper content of the solution is increased in two additional solution-extraction stages, and then the copper-bearing solution undergoes an electrowinning process to produce cathode that is, on average, 99.99 percent copper. Our copper cathode is used as the raw material input for copper rod, brass mill products and for other uses.

Copper Concentrate. We produce copper concentrate at six of our mines. In North America, copper concentrate is produced at the Morenci, Bagdad, Sierrita and Chino mines, and a significant portion is shipped to our Miami smelter in Arizona. Copper concentrate is also produced at the Cerro Verde mine in Peru and the Grasberg minerals district in Indonesia.

Copper Cathode. We produce copper cathode at our electrolytic refinery located in El Paso, Texas, and at 10 of our mines. SX/EW cathode is produced from the Morenci, Bagdad, Safford, Sierrita, Miami, Chino and Tyrone mines in North America; from the Cerro Verde and El Abra mines in South America; and from the Tenke minerals district in Africa. Copper cathode is also produced at Atlantic Copper (our wholly owned copper smelting and refining unit in Spain) and PT Smelting (PT-FI's 25 percent owned copper smelter and refinery in Indonesia). Refer to "Mining Operations - Smelting Facilities and Other Mining Properties" for further discussion of Atlantic Copper and PT Smelting.

Continuous Cast Copper Rod. We manufacture continuous cast copper rod at our facilities in El Paso, Texas; Norwich, Connecticut; and Miami, Arizona, primarily using copper cathode produced at our North America copper mines.

Copper Sales

North America. The majority of the copper produced at our North America copper mines and refined in our El Paso, Texas, refinery is consumed at our rod plants. The remainder of our North America copper production is sold in the form of copper cathode or copper concentrate under U.S. dollar-denominated annual contracts. Cathode and rod contract prices are generally based on the prevailing Commodity Exchange Inc. (COMEX - a division of NYMEX) monthly average spot price for the month of shipment and include a premium. Generally, copper rod is sold to wire and cable manufacturers, while cathode is sold to rod, brass or tube fabricators. During 2015, 15 percent of our North America mines' copper sales volumes were shipped to Atlantic Copper in the form of copper concentrate.

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South America. Production from our South America mines is sold as copper concentrate or copper cathode under U.S. dollar-denominated, annual and multi-year contracts. During 2015, our South America mines sold half of their copper production in concentrate and half as cathode.

Substantially all of South America's copper concentrate and cathode sales contracts provide final copper pricing in a specified future month (generally one to four months from the shipment date) primarily based on quoted LME monthly average spot copper prices. Revenues from South America's concentrate sales are recorded net of treatment and refining charges (i.e., fees paid to smelters and refiners that are generally negotiated annually). In addition, because a portion of the metals contained in copper concentrate is unrecoverable from the smelting process, revenues from South America's concentrate sales are also recorded net of allowances for unrecoverable metals, which are a negotiated term of the contracts and vary by customer.

Indonesia. PT-FI sells its production in the form of copper concentrate, which contains significant quantities of gold and silver, under U.S. dollar-denominated, long-term contracts. PT-FI also sells a small amount of copper concentrate in the spot market. Following is a summary of PT-FI's aggregate percentage concentrate sales to third parties, PT Smelting and Atlantic Copper for the years ended December 31:

	2015		2014		2013	
Third parties	61	%	36	%	50	%
PT Smelting	37		58		41	
Atlantic Copper	2		6		9	
	100	%	100	%	100	%

Substantially all of PT-FI's concentrate sales contracts provide final copper pricing in a specified future month (generally one to four months from the shipment date) primarily based on quoted LME monthly average spot copper prices. Revenues from PT-FI's concentrate sales are recorded net of royalties, export duties, treatment charges and allowances for unrecoverable metals.

Africa. TFM sells its production in the form of copper cathode under U.S. dollar-denominated contracts. Substantially all of TFM's cathode sales provide final copper pricing in the month after the shipment date based on quoted LME monthly average spot copper prices. Revenues from TFM's cathode sales are recorded net of royalties and also include adjustments for point-of-sale transportation costs that are negotiated in customer contracts.

Gold Products and Sales

We produce gold mostly from the Grasberg minerals district. Gold is primarily sold as a component of our copper concentrate or in slimes, which are a product of the smelting and refining process at Atlantic Copper. Gold generally is priced at the average London price for a specified month near the month of shipment. Revenues from gold sold as a component of our copper concentrate are recorded net of treatment and refining charges. Revenues from gold sold in slimes are recorded net of refining charges.

Molybdenum Products and Sales

We are the world's largest producer of molybdenum and molybdenum-based chemicals. In addition to production from the Henderson and Climax molybdenum mines, we produce molybdenum concentrate at certain of the North America copper mines and the Cerro Verde copper mine in Peru. The majority of our molybdenum concentrate is processed in our own conversion facilities. During 2015, our molybdenum sales were generally priced based on the average Metals Week price for the month prior to the month of shipment. We have incorporated changes in the commercial pricing structure for our chemicals products to promote continuation of chemical-grade production.

Cobalt and Silver Products and Sales

We produce cobalt hydroxide at the Tenke minerals district. Cobalt hydroxide is priced at a discount to the average monthly low price as published by Metal Bulletin or using LME-based pricing for a specified month near the month of shipment. We also produce silver as a component of our copper concentrate or in slimes. Silver generally is priced at the average London price for a specified month near the month of shipment.

Oil and Gas Products and Sales

We produce and sell oil and gas in the U.S. Our oil production is primarily sold under contracts with prices based upon regional benchmarks, and approximately 30 percent of our gas sales is priced monthly using industry-recognized, published index pricing, and the remainder is priced daily on the spot market.

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Approximately 70 percent of our California production is attributable to heavy crude oil, which is primarily sold under a long-term contract with prices based upon regional benchmarks. In the GOM, our share of oil and gas production is sold under a series of contracts pursuant to which crude oil is sold directly to refineries in the Gulf Coast regions of Texas and Louisiana at prices based on widely used industry benchmarks.

LABOR MATTERS

At December 31, 2015, we employed approximately 34,500 people (12,400 in the U.S., 12,100 in Indonesia, 5,200 in South America, 3,400 in Africa, and 1,400 in Europe and other locations), and also had contractors with personnel at many of our operations, including approximately 20,600 at the Grasberg minerals district, 6,300 at our South America mining operations, 6,000 at the Tenke minerals district, 4,100 in the U.S., and 500 in Europe and other locations. The number of employees represented by unions at December 31, 2015, and the expiration date of the applicable union agreements are listed below.

Location	Number of Unions	Number of Union-Represented Employees	Expiration Date	
PT-FI – Indonesia	2	9,058	September 2017	
TFM – DRC	11	3,326	N/A	a
Cerro Verde – Peru	3	2,735	August 2018	
El Abra – Chile	2	612	April 2016	b
Atlantic Copper – Spain	2	423	December 2015	c
Kokkola - Finland	3	414	November 2016	
Rotterdam – The Netherlands	2	60	March 2015	c
Stowmarket – United Kingdom	1	40	May 2017	
Bayway – New Jersey	1	36	April 2016	

a. The Collective Labor Agreement (CLA) between TFM and its workers' unions has no expiration date, but can be amended at any time in accordance with an established process. In September 2012, TFM negotiated a four-year salary scale with union-represented employees.

b. In February 2016, El Abra and one of its workers' unions (representing approximately one-third of El Abra's union-represented employees) signed a new four-year CLA agreement, which expires April 2020.

c. The CLA between Atlantic Copper and its workers' unions expired in December 2015, and the CLA between Rotterdam and its workers' unions expired in March 2015; new agreements are currently being negotiated.

Refer to Item 1A. "Risk Factors" for further information on labor matters.

ENVIRONMENTAL AND RECLAMATION MATTERS

The cost of complying with environmental laws is fundamental to and a substantial cost of our business. For information about environmental regulation, litigation and related costs, refer to Item 1A. “Risk Factors” and Notes 1 and 12.

COMPETITION

The top 10 producers of copper comprise approximately half of total worldwide mined copper production. We currently rank second among those producers, with approximately eight percent of estimated total worldwide mined copper production. Our competitive position is based on the size, quality and grade of our ore bodies and our ability to

manage costs compared with other producers. We have a diverse portfolio of mining operations with varying ore grades and cost structures. Our costs are driven by the location, grade and nature of our ore bodies, and the level of input costs, including energy, labor and equipment. The metals markets are cyclical, and our ability to maintain our competitive position over the long term is based on our ability to acquire and develop quality deposits, hire and retain a skilled workforce, and to manage our costs.

Within the oil and gas industry, our competitors include national and international oil companies, major integrated oil and gas companies, numerous independent oil and gas companies and others. There is substantial competition in the oil and gas industry. Our ability to identify and successfully develop additional prospects and to discover oil and

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gas reserves in the future will depend on capital availability and our ability to evaluate and select suitable properties, consummate transactions and manage our operations in a cost-efficient and effective manner in a highly competitive environment.

MINING OPERATIONS

Revised Operating Plans

During 2015, in response to weak market conditions, we took actions to enhance our financial position, including significant reductions in capital spending, production curtailments at certain North and South America mines (which resulted in aggregate annual reductions of 350 million pounds of copper and 34 million pounds of molybdenum) and actions to reduce operating, exploration and administrative costs. We continue to evaluate our mining operating plans and additional adjustments may be made as market conditions warrant.

Revised operating plans for the North America copper mines incorporate reductions in mining rates to reduce operating and capital costs, including the suspension of mining operations at the Miami mine, the suspension of production at the Sierrita mine, a 50 percent reduction in mining rates at the Tyrone mine and adjustments to mining rates at other North America mines. The revised plans at each of the operations also incorporated the impacts of lower energy, acid and other consumables, reduced labor costs and a significant reduction in capital spending plans.

The revised operating plan for our Henderson molybdenum mine incorporates lower operating rates, resulting in an approximate 65 percent reduction in annual production volumes. We have also incorporated changes in the commercial pricing structure for our chemical products to promote continuation of chemical-grade production.

Revised operating plans for the South America mines principally reflect adjustments at El Abra to reduce mining and stacking rates by approximately 50 percent to achieve lower operating and labor costs, defer capital expenditures and extend the life of the existing operation.

The revised operating plan for PT-FI incorporates improved operational efficiencies, reductions in input costs, supplies and contractor costs, and a deferral of 15 percent of capital expenditures that had been planned for 2016.

The revised operating plan for the Tenke mine incorporates a 50 percent reduction in capital spending that had been planned for 2016 and various initiatives to reduce operating, administrative and exploration costs.

Following are maps and descriptions of our mining operations in North America (including both copper and molybdenum operations), South America, Indonesia and Africa.

North America

In the U.S., most of the land occupied by our copper and molybdenum mines, concentrators, SX/EW facilities, smelter, refinery, rod mills, molybdenum roasters and processing facilities is generally owned by us or is located on unpatented mining claims owned by us. Certain portions of our Bagdad, Sierrita, Miami, Chino, Tyrone, Henderson and Climax operations are located on government-owned land and are operated under a Mine Plan of Operations or other use permit. Various federal and state permits or leases on government land are held for purposes incidental to mine operations.

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Morenci

We own an 85 percent undivided interest in Morenci, with the remaining 15 percent owned by Sumitomo Metal Mining Arizona, Inc. Each partner takes in kind its share of Morenci's production.

As further discussed in Note 18, we have entered into a definitive agreement to sell a 13 percent undivided interest in Morenci. Following completion of the transaction, we will own a 72 percent undivided interest in Morenci.

Morenci is an open-pit copper mining complex that has been in continuous operation since 1939 and previously was mined through underground workings. Morenci is located in Greenlee County, Arizona, approximately 50 miles northeast of Safford on U.S. Highway 191. The site is accessible by a paved highway and a railway spur.

The Morenci mine is a porphyry copper deposit that has oxide, secondary sulfide and primary sulfide mineralization. The predominant oxide copper mineral is chrysocolla. Chalcocite is the most important secondary copper sulfide mineral, with chalcopyrite as the dominant primary copper sulfide.

The Morenci operation consists of two concentrators capable of milling 115,000 metric tons of ore per day, which produce copper and molybdenum concentrate; a 68,000 metric ton-per-day, crushed-ore leach pad and stacking system; a low-grade run-of-mine (ROM) leaching system; four SX plants; and three EW tank houses that produce copper cathode. Total EW tank house capacity is approximately 900 million pounds of copper per year. During second-quarter 2015, Morenci's concentrate leach, direct-electrowinning facility (which was placed on care-and-maintenance status in early 2009) resumed operation. Morenci's available mining fleet consists of one hundred and eleven 236-metric ton haul trucks loaded by 12 shovels with bucket sizes ranging from 47 to 57 cubic meters, which are capable of moving an average of 815,000 metric tons of material per day.

The Morenci mill expansion project, which commenced operations in May 2014, successfully achieved full rates in second-quarter 2015. The project expanded mill capacity from 50,000 metric tons of ore per day to approximately 115,000 metric tons of ore per day, which results in incremental annual production of approximately 225 million pounds of copper and an improvement in Morenci's cost structure. Over the next five years, Morenci's copper production, including our joint venture partner share, is expected to average approximately one billion pounds per year.

Morenci's production, including our joint venture partner's share, totaled 1.06 billion pounds of copper and 8 million pounds of molybdenum in 2015, 812 million pounds of copper and less than 1 million pounds of molybdenum in 2014, and 664 million pounds of copper and 2 million pounds of molybdenum in 2013.

Morenci is located in a desert environment with rainfall averaging 13 inches per year. The highest bench elevation is 2,000 meters above sea level, and the ultimate pit bottom is expected to have an elevation of 840 meters above sea level. The Morenci operation encompasses approximately 68,250 acres, comprising 51,150 acres of patented mining claims and other fee lands, 14,050 acres of unpatented mining claims and 3,050 acres of land held by state or federal permits, easements and rights-of-way.

The Morenci operation's electrical power is primarily sourced from Tucson Electric Power Company, Arizona Public Service Company and the Luna Energy facility in Deming, New Mexico. Although we believe the Morenci operation has sufficient water sources to support current operations, we are a party to litigation that may impact our water rights claims or rights to continued use of currently available water supplies, which could adversely affect our water

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supply for the Morenci operation. Refer to Item 1A. "Risk Factors" and Item 3. “Legal Proceedings” for further discussion.

Bagdad

Our wholly owned Bagdad mine is an open-pit copper and molybdenum mining complex located in Yavapai County in west-central Arizona. It is approximately 60 miles west of Prescott and 100 miles northwest of Phoenix. The property can be reached by Arizona Highway 96, which ends at the town of Bagdad. The closest railroad is at Hillside, Arizona, approximately 24 miles southeast on Arizona Highway 96. The open-pit mining operation has been ongoing since 1945, and prior mining was conducted through underground workings.

The Bagdad mine is a porphyry copper deposit containing both sulfide and oxide mineralization. Chalcopyrite and molybdenite are the dominant primary sulfides and are the primary economic minerals in the mine. Chalcocite is the most common secondary copper sulfide mineral, and the predominant oxide copper minerals are chrysocolla, malachite and azurite.

The Bagdad operation consists of a 75,000 metric ton-per-day concentrator that produces copper and molybdenum concentrate, an SX/EW plant that can produce up to 32 million pounds per year of copper cathode from solution generated by low-grade stockpile leaching, and a pressure-leach plant to process molybdenum concentrate. The available mining fleet consists of thirty 235-metric ton haul trucks loaded by six shovels with bucket sizes ranging from 30 to 48 cubic meters, which are capable of moving an average of 250,000 metric tons of material per day.

Bagdad’s production totaled 210 million pounds of copper and 9 million pounds of molybdenum in 2015, 237 million pounds of copper and 9 million pounds of molybdenum in 2014, and 216 million pounds of copper and 8 million pounds of molybdenum in 2013.

Bagdad is located in a desert environment with rainfall averaging 15 inches per year. The highest bench elevation is 1,200 meters above sea level, and the ultimate pit bottom is expected to be 310 meters above sea level. The Bagdad operation encompasses approximately 21,750 acres, comprising 21,150 acres of patented mining claims and other fee lands and 600 acres of unpatented mining claims.

Bagdad receives electrical power from Arizona Public Service Company. We believe the Bagdad operation has sufficient water sources to support current operations.

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Safford

Our wholly owned Safford mine has been in operation since 2007 and is an open-pit copper mining complex located in Graham County, Arizona, approximately 8 miles north of the town of Safford and 170 miles east of Phoenix. The site is accessible by paved county road off U.S. Highway 70.

The Safford mine includes two copper deposits that have oxide mineralization overlaying primary copper sulfide mineralization. The predominant oxide copper minerals are chrysocolla and copper-bearing iron oxides with the predominant copper sulfide material being chalcopyrite.

The property is a mine-for-leach project and produces copper cathode. The operation consists of two open pits feeding a crushing facility with a capacity of 103,000 metric tons per day. The crushed ore is delivered to leach pads by a series of overland and portable conveyors. Leach solutions feed a SX/EW facility with a capacity of 240 million pounds of copper per year. A sulfur burner plant is also in operation at Safford, providing a cost-effective source of sulphuric acid used in SX/EW operations. The available mining fleet consists of sixteen 235-metric ton haul trucks loaded by four shovels with bucket sizes ranging from 31 to 34 cubic meters, which are capable of moving an average of 225,000 metric tons of material per day.

Safford’s copper production totaled 202 million pounds in 2015, 139 million pounds in 2014 and 146 million pounds in 2013.

Safford is located in a desert environment with rainfall averaging 10 inches per year. The highest bench elevation is 1,250 meters above sea level, and the ultimate pit bottom is expected to have an elevation of 750 meters above sea level. The Safford operation encompasses approximately 25,000 acres, comprising 21,000 acres of patented lands, 3,950 acres of unpatented lands and 50 acres of land held by federal permit.

The Safford operation’s electrical power is primarily sourced from Tucson Electric Power Company, Arizona Public Service Company and the Luna Energy facility. Although we believe the Safford operation has sufficient water sources to support current operations, we are a party to litigation that may impact our water right claims or rights to continued use of currently available water supplies, which could adversely affect our water supply for the Safford operation. Refer to Item 1A. "Risk Factors" and Item 3. “Legal Proceedings” for further discussion.

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Sierrita

Our wholly owned Sierrita mine has been in operation since 1959 and is an open-pit copper and molybdenum mining complex located in Pima County, Arizona, approximately 20 miles southwest of Tucson and 7 miles west of the town of Green Valley and Interstate Highway 19. The site is accessible by a paved highway and by rail.

The Sierrita mine is a porphyry copper deposit that has oxide, secondary sulfide and primary sulfide mineralization. The predominant oxide copper minerals are malachite, azurite and chrysocolla. Chalcocite is the most important secondary copper sulfide mineral, and chalcopyrite and molybdenite are the dominant primary sulfides.

The Sierrita operation includes a 102,000 metric ton-per-day concentrator that produces copper and molybdenum concentrate. Sierrita also produces copper from a ROM oxide-leaching system. Cathode copper is plated at the Twin Buttes EW facility, which has a design capacity of approximately 50 million pounds of copper per year. The Sierrita operation also has molybdenum facilities consisting of a leaching circuit, two molybdenum roasters and a packaging facility. The molybdenum facilities process molybdenum concentrate produced by Sierrita, from our other mines and from third-party sources. The available mining fleet consists of twenty-five 235-metric ton haul trucks loaded by four shovels with bucket sizes ranging from 34 to 56 cubic meters, which are capable of moving an average of 200,000 metric tons of material per day.

In response to low copper and molybdenum prices, during December 2015, we announced plans to suspend production at the Sierrita mine. The plan consists of putting the mine and concentrator operations on care-and-maintenance status and producing copper through the oxide-leaching system. Additionally, Sierrita's molybdenum processing facility will continue to process material from our other mines. Sierrita’s production totaled 189 million pounds of copper and 21 million pounds of molybdenum in 2015, 195 million pounds of copper and 24 million pounds of molybdenum in 2014, and 171 million pounds of copper and 20 million pounds of molybdenum in 2013.

Sierrita is located in a desert environment with rainfall averaging 12 inches per year. The highest bench elevation is 1,160 meters above sea level, and the ultimate pit bottom is expected to be 440 meters above sea level. The Sierrita operation, including the adjacent Twin Buttes site (refer to "Smelting Facilities and Other Mining Properties" for further discussion), encompasses approximately 37,650 acres, comprising 13,300 acres of patented mining claims and 24,350 acres of split-estate lands.

Sierrita receives electrical power through long-term contracts with the Tucson Electric Power Company. Although we believe the Sierrita operation has sufficient water sources to support current operations, we are a party to litigation that may impact our water rights claims or rights to continued use of currently available water supplies, which could adversely affect our water supply for the Sierrita operation. Refer to Item 1A. "Risk Factors" and Item 3. “Legal Proceedings” for further discussion.

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Miami

Our wholly owned Miami mine is an open-pit copper mining complex located in Gila County, Arizona, approximately 90 miles east of Phoenix and 6 miles west of the city of Globe on U.S. Highway 60. The site is accessible by a paved highway and by rail.

The Miami mine is a porphyry copper deposit that has leachable oxide and secondary sulfide mineralization. The predominant oxide copper minerals are chrysocolla, copper-bearing clays, malachite and azurite. Chalcocite and covellite are the most important secondary copper sulfide minerals.

Since about 1915, the Miami mining operation had processed copper ore using both flotation and leaching technologies.

As a result of current economic conditions, we have revised operating plans to suspend mining operations at the Miami mine and produce copper through leaching material already placed on stockpiles. The design capacity of the SX/EW plant is 200 million pounds of copper per year.

Miami’s copper production totaled 43 million pounds in 2015, 57 million pounds in 2014 and 61 million pounds in 2013.

Miami is located in a desert environment with rainfall averaging 18 inches per year. The highest bench elevation is 1,390 meters above sea level, and the ultimate pit bottom will have an elevation of 810 meters above sea level. The Miami operation encompasses approximately 9,100 acres, comprising 8,750 acres of patented mining claims and other fee lands and 350 acres of unpatented mining claims.

Miami receives electrical power through long-term contracts with the Salt River Project and natural gas through long-term contracts with El Paso Natural Gas as the transporter. Although we believe the Miami operation has sufficient water sources to support current operations, we are a party to litigation that may impact our water right claims or rights to continued use of currently available water supplies, which could adversely affect our water supply for the Miami operation. Refer to Item 1A. "Risk Factors" and Item 3. “Legal Proceedings” for further discussion.

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Chino and Tyrone

Chino
Our wholly owned Chino mine is an open-pit copper mining complex located in Grant County, New Mexico, approximately 15 miles east of the town of Silver City off of State Highway 180. The mine is accessible by paved roads and by rail. Chino has been in operation since 1910.

The Chino mine is a porphyry copper deposit with adjacent copper skarn deposits. There is leachable oxide, secondary sulfide and millable primary sulfide mineralization. The predominant oxide copper mineral is chrysocolla. Chalcocite is the most important secondary copper sulfide mineral, and chalcopyrite and molybdenite the dominant primary sulfides.

The Chino operation consists of a 36,000 metric ton-per-day concentrator that produces copper and molybdenum concentrate, and a 150 million pound-per-year SX/EW plant that produces copper cathode from solution generated by ROM leaching. The available mining fleet consists of thirty-seven 240-metric ton haul trucks loaded by four shovels with bucket sizes ranging from 42 to 48 cubic meters, which are capable of moving an average of 235,000 metric tons of material per day.

Chino's production totaled 314 million pounds of copper in 2015, 250 million pounds of copper and less than 1 million pounds of molybdenum in 2014, and 171 million pounds of copper and 2 million pounds of molybdenum in 2013.

Chino is located in a desert environment with rainfall averaging 16 inches per year. The highest bench elevation is 2,250 meters above sea level, and the ultimate pit bottom is expected to be 1,500 meters above sea level. The Chino operation encompasses approximately 118,600 acres, comprising 113,200 acres of patented mining claims and other fee lands and 5,400 acres of unpatented mining claims.

Chino receives power from the Luna Energy facility and from the open market. We believe Chino has sufficient water resources to support current operations.

Tyrone
Our wholly owned Tyrone mine is an open-pit copper mining complex which has been in operation since 1967. It is located in Grant County, New Mexico, approximately 10 miles south of Silver City, New Mexico, along State Highway 90. The site is accessible by paved road and by rail.

The Tyrone mine is a porphyry copper deposit. Mineralization is predominantly secondary sulfide consisting of chalcocite, with leachable oxide mineralization consisting of chrysocolla.

Copper processing facilities consist of a SX/EW operation with a maximum capacity of approximately 100 million pounds of copper cathode per year. The available mining fleet consists of seven 240-metric ton haul trucks loaded by one shovel with a bucket size of 47 cubic meters, which is capable of moving an average of 49,000 metric tons of material per day.

The revised operating plans include a 50 percent reduction in mining rates at the Tyrone mine. Tyrone’s copper production totaled 84 million pounds in 2015, 94 million pounds in 2014 and 96 million pounds in 2013.

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Tyrone is located in a desert environment with rainfall averaging 16 inches per year. The highest bench elevation is 2,000 meters above sea level, and the ultimate pit bottom is expected to have an elevation of 1,500 meters above sea level. The Tyrone operation encompasses approximately 35,200 acres, comprising 18,750 acres of patented mining claims and other fee lands and 16,450 acres of unpatented mining claims.

Tyrone receives electrical power from the Luna Energy facility and from the open market. We believe the Tyrone operation has sufficient water resources to support current operations.

Henderson and Climax

Henderson
Our wholly owned Henderson molybdenum mine has been in operation since 1976 and is located approximately 42 miles west of Denver, Colorado, off U.S. Highway 40. Nearby communities include the towns of Empire, Georgetown and Idaho Springs. The Henderson mill site is located approximately 15 miles west of the mine and is accessible from Colorado State Highway 9. The Henderson mine and mill are connected by a 10-mile conveyor tunnel under the Continental Divide and an additional five-mile surface conveyor. The tunnel portal is located five miles east of the mill.

The Henderson mine is a porphyry molybdenum deposit, with molybdenite as the primary sulfide mineral.

The Henderson operation consists of a large block-cave underground mining complex feeding a concentrator with a current capacity of approximately 32,000 metric tons per day. Henderson has the capacity to produce approximately 40 million pounds of molybdenum per year. The majority of the molybdenum concentrate produced is shipped to our Fort Madison, Iowa, processing facility. The available underground mining equipment fleet consists of fifteen 9-metric ton load-haul-dump (LHD) units and seven 73-metric ton haul trucks, which deliver ore to a gyratory crusher feeding a series of three overland conveyors to the mill stockpiles.

The revised operating plans for the Henderson mine incorporate an approximate 65 percent reduction in operating rates. Henderson’s molybdenum production totaled 25 million pounds in 2015, and 30 million pounds in both 2014 and 2013.

The Henderson mine is located in a mountainous region with the main access shaft at 3,180 meters above sea level. The main production levels are currently at elevations of 2,200 and 2,350 meters above sea level. This region experiences significant snowfall during the winter months.

The Henderson mine and mill operations encompass approximately 11,900 acres, comprising 11,850 acres of patented mining claims and other fee lands and a 50-acre easement with the U.S. Forest Service for the surface portion of the conveyor corridor.

Henderson operations receive electrical power through long-term contracts with Xcel Energy and natural gas through long-term contracts with BP Energy Company (with Xcel Energy as the transporter). We believe the Henderson operation has sufficient water resources to support current operations.

Climax
Our wholly owned Climax mine is located 13 miles northeast of Leadville, Colorado, off Colorado State Highway 91 at the top of Fremont Pass. The mine is accessible by paved roads.

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The Climax ore body is a porphyry molybdenum deposit, with molybdenite as the primary sulfide mineral.

The Climax open-pit mine includes a 25,000 metric ton-per-day mill facility. Climax has the capacity to produce approximately 30 million pounds of molybdenum per year. The available mining fleet consists of nine 177-metric ton haul trucks loaded by two hydraulic shovels with bucket sizes of 34 cubic meters, which are capable of moving an average of 90,000 metric tons of material per day.

Molybdenum production from Climax totaled 23 million pounds in 2015, 21 million pounds in 2014 and 19 million pounds in 2013.

The Climax mine is located in a mountainous region. The highest bench elevation is approximately 4,050 meters above sea level, and the ultimate pit bottom is expected to have an elevation of approximately 3,100 meters above sea level. This region experiences significant snowfall during the winter months.

The operations encompass approximately 14,350 acres, consisting primarily of patented mining claims and other fee lands.

Climax operations receive electrical power through long-term contracts with Xcel Energy and natural gas through long-term contracts with Andarko Energy and BP Energy Company (with Xcel Energy as the transporter). We believe the Climax operation has sufficient water resources to support current operations.

South America

At our operations in South America, mine properties and facilities are controlled through mining claims or concessions under the general mining laws of the relevant country. The claims or concessions are owned or controlled by the operating companies in which we or our subsidiaries have a controlling ownership interest. Roads, power lines and aqueducts are controlled by easements.

Cerro Verde

We have a 53.56 percent ownership interest in Cerro Verde, with the remaining 46.44 percent held by SMM Cerro Verde Netherlands B.V. (21.0 percent), Compañia de Minas Buenaventura S.A.A. (19.58 percent) and other stockholders whose shares are publicly traded on the Lima Stock Exchange (5.86 percent).

Cerro Verde is an open-pit copper and molybdenum mining complex that has been in operation since 1976 and is located 20 miles southwest of Arequipa, Peru. The site is accessible by paved highway. A majority of Cerro Verde’s copper cathode production is sold locally, and the remaining copper cathode and concentrate production are transported approximately 70 miles by truck and by rail to the Port of Matarani for shipment to international markets.

The Cerro Verde mine is a porphyry copper deposit that has oxide, secondary sulfide and primary sulfide mineralization. The predominant oxide copper minerals are brochantite, chrysocolla, malachite and copper “pitch.” Chalcocite and covellite are the most important secondary copper sulfide minerals. Chalcopyrite and molybdenite are the dominant primary sulfides.

Cerro Verde’s operation consists of an open-pit copper mine, a 360,000 metric ton-per-day concentrator and SX/EW leaching facilities. Leach copper production is derived from a 39,000 metric ton-per-day crushed leach facility

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and a ROM leach system. This SX/EW leaching operation has a capacity of approximately 200 million pounds of copper per year.

The Cerro Verde expansion project commenced operations in September 2015 and is currently operating at full rates. Cerro Verde's expanded operations will benefit from its large-scale, long-lived reserves and cost efficiencies. The project expanded the concentrator facilities from 120,000 metric tons of ore per day to 360,000 metric tons of ore per day and is expected to provide incremental annual production of approximately 600 million pounds of copper and 15 million pounds of molybdenum.

The available fleet consists of six 290-metric ton haul trucks and eighty-two 230-metric ton haul trucks loaded by nine electric shovels with bucket sizes ranging in size from 33 to 57 cubic meters and two hydraulic shovels with a bucket size of 21 cubic meters. This fleet is capable of moving an average of approximately 725,000 metric tons of material per day.

Cerro Verde’s production totaled 545 million pounds of copper and 7 million pounds of molybdenum in 2015, 500 million pounds of copper and 11 million pounds of molybdenum in 2014, and 558 million pounds of copper and 13 million pounds of molybdenum in 2013.

Cerro Verde is located in a desert environment with rainfall averaging 1.5 inches per year and is in an active seismic zone. The highest bench elevation is 2,750 meters above sea level, and the ultimate pit bottom is expected to be 1,570 meters above sea level. The Peruvian general mining law and Cerro Verde's mining stability agreement grants the surface rights of mining concessions located on government land. Additional government land if obtained prior to 1997, must be leased or purchased. Cerro Verde has a mining concession covering approximately 157,000 acres, including 14,500 acres rented from the Regional Government of Arequipa, plus 71 acres of owned property, and 80 acres of rights-of-way outside the mining concession area.

Cerro Verde receives electrical power under long-term contracts with Kallpa Generación SA and ElectroPeru to supply energy to the expanded facilities.

Water for our Cerro Verde processing operations comes from renewable sources through a series of storage reservoirs on the Rio Chili watershed that collect water primarily from seasonal precipitation. In 2015, Cerro Verde completed the construction of a wastewater treatment plant that intercepts raw sewage that would otherwise be discharged into the Rio Chile and processes it for both use at the Cerro Verde mine and for recharge of treated water into the Rio Chile. Prior to construction of the wastewater treatment plant, Cerro Verde reached agreement with the Regional Government of Arequipa, the National Government, the local water utility company, Servicio de Agua Potable y Alcantarillado de Arequipa S.A. (SEDAPAR), and other local institutions to allow it to reuse an annual average of one cubic meter per second of the treated water to support the recently completed concentrator expansion. For further discussion of risks associated with the availability of water, see Item 1A. “Risk Factors.”

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El Abra

We own a 51 percent interest in El Abra, and the remaining 49 percent interest is held by the state-owned copper enterprise Corporación Nacional del Cobre de Chile (CODELCO).

El Abra is an open-pit copper mining complex that has been in operation since 1996 and is located 47 miles north of Calama in Chile's El Loa province, Region II. The site is accessible by paved highway and by rail.

The El Abra mine is a porphyry copper deposit that has sulfide and oxide mineralization. The predominant primary sulfide copper minerals are bornite and chalcopyrite. There is a minor amount of secondary sulfide mineralization as chalcocite. The oxide copper minerals are chrysocolla and pseudomalachite. There are lesser amounts of copper-bearing clays and tenorite.

The El Abra operation consists of an open-pit copper mine and a SX/EW facility with a capacity of 500 million pounds of copper cathode per year from a 125,000 metric ton-per-day crushed leach circuit and a similar-sized ROM leaching operation. The available fleet consists of forty-one 220-metric ton haul trucks loaded by four shovels with buckets ranging in size from 34 to 63 cubic meters, which are capable of moving an average of 214,000 metric tons of material per day.

The revised operating plans for El Abra reduce mining and stacking rates by approximately 50 percent to achieve lower operating and labor costs, defer capital expenditures and extend the life of the existing operations. El Abra's copper production totaled 324 million pounds in 2015, 367 million pounds in 2014 and 343 million pounds in 2013.

Exploration results in recent years at El Abra indicate a significant sulfide resource, which could potentially support a major mill project. Future investments will be dependent on technical studies, economic factors and global copper market conditions.

El Abra is located in a desert environment with rainfall averaging less than one inch per year and is in an active seismic zone. The highest bench elevation is 4,180 meters above sea level, and the ultimate pit bottom is expected to be 3,430 meters above sea level. El Abra controls a total of approximately 151,300 acres of mining claims covering the ore deposit, stockpiles, process plant, and water wellfield and pipeline. In addition, El Abra has land surface rights for the road between the processing plant and the mine, the water wellfield, power transmission lines and for the water pipeline from the Salar de Ascotán aquifer.

El Abra currently receives electrical power under a long-term contract with E-Cl. Water for our El Abra processing operations comes from the continued pumping of groundwater from the Salar de Ascotán aquifer pursuant to regulatory approval. We believe El Abra has sufficient water rights and regulatory approvals to support current operations. El Abra is conducting studies to assess the feasibility of constructing a desalination plant near the Pacific Ocean to treat seawater for possible increased sulfide ore production through ore mill processing. For a discussion of risks associated with the availability of water, refer to Item 1A. "Risk Factors."

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Indonesia

Ownership. PT-FI is a limited liability company organized under the laws of the Republic of Indonesia. We directly own 81.28 percent of the outstanding common stock of PT-FI and indirectly own 9.36 percent through our wholly owned subsidiary, PT Indocopper Investama; the Indonesian government owns the remaining 9.36 percent.

PT-FI has established an unincorporated joint venture with Rio Tinto, under which Rio Tinto has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2021 in Block A of PT-FI's Contract of Work (COW), and after 2021, a 40 percent interest in all production from Block A. Refer to Note 3 for further discussion of the joint venture agreement.

Contract of Work. PT-FI conducts its current exploration and mining operations in Indonesia through a COW with the Indonesian government. The COW governs our rights and obligations relating to taxes, exchange controls, royalties, repatriation and other matters, and was concluded pursuant to the 1967 Foreign Capital Investment Law, which expresses Indonesia’s foreign investment policy and provides basic guarantees of remittance rights and protection against nationalization, a framework for economic incentives and basic rules regarding other rights and obligations of foreign investors. Specifically, the COW provides that the Indonesian government will not nationalize or expropriate PT-FI’s mining operations. Any disputes regarding the provisions of the COW are subject to international arbitration; however, we have not had an arbitration during the more than 40 years we have operated in Indonesia.

PT-FI’s original COW was entered into in 1967 and was replaced by the current COW in 1991. The initial term of the current COW expires in 2021, but the COW explicitly provides that it can be extended for two 10-year periods subject to Indonesian government approval, which pursuant to the COW cannot be withheld or delayed unreasonably. The COW allows us to conduct exploration, mining and production activities in the 24,700-acre Block A area, which is where all of PT-FI’s proven and probable mineral reserves and all its current mining operations are located. Under the COW, PT-FI also conducts exploration activities in the Block B area currently covering 502,000 acres. Ongoing negotiations for an amended COW, discussed below and in Note 13, may result in relinquishments of the Block B acreage.

Under the COW, PT-FI pays royalties on copper, gold and silver in the concentrate it sells (refer to Note 13 for further discussion of the royalty rates and the "Regulatory Matters" discussion below regarding the modifications resulting from the July 2014 Memorandum of Understanding (MOU) entered into with Indonesian government). A large part of the mineral royalties under Indonesian government regulations is designated to the provinces from which the minerals are extracted. In connection with its fourth concentrator mill expansion completed in 1998, PT-FI agreed to pay the Indonesian government additional royalties, which were not required by the COW, to provide further support to the local governments and to the people of the Indonesian province of Papua. PT-FI’s royalties totaled $114 million in 2015, $115 million in 2014 and $109 million in 2013.

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Regulatory Matters. In January 2014, the Indonesian government published regulations that among other things imposed a progressive export duty on copper concentrate and restricts concentrate exports after January 12, 2017. Despite PT-FI's rights under its COW to export concentrate without the payment of duties, PT-FI was unable to obtain administrative approval for exports and operated at approximately half of its capacity from mid-January 2014 through July 2014.

In July 2014, PT-FI entered into a MOU with the Indonesian government. Under the MOU, PT-FI provided a $115 million assurance bond to support its commitment for smelter development, agreed to increase royalty rates and agreed to pay export duties (which were set at 7.5 percent, declining to 5.0 percent when smelter development progress exceeds 7.5 percent and are eliminated when development progress exceeds 30 percent). The MOU also anticipated an amendment of the COW within six months to address other matters; however, no terms of the COW other than those relating to the smelter bond, increased royalties and export duties were changed. In January 2015, the MOU was extended to July 25, 2015, and it expired on that date. The increased royalty rates, export duties and smelter assurance bond remain in effect. PT-FI paid export duties totaling $109 million in 2015 and $77 million in 2014.

PT-FI is required to apply for renewal of export permits at six-month intervals. On July 29, 2015, PT-FI's export permit was renewed through January 28, 2016. In connection with the renewal, export duties were reduced to 5.0 percent as a result of smelter development progress. On February 9, 2016, PT-FI's export permit was renewed through August 8, 2016. PT-FI will continue to pay a 5.0 percent export duty on concentrate while it reviews its smelter progress with the Indonesian government.

PT-FI continues to engage in discussions with the Indonesian government regarding its COW and long-term operating rights. In October 2015, the Indonesian government provided a letter of assurance to PT-FI indicating that it will approve the extension of PT-FI's operations beyond 2021, and provide the same rights and the same level of legal and fiscal certainty provided under its current COW.

In connection with its COW negotiations and subject to concluding the agreement to extend PT-FI's operations beyond 2021 on acceptable terms, PT-FI has agreed to construct new smelter capacity in Indonesia and to divest an additional 20.64 percent in PT-FI at fair market value. PT-FI continues to advance plans for the smelter in parallel with completing its COW negotiations.

We cannot predict whether PT-FI will be successful in reaching a satisfactory agreement on the terms of its long-term mining rights. If PT-FI is unable to reach agreement with the Indonesian government on its long-term rights, we may be required to reduce or defer investments in underground development projects, which could have a material adverse effect on PT-FI's future production and reserves. In addition, PT-FI would intend to pursue any and all claims against the Indonesian government for breach of contract through international arbitration. Refer to Item 1A. "Risk Factors" for further discussion of risks associated with operations in Indonesia.

Grasberg Minerals District. PT-FI operates in the remote highlands of the Sudirman Mountain Range in the province of Papua, Indonesia, which is on the western half of the island of New Guinea. We and our predecessors have been the only operator of exploration and mining activities in Block A since 1967.

The Grasberg minerals district has three operating mines: the Grasberg open pit, the Deep Ore Zone (DOZ) underground mine and the Deep Mill Level Zone (DMLZ) underground mine. The Grasberg minerals district also includes the developed Big Gossan underground mine where operations are currently suspended and are expected to restart in the first half of 2017. PT-FI also has several projects in progress in the Grasberg minerals district related to the development of the large-scale, long-lived, high-grade underground ore bodies located beneath and nearby the Grasberg open pit. In aggregate, these underground ore bodies are expected to produce large-scale quantities of copper

and gold following the transition from the Grasberg open pit, currently anticipated to occur in late 2017. Refer to MD&A for further discussion of these projects.

PT-FI's production, including our joint venture partner's share, totaled 752 million pounds of copper and 1.23 million ounces of gold in 2015, 651 million pounds of copper and 1.13 million ounces of gold in 2014 and 928 million pounds of copper and 1.14 million ounces of gold in 2013.

Our principal source of power for all our Indonesian operations is a coal-fired power plant that we built in 1998. Diesel generators supply peaking and backup electrical power generating capacity. A combination of naturally occurring mountain streams and water derived from our underground operations provides water for our operations.

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Although we typically have sufficient water for our Indonesian operations, lower rainfall resulting from El Niño weather conditions in the second half of 2015 has impacted operations, and may continue to impact operations in 2016. Our Indonesian operations are in an active seismic zone and experience average annual rainfall of approximately 200 inches.

Grasberg Open Pit

PT-FI began open-pit mining of the Grasberg ore body in 1990. Mining operations are expected to continue through the end of 2017, and production from the ore stockpiles, which are located outside of the pit limits, are expected to continue until early 2019. Production in the open pit is currently at the 3,160- to 3,715-meter elevation level and totaled 42 million metric tons of ore in 2015, which provided 70 percent of PT-FI's 2015 mill feed.

The current open-pit equipment fleet consists of over 500 units. The larger mining equipment directly associated with production includes an available fleet of 141 haul trucks with payloads ranging from 218 to 276 metric tons and 16 shovels with bucket sizes ranging from 17 to 42 cubic meters, which mined an average of 250,400 metric tons of material per day in 2015, 298,400 metric tons per day in 2014 and 381,000 metric tons per day in 2013.

Crushing and conveying systems are integral to the Grasberg mine and provide the capacity to transport more than 250,000 metric tons of ore per day. For the year 2015, Grasberg's crushing and conveying systems delivered an average of 116,000 metric tons of ore per day to the mill. Grasberg's overburden handling system is capable of delivering 175,000 metric tons per day. For the year 2015, the Grasberg overburden handling system delivered an average of 43,000 metric tons per day of overburden to the overburden stockpiles. The remaining overburden moved by haul trucks averaged 72,000 metric tons per day in 2015. Ore milled from the Grasberg open pit averaged 115,900 metric tons of ore per day in 2015, 69,100 metric tons of ore per day in 2014 and 127,700 metric tons of ore per day in 2013.

DOZ Underground Mine

The DOZ ore body lies vertically below the now depleted Intermediate Ore Zone. PT-FI began production from the DOZ ore body in 1989 using open-stope mining methods, but suspended production in 1991 in favor of production from the Grasberg open pit. Production resumed in September 2000 using the block-cave method and is at the 3,110-meter elevation level.

The DOZ is a mature block-cave mine that previously operated at 80,000 metric tons of ore per day. Current operating rates from the DOZ underground mine, which range from 35,000 to 65,000 metric tons of ore per day, are driven by the value of the incremental DOZ ore grade compared to the ore from the Grasberg open pit and ore grade material from the development of the DMLZ and Grasberg Block Cave underground mines. During 2015, ore milled from the DOZ underground mine averaged 43,700 metric tons of ore per day. Production at the DOZ underground mine is expected to continue through 2021.

The DOZ mine fleet consists of over 250 pieces of mobile equipment. The primary mining equipment directly associated with production and development includes an available fleet of 52 LHD units and 21 haul trucks. Each production LHD unit typically carries approximately 11 metric tons of ore. Using ore passes and chutes, the LHD units transfer ore into 55-metric ton capacity haul trucks. The trucks dump into two gyratory crushers, and the ore is then conveyed to the surface stockpiles for processing.

The success of the development of the DOZ mine, one of the world’s largest underground mines, provides confidence in the future development of PT-FI’s large-scale, underground ore bodies.

DMLZ Underground Mine

The DMLZ ore body lies below the DOZ underground mine at the 2,590-meter elevation and represents the downward continuation of mineralization in the Ertsberg East Skarn system and neighboring Ertsberg porphyry. PT-FI began production from the DMLZ ore body in September 2015 using the block-cave method. Ore milled from the DMLZ underground mine averaged 2,900 metric tons of ore per day for the year 2015 (3,500 metric tons per day in fourth-quarter 2015). Targeted production rates once the DMLZ underground mine reaches full capacity are expected to approximate 80,000 metric tons of ore per day in 2021. Production at the DMLZ underground mine is expected to continue through 2040.

The DMLZ mine fleet consists of over 277 pieces of mobile equipment, which includes 33 LHD units and 19 haul trucks used in production and development activities.

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Big Gossan Underground Mine

Production from the Big Gossan ore body, which is currently suspended, is expected to restart in the first half of 2017 and ramp up to 7,000 metric tons of ore per day in 2019. The Big Gossan mine lies underground and adjacent to the current mill site. It is a tabular, near vertical ore body with approximate dimensions of 1,200 meters along strike and 800 meters down dip with varying thicknesses from 20 meters to 120 meters. The mine utilizes a blasthole stoping method with delayed paste backfill. Stopes of varying sizes are mined and the ore dropped down passes to a truck haulage level. Trucks are chute loaded and transport the ore to a jaw crusher. The crushed ore is then hoisted vertically via a two-skip production shaft to a level where it is loaded onto a conveyor belt. The belt carries the ore to one of the main underground conveyors where the ore is transferred and conveyed to the surface stockpiles for processing.

The Big Gossan mine fleet consists of over 135 pieces of mobile equipment, which includes five LHD units and three haul trucks used in development and production activities.

Description of Ore Bodies. Our Indonesia ore bodies are located within and around two main igneous intrusions, the Grasberg monzodiorite and the Ertsberg diorite. The host rocks of these ore bodies include both carbonate and clastic rocks that form the ridge crests and upper flanks of the Sudirman Range, and the igneous rocks of monzonitic to dioritic composition that intrude them. The igneous-hosted ore bodies (the Grasberg open pit and block cave, and portions of the DOZ block cave) occur as vein stockworks and disseminations of copper sulfides, dominated by chalcopyrite and, to a lesser extent, bornite. The sedimentary-rock hosted ore bodies (portions of the DOZ and all of the Big Gossan) occur as “magnetite-rich, calcium/magnesian skarn” replacements, whose location and orientation are strongly influenced by major faults and by the chemistry of the carbonate rocks along the margins of the intrusions.

The copper mineralization in these skarn deposits is dominated by chalcopyrite, but higher bornite concentrations are common. Moreover, gold occurs in significant concentrations in all of the district’s ore bodies, though rarely visible to the naked eye. These gold concentrations usually occur as inclusions within the copper sulfide minerals, though, in some deposits, these concentrations can also be strongly associated with pyrite.

The following diagram indicates the relative elevations (in meters) of our reported Indonesia ore bodies.

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The following map, which encompasses an area of approximately 42 square kilometers (approximately 16 square miles), indicates the relative positions and sizes of our reported Indonesia ore bodies and their locations.

Africa

TFM is organized under the laws of the DRC. We own an effective 56 percent interest in TFM, with the remaining ownership interests held by Lundin Mining Corporation (Lundin) (an effective 24 percent interest) and La Générale des Carrières et des Mines (Gécamines), which is wholly owned by the DRC government (a 20 percent non-dilutable interest).

TFM is entitled to mine in the DRC under an Amended and Restated Mining Convention (ARMC) with the DRC government. The original Mining Convention entered into in 1996 was replaced with the ARMC in 2005 and was further amended in 2010 (approved in 2011). The current ARMC will remain in effect for as long as the Tenke concessions are exploitable.

TFM pays a royalty of two percent of net revenues under the ARMC, which totaled $25 million in 2015 and $29 million in both 2014 and 2013.

The Tenke minerals district is located in the Southeast region of the DRC approximately 110 miles northwest of Lubumbashi and is accessible by paved roads and by rail. The deposits are sediment-hosted copper and cobalt

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deposits with oxide, mixed oxide-sulfide and sulfide mineralization. The dominant oxide minerals are malachite, pseudomalachite and heterogenite. Important sulfide minerals consist of bornite, carrollite, chalcocite and chalcopyrite.

The Tenke minerals district contains an open-pit copper and cobalt mining complex, which commenced initial copper production in March 2009. TFM completed its second phase expansion project in early 2013, which included increasing mine, mill and processing capacity. Construction of a second sulphuric acid plant is under way, with completion expected in the first half of 2016. We continue to engage in exploration activities and metallurgical testing to evaluate the potential of the highly prospective minerals district at Tenke. Future development and expansion opportunities are being deferred pending improved market conditions.
The current equipment fleet includes three 17-cubic meter mass excavators, five 12-cubic meter front-end loaders, thirteen 7-cubic meter front-end loaders, thirty-six 91-metric ton haul trucks and six 80-metric ton haul trucks.

Copper and cobalt are recovered through an agitation-leach plant. Production from the Tenke minerals district totaled 449 million pounds of copper and 35 million pounds of cobalt in 2015, 447 million pounds of copper and 29 million pounds of cobalt in 2014, and 462 million pounds of copper and 28 million pounds of cobalt in 2013.

The Tenke minerals district is located in a tropical region; however, temperatures are moderated by its higher altitudes. Weather in this region is characterized by a dry season and a wet season, each lasting about six months with average rainfall of 47 inches per year. The highest bench elevation is expected to be 1,520 meters above sea level, and the ultimate pit bottom is expected to be 1,110 meters above sea level. The Tenke deposits are covered by six exploitation permits totaling approximately 394,450 acres.

TFM has long-term power supply and infrastructure funding agreements with La Société Nationale d'Electricité, the state-owned electric utility company serving the region. The results of a recent water exploration program, as well as the regional geological and hydro-geological conditions, indicate that adequate water is available during the expected life of the operation.

Smelting Facilities and Other Mining Properties
Atlantic Copper. Our wholly owned Atlantic Copper smelter and refinery is located on land concessions from the Huelva, Spain, port authorities, which are scheduled to expire in 2027.

The design capacity of the smelter is approximately 300,000 metric tons of copper per year, and the refinery has a capacity of 285,000 metric tons of copper per year. During 2015, Atlantic Copper treated 1.05 million metric tons of concentrate and scrap, and produced 293,100 metric tons of copper anode from its smelter and 284,800 metric tons of copper cathode from its refinery.

Following is a summary of Atlantic Copper's concentrate purchases from our copper mining operations and third parties for the years ended December 31:

	2015		2014		2013	
North America copper mines	23	%	21	%	13	%
South America mining	3	[a]	21		32	
Indonesia mining	3		8		16	
Third parties	71		50		39	
	100	%	100	%	100	%

a. The decrease in purchases from the South America mines, compared to the years 2014 and 2013, primarily reflects the impact of the November 2014 sale of the Candelaria and Ojos del Salado mines.

Atlantic Copper's major maintenance turnarounds typically occur approximately every eight years, with shorter-term maintenance turnarounds in the interim. Atlantic Copper completed a 68-day major maintenance turnaround in 2013 and the next short-term maintenance turnaround is scheduled for 2017.

PT Smelting. PT-FI's COW required us to construct, or cause to be constructed, a smelter in Indonesia if we and the Indonesian government determined that such a project would be economically viable. In 1995, following the completion of a feasibility study, we entered into agreements relating to the formation of PT Smelting, an Indonesian company, and the construction of the copper smelter and refinery in Gresik, Indonesia. PT Smelting owns and operates the smelter and refinery. PT-FI owns 25 percent of PT Smelting, with the remainder owned by Mitsubishi

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Materials Corporation (60.5 percent), Mitsubishi Corporation Unimetals Ltd. (9.5 percent) and JX Nippon Mining & Metals Corporation (5 percent).

PT-FI's contract with PT Smelting requires PT-FI to supply 100 percent of the copper concentrate requirements (at market rates subject to a minimum or maximum rate) necessary for PT Smelting to produce 205,000 metric tons of copper annually on a priority basis. PT-FI may also sell copper concentrate to PT Smelting at market rates for quantities in excess of 205,000 metric tons of copper annually.

During 2015, PT Smelting treated 744,800 metric tons of concentrate and produced 199,700 metric tons of copper anode from its smelter and 198,400 metric tons of copper cathode from its refinery. PT Smelting resumed operations in September 2015, following a temporary suspension in July 2015, and operated at approximately 80 percent capacity until November 2015 when required repairs of an acid plant cooling tower that was damaged during the suspension were completed.

PT Smelting's maintenance turnarounds (which range from two weeks to a month to complete) typically are expected to occur approximately every two years, with short-term maintenance turnarounds in the interim. PT Smelting completed a 23-day maintenance turnaround during 2014, and the next major maintenance turnaround is scheduled for third-quarter 2016.

Miami Smelter. We own and operate a smelter at our Miami mining operation in Arizona. The smelter has been operating for approximately 100 years and has been upgraded numerous times during that period to implement new technologies, to improve production and to comply with air quality requirements. The Miami smelter is installing emission control equipment that will allow it to operate in compliance with recently adopted enhanced air quality standards (refer to Item 1A. "Risk Factors" for further discussion).

The Miami smelter processes copper concentrate primarily from our North America copper mines. Concentrate processed through the smelter totaled 686,700 metric tons in 2015. In addition, because sulphuric acid is a by-product of smelting concentrate, the Miami smelter is also the most significant source of sulphuric acid for our North America leaching operations (refer to Item 1A. "Risk Factors" for further discussion).

Major maintenance turnarounds (which take approximately three weeks to complete) typically occur approximately every 14 months for the Miami smelter, with short-term maintenance turnarounds in the interim. The Miami Smelter completed a major maintenance turnaround in third-quarter 2015, and the next major maintenance turnaround is scheduled for fourth-quarter 2016.

Rod & Refining Operations. Our Rod & Refining operations consist of conversion facilities located in North America, including a refinery in El Paso, Texas; rod mills in El Paso, Texas, Norwich, Connecticut, and Miami, Arizona; and a specialty copper products facility in Bayway, New Jersey. We refine our copper anode production from our Miami smelter at our El Paso refinery. The El Paso refinery has the potential to operate at an annual production capacity of about 900 million pounds of copper cathode, which is sufficient to refine all of the copper anode we produce at our Miami smelter. Our El Paso refinery also produces nickel carbonate, copper telluride and autoclaved slimes material containing gold, silver, platinum and palladium.

Molybdenum Conversion Facilities. We process molybdenum concentrate at our conversion plants in the U.S. and Europe into such products as technical-grade molybdic oxide, ferromolybdenum, pure molybdic oxide, ammonium molybdates and molybdenum disulfide. We operate molybdenum roasters in Sierrita, Arizona; Fort Madison, Iowa; and Rotterdam, the Netherlands, and we operate a molybdenum pressure-leach plant in Bagdad, Arizona. We also produce ferromolybdenum for customers worldwide at our conversion plant located in Stowmarket, United Kingdom.

Freeport Cobalt. In March 2013, we acquired a cobalt chemical refinery in Kokkola, Finland, and the related sales and marketing business. The acquisition provided direct end-market access for the cobalt hydroxide production at the Tenke minerals district. The joint venture operates under the name Freeport Cobalt, and we are the operator with an effective 56 percent ownership interest. The remaining effective ownership interest is held by our partners in TFM, including 24 percent by Lundin and 20 percent by Gécamines. The Kokkola refinery has an annual refining capacity of approximately 15,000 metric tons of cobalt, sufficient to refine the majority of the cobalt we produce in the Tenke minerals district.

Other North America Copper Mines. We also have five non-operating copper mines in North America – Ajo, Bisbee, Twin Buttes and Tohono in Arizona, and Cobre in New Mexico – that have been on care-and-maintenance status for

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several years and would require new or updated environmental studies, new permits, and additional capital investment, which could be significant, to return them to operating status.

Mining Development Projects and Exploration

We have several projects and potential opportunities to expand production volumes, extend mine lives and develop large-scale underground ore bodies. Our near-term major development projects include the underground development activities in Grasberg (refer to MD&A for further discussion). Considering the long-term nature and large size of our development projects, actual costs and timing could vary from estimates. We continue to review our mine development and processing plans to maximize the value of our mineral reserves.

Capital expenditures for mining operations totaled $3.3 billion (including $2.4 billion for major projects) in 2015, $4.0 billion (including $2.9 billion for major projects) in 2014 and $3.8 billion (including $2.3 billion for major projects) in 2013. Capital expenditures for major projects during the three years ended December 31, 2015, were primarily associated with the expansion projects at Morenci and Cerro Verde, and underground development activities at Grasberg. Capital expenditures for major projects at mining operations in the year 2016 are expected to approximate $1.4 billion and are primarily associated with underground development activities at Grasberg and remaining costs for the Cerro Verde expansion.

PT-FI is advancing plans for the construction of new smelter capacity in Indonesia in parallel with completing negotiations on its COW and long-term operating rights. PT-FI has identified sites, and project definition studies and early engineering are being advanced. We are also engaged in discussions with potential partners for the project. The preliminary scope of the facilities involves smelting and refining capacity of one to two million metric tons per year of copper concentrate from the Grasberg mine.

We also have an additional long-term underground mine development project in the Grasberg minerals district for the Kucing Liar ore body, which lies on the southern flank of and underneath the southern portion of the Grasberg open pit at the 2,605-meter elevation level. We expect to mine the Kucing Liar ore body using the block-cave method; aggregate capital cost estimates for development of the Kucing Liar ore body are projected to approximate $2.4 billion (which are expected to be made between 2019 and 2031). Additionally, our current mine development plans include approximately $5 billion of capital expenditures at our processing facilities to optimize the handling of underground ore types once the Grasberg open-pit operations cease. We expect substantially all of these expenditures to be made between 2018 and 2035.

Our mining exploration activities are generally near our existing mines, with a focus on opportunities to expand reserves and resources to support development of additional future production capacity in the large minerals districts where we currently operate. Exploration results continue to indicate opportunities for what we believe could be significant future potential reserve additions in North and South America, and in the Tenke minerals district. The drilling data in North America also indicates the potential for significantly expanded sulfide production. Drilling results and exploration modeling provide a long-term pipeline for future growth in reserves and production capacity in established minerals districts. Exploration spending associated with mining operations totaled $102 million in 2015, $96 million in 2014 and $182 million in 2013. Exploration spending continues to be reduced from historical levels as a result of market conditions and is expected to approximate $52 million for the year 2016.

Sources and Availability of Energy, Natural Resources and Raw Materials

Our copper mining operations require significant energy, principally diesel, electricity, coal and natural gas, most of which is obtained from third parties under long-term contracts. Energy represented 17 percent of our 2015 consolidated copper production costs and included purchases of approximately 250 million gallons of diesel fuel; 7,600 gigawatt hours of electricity at our North America, South America and Africa copper mining operations (we

generate all of our power at our Indonesia mining operation); 800 thousand metric tons of coal for our coal power plant in Indonesia; and 1 million British thermal units (MMBtu) of natural gas at certain of our North America mines. Based on current cost estimates, we estimate energy will approximate 20 percent of our consolidated copper production costs for 2016.

Our mining operations also require significant quantities of water for mining, ore processing and related support facilities. The loss of water rights for any of our mines, in whole or in part, or shortages of water to which we have rights, could require us to curtail or shut down mining operations. For a further discussion of risks and legal proceedings associated with the availability of water, refer to Item 1A. “Risk Factors” and Item 3. “Legal Proceedings.”

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Sulphuric acid is used in the SX/EW process and is produced as a by-product of the smelting process at our smelters and from our sulfur burners at the Safford and Tenke mines. Sulphuric acid needs in excess of the sulphuric acid produced by our operations are purchased from third parties. As further discussed in Item 1A. "Risk Factors," if production were to be curtailed at the Miami Smelter, we would be required to export concentrate rather than process it ourselves and to purchase sulphuric acid from third parties, thereby increasing our operating costs.

Community and Human Rights

We have adopted policies that govern our working relationships with the communities where we operate and are designed to guide our practices and programs in a manner that respects human rights and the culture of the local people impacted by our operations. We continue to make significant expenditures on community development, education, training and cultural programs, which include:

- comprehensive job training programs
- basic education programs
- public health programs, including malaria control and HIV
- agricultural assistance programs
- small and medium enterprise development programs
- cultural promotion and preservation programs
- clean water and sanitation projects
- community infrastructure development
- charitable donations

In December 2000, we endorsed the joint U.S. State Department-British Foreign Office Voluntary Principles on Human Rights and Security (Voluntary Principles). We participated in developing these Voluntary Principles with other major natural resource companies and international human rights organizations and they are incorporated into our human rights policy.

We completed a corporate level human rights impact assessment in 2014, the results of which were used to evaluate our human rights program, including a review of our human rights policy. In February 2015, we updated our human rights policy to, among other things, reflect our commitment to integrating the United Nations Guiding Principles on Business and Human Rights into our human rights program. We also participate in a multi-industry human rights working group to gain insight from peer companies and are integrating human rights due diligence into our business practices.

We believe that our social and economic development programs are responsive to the issues raised by the local communities near our areas of operation and should help us maintain good relations with the surrounding communities and avoid disruptions of mining operations. As part of our ongoing, annual commitment to sustainable community development, we have made significant investments in social programs, including in-kind support and administration, across our global operations. Over the last five years, these investments have averaged $180 million per year. Nevertheless, social and political instability in the areas of our operations may adversely impact our mining operations. Refer to Item 1A. “Risk Factors” for further discussion.

South America. Cerro Verde has provided a variety of community support projects over the years. Following engagements with regional and local governments, civic leaders and development agencies, in 2006, Cerro Verde committed to support the costs for a new potable water treatment plant to serve Arequipa. In addition, an agreement was reached with the Peruvian government for development of a water storage and distribution network, which was financed by the Cerro Verde Civil Association (the Association). The Association manages contributions made by

Cerro Verde for projects that focus on education, training, health, cultural preservation and basic infrastructure.

Cerro Verde reached an agreement with the Regional Government of Arequipa, the National Government, SEDAPAR and other local institutions to allow it to finance, engineer and construct a wastewater treatment plant for the city of Arequipa, which is being used to supplement existing water supplies to support Cerro Verde's concentrator expansion. Treating this water will also improve the regional water quality, enhance agriculture products grown in the area and reduce waterborne illnesses. In addition to these projects, Cerro Verde annually makes significant community development investments in the Arequipa region.

Indonesia. In 1996, PT-FI established the Freeport Partnership Fund for Community Development (the Partnership Fund) through which PT-FI has made available funding and technical assistance to support community development initiatives in the areas of health, education and economic development of the area. PT-FI has

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committed through 2016 to provide one percent of its annual revenue for the development of the local people in its area of operations through the Partnership Fund. PT-FI recognized $27 million in 2015, $31 million in 2014 and $41 million in 2013 for this commitment.

The Amungme and Kamoro Community Development Organization (Lembaga Pengembangan Masyarakat Amungme dan Kamoro or LPMAK) oversees disbursement of the program funds we contribute to the Partnership Fund. LPMAK is governed by a board of commissioners and a board of directors, which are comprised of representatives from the local Amungme and Kamoro tribal communities, government leaders, church leaders, and one representative of PT-FI on each board. The Amungme and Kamoro people are original inhabitants of the land in our area of operations. In addition to the Partnership Fund, PT-FI annually makes significant investments in public health, education, community infrastructure and economic development.

Security Matters. Consistent with our COW in Indonesia and our commitment to protect our employees and property, we have taken steps to provide a safe and secure working environment. As part of its security program, PT-FI maintains its own internal security department. Both employees and contractors are unarmed and perform functions such as protecting company facilities, monitoring shipments of supplies and products, assisting in traffic control and aiding in emergency response operations. The security department receives human rights training annually.

PT-FI’s share of costs for its internal civilian security department totaled $58 million for 2015, $57 million for 2014 and $51 million for 2013.

PT-FI, and all businesses and residents of Indonesia, rely on the Indonesian government for the maintenance of public order, upholding the rule of law and the protection of personnel and property. The Grasberg minerals district has been designated by the Indonesian government as one of Indonesia’s vital national assets. This designation results in the police, and to a lesser extent, the military, playing a significant role in protecting the area of our operations. The Indonesian government is responsible for employing police and military personnel and directing their operations.

From the outset of PT-FI’s operations, the Indonesian government has looked to PT-FI to provide logistical and infrastructure support and assistance for these necessary services because of the limited resources of the Indonesian government and the remote location of and lack of development in Papua. PT-FI’s financial support for the Indonesian government security institutions assigned to the operations area represents a prudent response to its requirements to protect its workforce and property, better ensuring that personnel are properly fed and lodged, and have the logistical resources to patrol PT-FI’s roads and secure its operating area. In addition, the provision of such support is consistent with PT-FI’s obligations under the COW, reflects our philosophy of responsible corporate citizenship, and is in keeping with our commitment to pursue practices that will promote human rights.

PT-FI’s share of support costs for the government-provided security was $21 million in 2015, $27 million in 2014 and $25 million in 2013. This supplemental support consists of various infrastructure and other costs, such as food, housing, fuel, travel, vehicle repairs, allowances to cover incidental and administrative costs, and community assistance programs conducted by the military and police.

Refer to Item 1A. "Risk Factors" for further discussion of security risks in Indonesia.

Africa. TFM has committed to assist the communities living within its concession area in the Southeast region of the DRC. Initiatives include an integrated malaria control program; construction, renovation and building of local health facilities; construction and renovation of local schools; installation of over 115 clean water wells in rural villages as well as construction of urban water distribution systems; and economic development programs supporting development and training of local entrepreneurs, contractors and farmers. We have also made significant investments

in infrastructure in the region that will have lasting benefits to the country, including upgrading a portion of a national road and the regional power generation and transmission systems.

Through the ARMC, TFM also contributes 0.3 percent of its net sales revenue to a community development fund to assist the local communities with development of local infrastructure and related services including health, education and agriculture. The TFM Social Community Fund is managed by a board of directors comprised of two local community representatives, one representative nominated by the provincial governor, four TFM representatives and an observer representative from Gecamines. A stakeholder forum comprised of 40 community leaders provides for increased community participation and input regarding project priorities, community needs, and

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transparency of fund management. The TFM Social Community Fund contributions totaled $4 million in each of the years in 2015, 2014 and 2013.

Security Matters. TFM maintains an unarmed internal security department composed of both employees and contractors. The national government also has assigned Mines Police to the TFM concession areas. The Mines Police are a division of the Congolese National Police and are responsible for maintaining security in mining concessions throughout the DRC. TFM provides food, housing, medical services, supervised transportation, non-lethal equipment and monetary allowances as well as direct payments to the government for the provision of the security assigned to the concession areas. The total cost to TFM for this support, including in-kind support, approximated $1 million in 2015, $2 million in 2014 and $1 million in 2013.

TFM also participates in monthly security coordination meetings with host country security personnel, other mining companies, non-governmental organizations and representatives from the United Nations to discuss security issues and concerns. As an outcome of the coordination meetings, TFM has partnered with MONUSCO (United Nations Stabilization Mission in the DRC) to conduct human rights training in the TFM concessions for host government security personnel, local representatives and TFM security employees.

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Mining Production Data

(FCX's net interest in %)	Years Ended December 31, 2015	2014	2013	2012	2011
COPPER (millions of recoverable pounds)					
North America					
Morenci (85%)[a]	902	691	564	537	522
Bagdad (100%)	210	237	216	197	194
Safford (100%)	202	139	146	175	151
Sierrita (100%)	189	195	171	157	177
Miami (100%)	43	57	61	66	66
Chino (100%)	314	250	171	144	69
Tyrone (100%)	84	94	96	83	76
Other (100%)	3	7	6	4	3
Total North America	1,947	1,670	1,431	1,363	1,258
South America					
Cerro Verde (53.56%)	545	500	558	595	647
El Abra (51%)	324	367	343	338	274
Candelaria/Ojos del Salado (80%)[b]	—	284	422	324	385
Total South America	869	1,151	1,323	1,257	1,306
Indonesia					
Grasberg (90.64%)[c]	752	636	915	695	846
Africa					
Tenke Fungurume (56%)[d]	449	447	462	348	281
Consolidated	4,017	3,904	4,131	3,663	3,691
Less noncontrolling interests	680	725	801	723	710
Net	3,337	3,179	3,330	2,940	2,981
GOLD (thousands of recoverable ounces)					
North America (100%)[a]	25	12	7	13	10
South America (80%)[b]	—	72	101	83	101
Indonesia (90.64%)[c]	1,232	1,130	1,142	862	1,272
Consolidated	1,257	1,214	1,250	958	1,383
Less noncontrolling interests	115	120	127	98	139
Net	1,142	1,094	1,123	860	1,244
MOLYBDENUM (millions of recoverable pounds)					
Henderson (100%)	25	30	30	34	38
Climax (100%)[e]	23	21	19	7	—
North America copper mines (100%)[a]	37	33	32	36	35
Cerro Verde (53.56%)	7	11	13	8	10
Consolidated	92	95	94	85	83
Less noncontrolling interest	3	5	6	4	5
Net	89	90	88	81	78
COBALT (millions of contained pounds)					
Consolidated - Tenke Fungurume (56%)[d]	35	29	28	26	25
Less noncontrolling interests	15	13	12	11	11
Net	20	16	16	15	14

a. Amounts are net of Morenci’s 15 percent joint venture partner interest. As further discussed in Note 18, we have entered into a definitive agreement to sell a 13 percent undivided interest in Morenci; the transaction is expected to close in mid-2016.

b. On November 3, 2014, we completed the sale of our 80 percent interests in the Candelaria and Ojos del Salado mines.

c. Amounts are net of Grasberg's joint venture partner interest, which varies in accordance with terms of the joint venture agreement (refer to Note 3). Under the joint venture agreement, PT-FI's share of copper production was 100 percent in 2015, 98 percent in 2014, 99 percent in 2013, 100 percent in 2012 and 95 percent in 2011; PT-FI's share of gold production was 100 percent in 2015, 2014, 2013 and 2012, and 88 percent in 2011.

d. Effective March 26, 2012, FCX's effective ownership interest in TFM was prospectively reduced from 57.75 percent to 56 percent.

e. The Climax molybdenum mine began commercial operations in May 2012.

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Mining Sales Data

	Years Ended December 31,				
(FCX's net interest in %)	2015	2014	2013	2012	2011
COPPER (millions of recoverable pounds)					
North America					
Morenci (85%)[a]	915	680	561	532	521
Bagdad (100%)	222	240	212	196	201
Safford (100%)	198	142	151	175	147
Sierrita (100%)	196	196	170	162	175
Miami (100%)	46	60	60	68	59
Chino (100%)	319	243	168	132	62
Tyrone (100%)	89	96	94	82	79
Other (100%)	3	7	6	4	3
Total North America	1,988	1,664	1,422	1,351	1,247
South America					
Cerro Verde (53.56%)	544	501	560	589	657
El Abra (51%)	327	366	341	338	276
Candelaria/Ojos del Salado (80%)[b]	—	268	424	318	389
Total South America	871	1,135	1,325	1,245	1,322
Indonesia					
Grasberg (90.64%)[c]	744	664	885	716	846
Africa					
Tenke Fungurume (56%)[d]	467	425	454	336	283
Consolidated sales from mines	4,070	3,888	4,086	3,648	3,698
Less noncontrolling interests	688	715	795	717	717
Net	3,382	3,173	3,291	2,931	2,981
Consolidated sales from mines	4,070	3,888	4,086	3,648	3,698
Purchased copper	121	125	223	125	223
Total copper sales, including purchases	4,191	4,013	4,309	3,773	3,921
Average realized price per pound	$2.42	$3.09	$3.30	$3.60	$3.86
GOLD (thousands of recoverable ounces)					
North America (100%)[a]	23	13	6	13	7
South America (80%)[b]	—	67	102	82	101
Indonesia (90.64%)[c]	1,224	1,168	1,096	915	1,270
Consolidated sales from mines	1,247	1,248	1,204	1,010	1,378
Less noncontrolling interests	115	123	123	102	139
Net	1,132	1,125	1,081	908	1,239
Average realized price per ounce	$1,129	$1,231	$1,315	$1,665	$1,583
MOLYBDENUM (millions of recoverable pounds)					
Consolidated sales from mines	89	95	93	83	79
Less noncontrolling interests	4	5	5	4	4
Net	85	90	88	79	75
Average realized price per pound	$8.70	$12.74	$11.85	$14.26	$16.98
COBALT (millions of contained pounds)					
Consolidated - Tenke Fungurume (56%)[d]	35	30	25	25	25

Less noncontrolling interests	15	13	11	11	10
Net	20	17	14	14	15
Average realized price per pound	$8.21	$9.66	$8.02	$7.83	$9.99

a. Amounts are net of Morenci’s 15 percent joint venture partner interest. As further discussed in Note 18, we have entered into a definitive agreement to sell a 13 percent undivided interest in Morenci; the transaction is expected to close in mid-2016.

b. On November 3, 2014, we completed the sale of our 80 percent interests in the Candelaria and Ojos del Salado mines.

c. Amounts are net of Grasberg's joint venture partner interest, which varies in accordance with terms of the joint venture agreement (refer to Note 3). Under the joint venture agreement, PT-FI's share of copper sales was 100 percent in 2015, 98 percent in 2014, 99 percent in 2013, 100 percent in 2012 and 96 percent in 2011; PT-FI's share of gold sales was 100 percent in 2015, 2014, 2013 and 2012, and 88 percent in 2011.

d. Effective March 26, 2012, FCX's effective ownership interest in TFM was prospectively reduced from 57.75 percent to 56 percent.

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Mineral Reserves

Recoverable proven and probable reserves have been calculated in accordance with Industry Guide 7 as required by the Securities Exchange Act of 1934. Proven and probable reserves may not be comparable to similar information regarding mineral reserves disclosed in accordance with the guidance in other countries. Proven and probable reserves were determined by the use of mapping, drilling, sampling, assaying and evaluation methods generally applied in the mining industry, as more fully discussed below. The term “reserve,” as used in the reserve data presented here, means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term “proven reserves” means reserves for which (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (ii) grade and/or quality are computed from the results of detailed sampling; and (iii) the sites for inspection, sampling and measurements are spaced so closely and the geologic character is sufficiently defined that size, shape, depth and mineral content of reserves are well established. The term “probable reserves” means reserves for which quantity and grade are computed from information similar to that used for proven reserves but the sites for sampling are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

Our mineral reserve estimates are based on the latest available geological and geotechnical studies. We conduct ongoing studies of our ore bodies to optimize economic values and to manage risk. We revise our mine plans and estimates of recoverable proven and probable mineral reserves as required in accordance with the latest available studies.

Estimated recoverable proven and probable reserves at December 31, 2015, were determined using long-term average prices of $2.00 per pound for copper, $1,000 per ounce for gold and $10 per pound for molybdenum. For the three-year period ended December 31, 2015, LME spot copper prices averaged $2.97 per pound, London PM gold prices averaged $1,276 per ounce and the weekly average price for molybdenum quoted by Metals Week averaged $9.45 per pound.

The recoverable proven and probable reserves presented in the table below represent the estimated metal quantities from which we expect to be paid after application of estimated metallurgical recovery rates and smelter recovery rates, where applicable. Recoverable reserves are that part of a mineral deposit that we estimate can be economically and legally extracted or produced at the time of the reserve determination.

	Recoverable Proven and Probable Mineral Reserves Estimated at December 31, 2015				
	Copper[a] (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)	Silver[b] (million ounces)	Cobalt[b] (billion pounds)
North America	33.5	0.3	2.38	79.3	—
South America	30.8	—	0.67	85.2	—
Indonesia[c]	28.0	26.8	—	106.7	—
Africa	7.2	—	—	—	0.87
Consolidated basis[d]	99.5	27.1	3.05	271.2	0.87
Net equity interest[e]	79.3	24.6	2.73	221.6	0.49

a. Consolidated recoverable copper reserves include 3.8 billion pounds in leach stockpiles and 1.0 billion pounds in mill stockpiles (refer to “Mill and Leach Stockpiles” for further discussion).

b. Determined using long-term average prices of $15 per ounce for silver and $10 per pound for cobalt.

c. Recoverable proven and probable reserves from Indonesia reflect estimates of minerals that can be recovered through the end of 2041 (refer to Note 13 for discussion of PT-FI's COW).

d. Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and the Grasberg minerals district in Indonesia. Refer to Notes 3 and 18 for further

discussion of our joint ventures.

e. Net equity interest reserves represent estimated consolidated metal quantities further reduced for noncontrolling interest ownership. Refer to Note 3 for further discussion of our ownership in subsidiaries.

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Recoverable Proven and Probable Mineral Reserves
Estimated at December 31, 2015

		Proven Reserves						Probable Reserves					
			Average Ore Grade						Average Ore Grade				
	Processing Method	Million metric tons	Copper %	Gold g/t	Moly %	Silver g/t	Cobalt %	Million metric tons	Copper %	Gold g/t	Moly %	Silver g/t	Cobalt %
North America													
Morenci	Mill	636	0.43	—	0.02	—	—	116	0.40	—	0.02	—	—
	Crushed leach	313	0.56	—	—	—	—	72	0.46	—	—	—	—
	ROM leach	1,862	0.18	—	—	—	—	575	0.16	—	—	—	—
Bagdad	Mill	997	0.34	—	[a] 0.02	1.45	—	152	0.32	—	[a] 0.02	1.36	—
	ROM leach	78	0.22	—	—	—	—	26	0.20	—	—	—	—
Safford	Crushed leach	57	0.44	—	—	—	—	27	0.42	—	—	—	—
Sierrita	Mill	2,135	0.24	—	[a] 0.03	1.42	—	184	0.19	—	[a] 0.02	1.14	—
Chino	Mill	93	0.56	0.04	0.01	0.51	—	56	0.52	0.04	—	[a] 0.47	—
	ROM leach	73	0.30	—	—	—	—	15	0.26	—	—	—	—
Tyrone	ROM leach	13	0.42	—	—	—	—	—	[a] 0.40	—	—	—	—
Henderson	Mill	65	—	—	0.18	—	—	16	—	—	0.14	—	—
Climax	Mill	155	—	—	0.16	—	—	23	—	—	0.08	—	—
Cobre[b]	Mill	16	0.53	—	—	—	—	—	[a] 0.53	—	—	—	—
	ROM leach	62	0.31	—	—	—	—	1	0.40	—	—	—	—
		6,555						1,263					
South America													
Cerro Verde	Mill	925	0.39	—	0.02	1.61	—	2,778	0.37	—	0.01	1.53	—
	Crushed leach	34	0.51	—	—	—	—	51	0.41	—	—	—	—
	ROM leach	14	0.23	—	—	—	—	54	0.22	—	—	—	—
El Abra	Crushed leach	268	0.49	—	—	—	—	68	0.44	—	—	—	—
	ROM leach	47	0.19	—	—	—	—	16	0.21	—	—	—	—
		1,288						2,967					
Indonesia													
DMLZ	Mill	68	0.94	0.77	—	4.60	—	392	0.89	0.73	—	4.36	—
Grasberg open pit	Mill	50	1.52	2.02	—	3.93	—	79	0.80	0.82	—	2.20	—
DOZ	Mill	39	0.57	0.68	—	2.42	—	77	0.55	0.70	—	2.30	—
Big Gossan	Mill	17	2.39	1.02	—	15.15	—	37	2.20	0.98	—	13.22	—
Grasberg Block Cave[b]	Mill	444	1.20	0.96	—	3.73	—	518	0.88	0.62	—	3.29	—
Kucing Liar[b]	Mill	144	1.36	1.15	—	7.59	—	251	1.21	1.05	—	6.56	—
		762						1,354					
Africa													

Tenke Fungurume	Agitation leach	57	3.45	—	—	—	0.39	42	2.85	—	—	—	0.35
Total FCX - 100% Basis		8,662						5,626					

a. Grade not shown because of rounding.

b. Undeveloped reserves that would require additional capital investment, which could be significant, to bring into production.

The reserve table above and the tables on the following pages utilize the abbreviations described below:

- g/t – grams per metric ton
- Moly – Molybdenum
- ROM – Run of Mine

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Recoverable Proven and Probable Mineral Reserves
Estimated at December 31, 2015
(continued)

	Processing Method	Proven and Probable Million metric tons	Average Ore Grade Copper %	Gold g/t	Moly %	Silver g/t	Cobalt %	Recoveries[a] Copper %	Gold %	Moly %	Silver %	Cobalt %
North America												
Morenci	Mill	752	0.42	—	0.02	—	—	81.2	—	50.4	—	—
	Crushed leach	385	0.54	—	—	—	—	78.5	—	—	—	—
	ROM leach	2,437	0.18	—	—	—	—	43.3	—	—	—	—
Bagdad	Mill	1,149	0.34	—	[b] 0.02	1.43	—	86.2	59.1	70.8	49.3	—
	ROM leach	104	0.21	—	—	—	—	24.6	—	—	—	—
Safford	Crushed leach	84	0.43	—	—	—	—	63.9	—	—	—	—
Sierrita	Mill	2,319	0.23	—	[b] 0.03	1.40	—	83.2	59.9	79.9	49.3	—
Chino	Mill	149	0.55	0.04	0.01	0.50	—	79.4	77.9	33.7	78.5	—
	ROM leach	88	0.29	—	—	—	—	39.4	—	—	—	—
Tyrone	ROM leach	13	0.42	—	—	—	—	68.4	—	—	—	—
Henderson	Mill	81	—	—	0.17	—	—	—	—	84.3	—	—
Climax	Mill	178	—	—	0.15	—	—	—	—	89.7	—	—
Cobre[c]	Mill	16	0.53	—	—	—	—	80.2	—	—	—	—
	ROM leach	63	0.31	—	—	—	—	49.5	—	—	—	—
		7,818										
South America												
Cerro Verde	Mill	3,703	0.37	—	0.01	1.55	—	86.3	—	54.3	44.7	—
	Crushed leach	85	0.45	—	—	—	—	79.9	—	—	—	—
	ROM leach	68	0.22	—	—	—	—	53.5	—	—	—	—
El Abra	Crushed leach	336	0.48	—	—	—	—	58.2	—	—	—	—
	ROM leach	63	0.20	—	—	—	—	39.6	—	—	—	—
		4,255										
Indonesia												
DMLZ	Mill	460	0.89	0.74	—	4.39	—	87.1	79.4	—	64.9	—
Grasberg open pit	Mill	129	1.08	1.29	—	2.87	—	85.2	82.0	—	44.2	—
DOZ	Mill	116	0.56	0.69	—	2.34	—	86.2	78.0	—	64.9	—
Big Gossan	Mill	54	2.26	0.99	—	13.82	—	91.6	65.8	—	63.8	—
Grasberg Block Cave[c]	Mill	962	1.03	0.78	—	3.50	—	84.4	64.7	—	57.2	—
Kucing Liar[c]	Mill	395	1.27	1.09	—	6.93	—	85.2	46.3	—	39.6	—
		2,116										

Africa												
Tenke Fungurume	Agitation leach	99	3.19	—	—	—	0.37	86.6	—	—	—	75.7
Total FCX - 100% Basis		14,288										

a. Recoveries are net of estimated mill and smelter losses.
b. Grade not shown because of rounding.
c. Undeveloped reserves that would require additional capital investment, which could be significant, to bring into production.

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Recoverable Proven and Probable Mineral Reserves
Estimated at December 31, 2015
(continued)

			Recoverable Reserves				
	FCX's Interest	Processing Method	Copper billion lbs.	Gold million ozs.	Moly billion lbs.	Silver million ozs.	Cobalt billion lbs.
North America							
Morenci	85%	Mill	5.7	—	0.17	—	—
		Crushed leach	3.6	—	—	—	—
		ROM leach	4.1	—	—	—	—
Bagdad	100%	Mill	7.5	0.1	0.38	26.1	—
		ROM leach	0.1	—	—	—	—
Safford	100%	Crushed leach	0.5	—	—	—	—
Sierrita	100%	Mill	9.9	0.1	1.04	51.3	—
Chino	100%	Mill	1.5	0.1	0.01	1.9	—
		ROM leach	0.2	—	—	—	—
Tyrone	100%	ROM leach	0.1	—	—	—	—
Henderson	100%	Mill	—	—	0.25	—	—
Climax	100%	Mill	—	—	0.53	—	—
Cobre	100%	Mill	0.1	—	—	—	—
		ROM leach	0.2	—	—	—	—
			33.5	0.3	2.38	79.3	—
Recoverable metal in stockpiles[a]			2.1	—	0.02	—	—
100% operations			35.6	0.3	2.40	79.3	—
Consolidated[b]			33.5	0.3	2.38	79.3	—
Net equity interest[c]			33.5	0.3	2.38	79.3	—
South America							
Cerro Verde	53.56%	Mill	26.2	—	0.65	82.3	—
		Crushed leach	0.7	—	—	—	—
		ROM leach	0.2	—	—	—	—
El Abra	51%	Crushed leach	2.1	—	—	—	—
		ROM leach	0.1	—	—	—	—
			29.3	—	0.65	82.3	—
Recoverable metal in stockpiles[a]			1.5	—	0.02	2.9	—
100% operations			30.8	—	0.67	85.2	—
Consolidated[b]			30.8	—	0.67	85.2	—
Net equity interest[c]			16.4	—	0.35	45.6	—
Indonesia							
DMLZ	d	Mill	7.9	8.7	—	42.2	—
Grasberg open pit	d	Mill	2.6	4.4	—	5.3	—
DOZ	d	Mill	1.2	2.0	—	5.6	—
Big Gossan	d	Mill	2.5	1.1	—	15.3	—
Grasberg Block Cave	d	Mill	18.4	15.6	—	61.9	—
Kucing Liar	d	Mill	9.4	6.4	—	34.9	—
			42.0	38.2	—	165.2	—
Recoverable metal in stockpiles[a]			0.1	0.1	—	0.2	—
100% operations			42.1	38.3	—	165.4	—

Consolidated[b]			28.0	26.8	—	106.7	—
Net equity interest[c]			25.3	24.3	—	96.7	—
Africa							
Tenke Fungurume	56%	Agitation leach	6.0	—	—	—	0.61
Recoverable metal in stockpiles[a]			1.2	—	—	—	0.26
100% operations			7.2	—	—	—	0.87
Consolidated[b]			7.2	—	—	—	0.87
Net equity interest[c]			4.1	—	—	—	0.49
Total FCX – 100% basis			115.7	38.6	3.07	329.9	0.87
Total FCX – Consolidated basis[b]			99.5	27.1	3.05	271.2	0.87
Total FCX – Net equity interest[c]			79.3	24.6	2.73	221.6	0.49

a. Refer to "Mill and Leach Stockpiles" for additional information.

b. Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and the Grasberg minerals district in Indonesia. Refer to Notes 3 and 18 for further discussion of our joint ventures.

c. Net equity interest represents estimated consolidated metal quantities further reduced for noncontrolling interest ownership. Refer to Note 3 for further discussion of our ownership in subsidiaries.

d. Our joint venture agreement with Rio Tinto provides that PT-FI will receive cash flow from specified annual amounts of copper, gold and silver through 2021, calculated by reference to its proven and probable reserves as of December 31,1994, and 60 percent of all remaining cash flow.

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In defining our open-pit reserves, we apply a “variable cutoff grade” strategy. The objective of this strategy is to maximize the net present value of our operations. We use a "break-even cutoff grade" to define the in-situ reserves for our underground ore bodies. The break-even cutoff grade is defined for a metric ton of ore as that equivalent copper grade, once produced and sold, that generates sufficient revenue to cover all operating and administrative costs associated with our production.

Our copper mines may contain other commercially recoverable metals, such as gold, molybdenum, silver and cobalt. We value all commercially recoverable metals in terms of a copper equivalent percentage to determine a single cutoff grade. Copper equivalent percentage is used to express the relative value of multi-metal ores in terms of one metal. The calculation expresses the relative value of the ore using estimates of contained metal quantities, metals prices as used for reserve determination, recovery rates, treatment charges and royalties. Our molybdenum properties use a molybdenum cutoff grade.

The table below shows the minimum cutoff grade by process for each of our existing ore bodies as of December 31, 2015:

	Copper Equivalent Cutoff Grade (Percent)			Molybdenum Cutoff Grade (Percent)
	Mill	Crushed or Agitation Leach	ROM Leach	Mill
North America				
Morenci	0.26	0.18	0.03	—
Bagdad	0.20	—	0.06	—
Safford	—	0.12	—	—
Sierrita	0.18	—	—	—
Chino	0.24	—	0.08	—
Tyrone	—	—	0.10	—
Henderson	—	—	—	0.12
Climax	—	—	—	0.05
Cobre	0.26	—	0.06	—
South America				
Cerro Verde	0.17	0.19	0.14	—
El Abra	—	0.10	0.06	—
Indonesia				
DMLZ	0.81	—	—	—
Grasberg open pit	0.25	—	—	—
DOZ	0.88	—	—	—
Big Gossan	1.88	—	—	—
Grasberg Block Cave	0.78	—	—	—
Kucing Liar	0.94	—	—	—
Africa				
Tenke Fungurume	—	1.37	—	—

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Drill hole spacing data is used by mining professionals, such as geologists and geological engineers, in determining the suitability of data coverage (on a relative basis) in a given deposit type and mining method scenario so as to achieve a given level of confidence in the resource estimate. Drill hole spacing is only one of several criteria necessary to establish resource classification. Drilling programs are typically designed to achieve an optimum sample spacing to support the level of confidence in results that apply to a particular stage of development of a mineral deposit.

The following table sets forth the average drill hole spacing based on average sample distance or drill pattern spacing for proven and probable ore reserves by process type:

		Average Drill Hole Spacing (in Meters)			
		Proven		Probable	
	Mining Unit	Mill	Leach	Mill	Leach
North America					
Morenci	Open Pit	86	86	122	122
Bagdad	Open Pit	86	86	122	122
Safford	Open Pit	—	86	—	122
Sierrita	Open Pit	73	—	104	—
Miami	Open Pit	—	61	—	91
Chino	Open Pit	43	86	86	122
Tyrone	Open Pit	—	86	—	86
Henderson	Block Cave	47	—	96	—
Climax	Open Pit	61	—	91	—
Cobre	Open Pit	61	61	91	91
South America					
Cerro Verde	Open Pit	50	50	100	100
El Abra	Open Pit	—	75	—	120
Indonesia					
DMLZ	Block Cave	16	—	58	—
Grasberg open pit	Open Pit	35	—	75	—
DOZ	Block Cave	23	—	57	—
Big Gossan	Open Stope	12	—	36	—
Grasberg Block Cave	Block Cave	34	—	81	—
Kucing Liar	Block Cave	39	—	98	—
Africa					
Tenke Fungurume	Open Pit	—	50	—	100

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Production Sequencing

The following chart illustrates our current plans for sequencing and producing our proven and probable reserves at each of our ore bodies and the years in which we currently expect production from each ore body and from related stockpiles. The chart also shows the term of PT-FI's COW. Production volumes are typically lower in the first few years for each ore body as development activities are ongoing and as the mine ramps up to full production and production volumes may also be lower as the mine reaches the end of its life. The sequencing dates shown in the chart below include development activity that results in metal production. The ultimate timing of the start of production from our undeveloped mines is dependent upon a number of factors, including the results of our exploration and development efforts, and may vary from the dates shown below. In addition, we develop our mine plans based on maximizing the net present value from the ore bodies. Significant additional capital expenditures will be required at many of these mines in order to achieve the life-of-mine plans reflected below.

Mill and Leach Stockpiles

Mill and leach stockpiles generally contain lower grade ores that have been extracted from an ore body and are available for copper recovery. Mill stockpiles contain sulfide ores and recovery of metal is through milling, concentrating, smelting and refining or, alternatively, by concentrate leaching. Leach stockpiles contain oxide ores and certain secondary sulfide ores and recovery of metal is through exposure to acidic solutions that dissolve contained copper and deliver it in solution to extraction processing facilities.

Because it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, reasonable estimation methods are employed. The quantity of material delivered to mill and leach stockpiles is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper grades of material delivered to mill and leach stockpiles.

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Expected copper recovery rates for mill stockpiles are determined by metallurgical testing. The recoverable copper in mill stockpiles, once entered into the production process, can be produced into copper concentrate almost immediately.

Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, small- to large-scale column testing (which simulates the production process), historical trends and other factors, including mineralogy of the ore and rock type. Total copper recovery in leach stockpiles can vary significantly from a low percentage to more than 90 percent depending on several variables, including processing methodology, processing variables, mineralogy and particle size of the rock. For newly placed material on active stockpiles, as much as 80 percent of total copper recovery may be extracted during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates are monitored regularly, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes.

Following are our stockpiles and the estimated recoverable copper contained within those stockpiles as of December 31, 2015:

	Million Metric Tons	Average Ore Grade (%)	Recovery Rate (%)	Recoverable Copper (billion pounds)	
Mill stockpiles					
Cerro Verde	159	0.32	81.8	0.9	
Grasberg minerals district	14	0.44	74.9	0.1	
	173			1.0	
Leach stockpiles					
Morenci	5,982	0.24	2.2	0.7	
Bagdad	499	0.24	1.5	—	[a]
Safford	213	0.44	14.3	0.3	
Sierrita	650	0.15	11.0	0.3	
Miami	498	0.39	2.9	0.1	
Chino	1,695	0.26	5.3	0.5	
Tyrone	1,121	0.28	2.3	0.2	
Cerro Verde	388	0.52	5.0	0.2	
El Abra	644	0.43	5.9	0.4	
Tenke Fungurume	45	1.31	90.9	1.2	
	11,735			3.9	
Total FCX - 100% basis				4.9	
Total FCX - Consolidated basis[b]				4.8	
Total FCX - Net equity interest[c]				3.5	

a. Amounts not shown because of rounding.

b. Consolidated stockpiles represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and the Grasberg minerals district in Indonesia. Refer to Notes 3 and 18 for further discussion of our joint ventures.

c. Net equity interest represents estimated consolidated metal quantities further reduced for noncontrolling interest ownership. Refer to Note 3 for further discussion of our ownership in subsidiaries.

Mineralized Material

We hold various properties containing mineralized material that we believe could be brought into production should market conditions warrant. However, permitting and significant capital expenditures would be required before operations could commence at these properties. Mineralized material is a mineralized body that has been delineated by appropriately spaced drilling and/or underground sampling to support the reported tonnage and average metal grades. Such a deposit cannot qualify as recoverable proven and probable reserves until legal and economic feasibility are confirmed based upon a comprehensive evaluation of development costs, unit costs, grades, recoveries and other material factors. Estimated mineralized materials as presented on the following page were assessed using prices of $2.20 per pound for copper, $1,000 per ounce for gold, $12 per pound for molybdenum and $20 per ounce for silver.

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Mineralized Material
Estimated at December 31, 2015

		Milling Material					Leaching Material		Total Mineralized Material
	FCX's Interest	Million metric tons	Copper %	Gold g/t	Moly %	SIlver g/t	Million metric tons	Copper %	Million metric tons
North America									
Morenci	85%	598	0.28	—	0.02	—	921	0.21	1,519
Bagdad	100%	746	0.27	—	[a] 0.02	1.2	3	0.22	749
Safford	100%	188	0.65	0.12	—	2.4	60	0.31	248
Sierrita	100%	1,370	0.19	—	[a] 0.02	1.1	—	—	1,370
Chino	100%	180	0.47	0.03	0.01	0.4	37	0.26	217
Tyrone	100%	—	—	—	—	—	11	0.43	11
Henderson	100%	78	—	—	0.14	—	—	—	78
Climax	100%	337	—	—	0.13	—	—	—	337
Cobre	100%	34	0.50	0.09	—	1.3	—	—	34
Ajo	100%	437	0.40	0.06	0.01	0.8	—	—	437
Cochise/Bisbee	100%	—	—	—	—	—	250	0.46	250
Lone Star	100%	—	—	—	—	—	679	0.47	679
Sanchez	100%	—	—	—	—	—	148	0.29	148
Tohono	100%	220	0.72	—	—	—	270	0.67	490
Twin Buttes	100%	73	0.62	—	0.04	6.4	44	0.23	117
Christmas	100%	201	0.39	0.05	—	[a] 1.0	—	—	201
South America									
Cerro Verde	53.56%	250	0.35	—	0.01	1.4	33	0.48	283
El Abra	51%	2,024	0.45	0.02	0.01	1.4	199	0.30	2,223
Indonesia									
Grasberg minerals district	54.38%[b]	2,207	0.72	0.63	—	3.5	—	—	2,207
Africa									
Tenke Fungurume[c]	56%	52	4.10	—	—	—	31	2.88	83
Kisanfu[c]	95%	49	2.48	—	—	—	47	3.16	96
Total FCX - 100% basis		9,044					2,733		11,777
Total FCX - Consolidated basis[d]		8,071					2,595		10,666
Total FCX - Net equity interest[e]		6,814					2,466		9,280

a. Amounts not shown because of rounding.
b. FCX's interest in the Grasberg minerals district reflects our 60 percent joint venture ownership further reduced by noncontrolling interest ownership.
c. Stated tonnage also includes cobalt at Tenke Fungurume (0.31 percent) and Kisanfu (1.15 percent).
d. Consolidated basis represents estimated mineralized materials after reduction for joint venture partner interests in the Morenci mine in North America and the Grasberg minerals district in Indonesia. Refer to Notes 3 and 18 for further discussion of our joint ventures.

e. Net equity interest represents estimated consolidated mineralized material further reduced for noncontrolling interest ownership. Refer to Note 3 for further discussion of our ownership in subsidiaries.

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OIL AND GAS OPERATIONS

Through our wholly owned oil and gas subsidiary, FM O&G, our portfolio of oil and gas assets includes significant oil production facilities and growth potential in the Deepwater GOM, established oil production onshore and offshore California, large onshore natural gas resources in the Haynesville shale in Louisiana, natural gas production from the Madden area in central Wyoming, and a position in the Inboard Lower Tertiary/Cretaceous natural gas trend onshore in South Louisiana. For the year 2015, 88 percent of our oil and gas revenues, excluding the impact of derivative contracts, were from sales of oil and NGLs.

Revised Operating Plans
We are taking continuing actions to reduce oil and gas costs and capital expenditures. FM O&G is undertaking a near-term deferral of exploration and development expenditures by idling the three Deepwater GOM drillships it has under contract. Refer to MD&A for further discussion.

Acreage
At December 31, 2015, we owned interests in oil and gas leases covering 4.4 million gross acres (2.5 million acres net to our interest). Developed acres are acres spaced or assigned to productive wells and do not include undrilled acreage held by production under the terms of the lease. Undeveloped acres are acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil or gas, regardless of whether such acreage contains proved reserves. The following table summarizes, by geographic area, the developed and undeveloped oil and gas acreage in which we held interests at December 31, 2015:

	Developed		Undeveloped	
	Gross Acres	Net Acres	Gross Acres	Net Acres
U.S.:				
Louisiana:				
Onshore	388,392	79,141	105,257	80,074
Offshore	328,014	189,197	655,874	491,830
Texas:				
Onshore	16,865	3,621	209	653
Offshore	28,800	15,906	—	—
California:				
Onshore	60,898	60,406	65,259	40,847
Offshore	44,049	39,618	712	712
Wyoming	78,007	11,018	31,968	18,394
Nevada	—	—	246,073	246,073
Other states	1,324	368	181,342	137,293
	946,349	399,275	1,286,694	1,015,876
Morocco	—	—	2,154,014	1,120,087
	946,349	399,275	3,440,708	2,135,963

As of December 31, 2015, 84 percent of our total net leasehold acreage is undeveloped. Many of our oil and gas leases require us to drill wells that are commercially productive, and if we are unsuccessful, we could lose our rights under such leases.

At December 31, 2015, 24 percent of our total U.S. net undeveloped acres was covered by leases that expire from 2016 through 2018. As a result of declining crude oil prices, FM O&G's current plans anticipate that the majority of expiring acreage will not be retained by drilling operations or other means.

Currently, FM O&G has a commitment to drill a second well in Morocco in 2016. However, FM O&G is actively negotiating with its partners to modify the work program, which, if successful, would result in changes in the timing, amount or type of future commitment. The exploration permits covering FM O&G's Morocco acreage expire at the end of 2016; however, FM O&G has the ability, under certain circumstances, to extend the exploration permits through 2019.

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Properties

Our oil and gas properties are subject to customary royalty interests, liens incident to operating agreements, liens for current taxes and other burdens, including other mineral encumbrances and restrictions. We do not believe that any of these burdens materially interfere with our use of the properties in the operation of our business.

We believe that we have satisfactory title to or rights in all of our producing properties. As is customary in the oil and gas industry, we conduct minimal investigation of title at the time we acquire undeveloped properties. We conduct title investigations and receive title opinions of local counsel only before we commence drilling operations. We believe that we have satisfactory title to all of our other assets. Although title to our properties is subject to encumbrances in certain cases, we believe that none of these burdens will materially detract from the value of our properties or from our interest therein or will materially interfere with our use in the operation of our business.

Gulf of Mexico.

Deepwater GOM. FM O&G has a large strategic position in the Deepwater GOM with significant current oil production, strong cash margins and existing infrastructure with excess production and handling capacity. FM O&G's Deepwater GOM properties and activities are principally located in four focus areas, which we refer to as Atwater Valley, Green Canyon, Mississippi Canyon and Keathley Canyon.

Following is a summary of FM O&G's Deepwater GOM platforms at December 31, 2015:

						Capacity per Day	
Platform	Working Interest	Field Location	Type of Platform	Production Commenced	Water Depth (feet)	Oil (MBbls)	Gas (MMcf)
Holstein[a]	100%	Green Canyon Blocks 644, 645 and 688	Truss Spar	2004	4,300	113	142
Horn Mountain[a]	100%	Mississippi Canyon Blocks 126 and 127	Truss Spar	2002	5,400	75	72
Marlin Hub[a]	100%	Several[b]	Tension Leg	2000	3,200	60	235
Lucius	25.1% [c]	Keathley Canyon Blocks 874, 875, 918 and 919	Truss Spar	2015	7,200	80	450
Heidelberg	12.5%	Green Canyon Blocks 859, 903, 904 and 948	Truss Spar	2016[d]	5,300	80	80
Ram Powell	31.0%	Viosca Knoll Blocks 911 to 913 and 955 to 957	Tension Leg	1997	3,200	70	310
Hoover	33.3%	Several[e]	Deep Draft Caisson Vessel	2000	4,800	100	325

a. We are the operator of the Holstein, Horn Mountain and Marlin Hub platforms.

b. The Marlin Hub is the production facility for the Marlin field (S/2 Viosca Knoll Block 871 and N/2 Viosca Knoll Block 915), the Dorado field (S/2 Viosca Knoll Block 915) and the King field (Mississippi Canyon Blocks 84, 85, and 129). The Marlin field currently produces via a combination of platform and subsea tie-back wells, while the Dorado and King fields currently produce exclusively via subsea wells and tie-back infrastructure.

c. FM O&G's consolidated subsidiary Plains Offshore Operations Inc. (Plains Offshore), holds a 20 percent working interest in the Lucius development. FM O&G's combined ownership in the Lucius development, including the 20

percent held by Plains Offshore, is 25.1 percent. Refer to Note 2 for further discussion of Plains Offshore.

d. In January 2016, first oil production commenced from three wells in the Heidelberg oil field.

e. The Hoover platform is located in Alaminos Canyon Block 25. The Hoover field is located in Alaminos Canyon Blocks 25 and 26.

FM O&G has a 100-percent interest in the Holstein Deep development, which is located in Green Canyon Block 643, west of the 100-percent owned Holstein platform, in 3,890 feet of water. Completion activities for the initial three-well subsea tieback development program are progressing, with first production expected in mid-2016.

FM O&G also owns working interests in several oil discoveries in the Atwater Valley focus area, including Vito and Power Nap. FM O&G has an 18.67 percent interest in Vito, which is a deep subsalt Miocene oil discovery made in

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2009, located in 4,000 feet of water in the Mississippi Canyon area (Blocks 940, 941, 984 and 985) and a 50 percent interest in Power Nap, which is located in close proximity to Vito.

FM O&G's Deepwater GOM exploration portfolio consists of interests in 136 blocks containing 55 prospects in the Pliocene, Miocene and Lower Tertiary reservoirs.

GOM Shelf. The GOM Shelf properties are primarily located on the outer continental shelf in the shallow waters (less than 500 feet of water) of the GOM and onshore in the Gulf Coast area of Louisiana, with drilling depths not exceeding 15,000 feet considered to be traditional shelf prospects.

Inboard Lower Tertiary/Cretaceous. Prospects with drilling depths below the salt weld (generally at depths exceeding 25,000 feet) are considered Inboard Lower Tertiary/Cretaceous prospects. FM O&G is the operator and has a 72 percent working interest (an approximate 49 percent net revenue interest) in Highlander, located onshore in South Louisiana. In December 2015, gross rates from the Highlander well averaged 44 MMcf per day (21 MMcf per day net to FM O&G).

California. FM O&G’s California assets provide an established oil production base with low-decline production profiles and long-lived reserves.

Onshore California. FM O&G's onshore properties are located in the Los Angeles Basin and San Joaquin Basin. FM O&G holds a 100 percent working interest in the majority of its onshore positions including the Inglewood, Las Cienegas, Montebello, Packard and San Vicente fields in the Los Angeles Basin, and the Cymric, Midway Sunset, South Belridge, and North Belridge fields in the San Joaquin Basin. The Los Angeles Basin properties are characterized by light crude oil (21 to 32 degree American Petroleum Institute (API) gravity), have well depths ranging from 2,000 feet to over 10,000 feet and include both primary production and secondary recovery using waterflood methods (whereby water is injected into the reservoir formation to displace residual oil), where producing wells have a high ratio of water produced compared to total liquids produced (high water cuts). The San Joaquin Basin properties are characterized by heavier oil (12 to 16 degree API gravity) and shallow wells (generally less than 2,000 feet) that require enhanced oil recovery techniques, including steam injection.

FM O&G also holds a 100 percent working interest in the Arroyo Grande Field located in San Luis Obispo County, which is characterized by heavier oil (12 to 16 degree API gravity) and well depths averaging 1,700 feet requiring continuous steam injection.

Offshore California. All of the offshore California properties are located in federal waters approximately three to seven miles offshore in the Santa Maria Basin. FM O&G holds a 69.3 percent working interest in the Point Arguello Unit, composed of the Hidalgo, Hermosa and Harvest platforms, and the various partnerships owning the related transportation, processing and marketing infrastructure. Since second-quarter 2015, production from Point Arguello platforms has been shut in following the shutdowns of a third-party operated pipeline system that transports oil to various California refineries. FM O&G also holds a 100 percent working interest in the Point Pedernales field, which includes the Irene platform, that is utilized to access the Federal Outer Continental Shelf Monterey Reservoir by extended reach directional wells and support facilities which lie within the onshore Lompoc field.

Haynesville. As of December 31, 2015, in the Haynesville shale, FM O&G has a non-operated interest in over 1,450 producing wells with an average working interest of 8.6 percent and leases covering 72,000 net acres. The Haynesville shale is characterized by dry gas production from the Jurassic-aged Haynesville shale formation in Louisiana and eastern Texas, and typical well depth is 10,500 feet. The area has historically been developed with horizontal wells more than 4,000 feet at a measured total depth of 16,000 feet.

Madden. FM O&G owns a non-operated 14 percent working interest in the Madden Deep Unit and Lost Cabin Gas Plant located in central Wyoming. The Madden Deep Unit is a federal unit operated by a third party and consists of acreage in the Wind River Basin. The Madden area is characterized by gas production from multiple stratigraphic horizons of the Lower Fort Union, Lance, Mesaverde and Cody sands and the Madison Dolomite. Production from the Madden Deep Unit is typically found at depths ranging from 5,500 to 25,000 feet.

Exploration and Development Activities

FM O&G has significant proved, probable and possible reserves, with valuable infrastructure and associated resources with attractive long-term production and development potential.

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Since commencing development activities in 2014 at its three 100-percent-owned production platforms in the Deepwater GOM, FM O&G has drilled 14 wells in producing fields with positive results, including the King D-10 well in fourth-quarter 2015. Four of these wells have been brought on production, including the King D-12 well in November 2015. FM O&G plans to complete and place six additional wells on production in 2016.

Capital expenditures for our oil and gas operations totaled $3.0 billion in 2015 (including $2.5 billion incurred for Deepwater GOM and $0.2 billion for the Inboard Lower Tertiary/Cretaceous natural gas trend), $3.2 billion for the year 2014 (including $2.1 billion incurred for the Deepwater GOM and $0.7 billion for the Inboard Lower Tertiary/Cretaceous natural gas trend) and $1.45 billion for the seven-month period ending December 31, 2013 (including $0.4 billion incurred for Deepwater GOM and $0.2 billion for the Inboard Lower Tertiary/Cretaceous natural gas trend).

In response to market conditions, FM O&G is undertaking a near-term deferral of exploration and development expenditures by idling the three Deepwater GOM drillships it has under contract. FM O&G expects to incur idle rig costs associated with its drillship contracts totaling $0.6 billion in 2016 and $0.4 billion in 2017. Excluding amounts for idle rig costs, capital expenditures for oil and gas operations for the year 2016 are estimated to total $1.5 billion, with approximately 85 percent of the capital budget expected to be directed to the GOM. Refer to MD&A for further discussion of FM O&G's current exploration and development activities.

Production and Sales Data

Following presents summary oil and gas production and sales data for the years ended December 31, 2015 and 2014, and the seven-month period ending December 31, 2013:

	Years Ended December 31,		Seven Months Ended
	2015	2014	December 31, 2013
GOM[a,b]			
Oil (MBbls)	22,161	19,681	11,364
Natural gas (MMcf)	35,878	[c] 28,700	17,231
NGLs (MBbls)	2,209	2,027	1,049
MBOE	30,350	26,491	15,286
California			
Oil (MBbls)	12,935	13,732	7,977
Natural gas (MMcf)	2,154	[c] 2,368	[c] 1,318 [c]
NGLs (MBbls)	166	171	97
MBOE	13,460	14,298	8,293
Haynesville/Madden/Other			
Oil (MBbls)	158	222	83
Natural gas (MMcf)	51,626	42,364	26,782
NGLs (MBbls)	50	35	27
MBOE	8,812	7,318	4,574
Eagle Ford[d]			
Oil (MBbls)	—	6,481	7,206
Natural gas (MMcf)	—	7,410	8,844
NGLs (MBbls)	—	978	1,244
MBOE	—	8,694	9,924

Total U.S. oil and gas operations			
Oil (MBbls)	35,254	40,116	26,630
Natural gas (MMcf)	89,658	80,842	54,175
NGLs (MBbls)	2,425	3,211	2,417
MBOE	52,622	56,801	38,077
Average cost per BOE:			
Production costs[e]	$17.14	$18.00	$15.18
Production and ad valorem taxes	1.45	2.08	1.96
Cash production costs[f]	$18.59	$20.08	$17.14

a. Includes properties in the Deepwater GOM and on the Shelf, including the Inboard Lower Tertiary /Cretaceous natural gas trend.

b. Horn Mountain represented 17 percent of our proved oil and gas reserves at December 31, 2015. During 2015, production and sales from Horn Mountain totaled 3.2 MMBOE (consisting of 2.9 MMBbls of oil, 1.1 Bcf of natural gas and 0.1 MMBbls

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of NGLs). No individual fields represented 15 percent or more of our proved oil and gas reserves at December 31, 2014 and 2013.

c. Natural gas sales from GOM are net of fuel used in operations totaling 1,125 MMcf in 2015. Natural gas sales from California are net of fuel used in operations totaling 588 MMcf in 2015, 1,190 MMcf in 2014 and 780 MMcf for the seven-month period ending December 31, 2013.

d. In June 2014, we completed the sale of Eagle Ford.

e. Reflects costs incurred to operate and maintain wells and related equipment and facilities.

f. Refer to MD&A for further discussion of cash production costs per BOE and for a reconciliation to production costs reported in our consolidated financial statements.

Oil and Gas Reserves

All of our estimated proved and probable reserves are based upon reserve reports prepared by Netherland, Sewell, & Associates, Inc. (NSAI) and Ryder Scott Company, L.P. (Ryder Scott), independent petroleum engineering firms. A copy of the independent petroleum engineering firms' reserve reports are filed as exhibits to this annual report on Form 10-K. Our reserve estimates are prepared in accordance with guidelines established by the SEC as prescribed by Regulation S-X, Rule 4-10. FM O&G's technical staff estimates, with reasonable certainty, the economically producible oil and gas. The practices for estimating hydrocarbons in place include, but are not limited to, mapping, seismic interpretation of two-dimensional and/or three-dimensional data, core analysis, mechanical properties of formations, thermal maturity, well logs of existing penetrations, correlation of known penetrations, decline curve analysis of producing locations with significant production history, well testing, static bottom hole testing, flowing bottom hole pressure analysis and pressure and rate transient analysis.

Internal Control and Qualifications of Third Party Engineers and Internal Staff. The technical personnel responsible for preparing the reserve estimates at NSAI and Ryder Scott meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. Both NSAI and Ryder Scott are independent firms of petroleum engineers, geologists, geophysicists and petrophysicists; neither firm owns an interest in our properties nor are employed on a contingent fee basis. FM O&G's internal staff of petroleum engineers and geoscience professionals work closely with our independent reserve engineers to ensure the integrity, accuracy and timeliness of data furnished to NSAI and Ryder Scott in their reserves estimation process. Throughout each fiscal year, FM O&G internal technical staff meets with representatives of the independent reserve engineers to review properties and discuss methods and assumptions used in preparation of the proved reserves estimates. FM O&G provides historical information to the independent reserve engineers, including ownership interest, oil and gas production, well test data, commodity prices and operating and development costs. The NSAI and Ryder Scott reserve reports are reviewed with representatives of NSAI and Ryder Scott and FM O&G's internal technical staff before dissemination of the information. Additionally, FM O&G's senior management reviews the NSAI and Ryder Scott reserve reports.

The internal reservoir engineering staff are supervised by FM O&G's Vice President of Engineering, who has 39 years of technical experience in petroleum engineering and reservoir evaluation and analysis. This individual directs the activities of our internal reservoir engineering staff for the internal reserve estimation process and also to provide the appropriate data to NSAI and Ryder Scott for the year-end oil and gas reserves estimation process. The preparation of proved oil and gas reserve estimates are completed in accordance with our internal control procedures. These procedures, which are intended to ensure reliability of reserve estimations, include (i) the review and verification of historical production data; (ii) the review by FMO&G’s Vice President of Engineering of annually reported proved reserves, including the review of significant reserve changes and new proved undeveloped (PUD) reserves additions; (iii) the direct reporting responsibilities by FM O&G’s Vice President of Engineering to FM O&G’s President and Chief Operating Officer; (iv) the verification of property ownership by FM O&G’s land department; and (v) no

employee’s compensation is tied to the amount of reserves reported.

Proved Reserves. Our proved reserve volumes have been determined in accordance with SEC guidelines, which require the use of an average price, calculated as the twelve-month historical average of the first-day-of-the-month historical reference price as adjusted for location and quality differentials, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions and the impact of derivatives. Our reference prices for reserve determination are the WTI spot price for crude oil and the Henry Hub price for natural gas, which were $50.28 per barrel of oil and $2.59 per MMBtu of natural gas at December 31, 2015. These prices are held constant throughout the life of the oil and gas properties, except where such guidelines permit alternate treatment, including the use of fixed and determinable contractual escalations. In accordance with the guidelines and

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excluding the impact of derivative instruments, the average realized prices used in our reserve reports as of December 31, 2015, were $47.80 per barrel of oil and $2.55 per Mcf of natural gas.

The scope and results of procedures employed by NSAI and Ryder Scott are summarized in their reserve reports. For purposes of reserve estimation, we and the independent petroleum engineers use technical and economic data including well logs, geologic maps, seismic data, well test data, production data, historical price and cost information, and property ownership interests. Our reserves have been estimated using deterministic methods. Standard engineering and geoscience methods were used, or a combination of methods, including performance analysis, volumetric analysis and analogy, which we and the independent petroleum engineers considered to be appropriate and necessary to categorize and estimate reserves in accordance with SEC definitions and regulations. A significant portion of these reserves are for undeveloped locations and are based on estimates of reserve volumes and recovery efficiencies along with analogy to properties with similar geologic and reservoir characteristics. Because these estimates depend on many assumptions, any or all of which may differ substantially from actual results, reserve estimates may differ from the quantities of oil and gas that FM O&G ultimately recovers.

Proved reserves represent quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations. The term “reasonable certainty” implies a high degree of confidence that the quantities of oil and gas actually recovered will equal or exceed the estimate.

The following table presents our estimated proved oil and gas reserves as of December 31, 2015, all of which are located in the U.S.:

	Proved Oil and Gas Reserves Estimated at December 31, 2015		
	Oil[a] (MMBbls)	Gas (Bcf)	Total (MMBOE)
Proved Developed:			
GOM	59	116	78
California	69	12	71
Haynesville/Madden/Other	1	117	20
	129	245	169
Proved Undeveloped:			
GOM	65	29	70
California	13	—	13
	78	29	83
Total Proved Reserves	207	274	252

a. Includes 9 MMBbls of NGL proved reserves, consisting of 6 MMBbls of proved developed and 3 MMBbls of proved undeveloped.

At December 31, 2015, we have an estimated total proved reserve life of 4.7 years and a proved developed reserve life of 3.2 years.

At December 31, 2015, total proved oil and gas reserves were 252 MMBOE, including 83 MMBOE of PUD reserves. With the exception of one planned sidetrack development well in one of our Deepwater GOM properties that cannot be executed until the current producing well depletes, 98 percent of our PUD reserves are scheduled for development within five years, and $1.6 billion (or 97 percent) of our estimated future PUD capital is associated with the development of those reserves.

Total estimated PUD reserves of 83 MMBOE at December 31, 2015, decreased from estimated PUD reserves of 144 MMBOE at December 31, 2014, reflecting downward revisions of 72 MMBOE primarily related to lower oil and gas price realizations. These revisions were partly offset by increases of 11 MMBOE primarily associated with the continued development of our Deepwater GOM properties.

At December 31, 2014, FM O&G had 1,176 PUD locations, including 132 injector wells, of which 122 PUD locations (with associated proved reserves of 28 MMBOE) were scheduled to be drilled during 2015. During 2015, FM O&G invested $0.6 billion to drill and complete 35 PUD locations, which resulted in converting 1 MMBOE from PUD reserves to proved developed reserves. Of the remaining 87 PUD locations scheduled to be drilled in 2015, 81 locations (with associated proved reserves of 3 MMBOE) were eliminated based on the current price environment,

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4 locations (with associated proved reserves of 17 MMBOE) were drilled and are expected to be completed in 2016 and 2017, and 2 locations (with associated proved reserves of 7 MMBOE) were delayed to future periods.

At December 31, 2015, FM O&G had 186 PUD locations, including 4 injector wells. During 2016, 33 of these PUD locations (including 2 injector wells) with associated proved reserves of 35 MMBOE are scheduled to be developed.

During 2015, FM O&G participated in 37 gross exploratory wells, of which 33 were successful, and 26 gross development wells, of which 24 were successful (refer to "Drilling Activities").

The following table reflects the present value of estimated future net cash flows before income taxes from the production and sale of our estimated proved reserves reconciled to the standardized measure of discounted net cash flows (standardized measure) at December 31, 2015 (in millions):

Estimated undiscounted future net cash flows before income taxes	$1,638
Present value of estimated future net cash flows before income taxes (PV-10)[a,b]	$1,392
Discounted future income taxes[c]	—
Standardized measure (refer to Note 21)	$1,392

a. In accordance with SEC guidelines, estimates of future net cash flows from our proved reserves and the present value thereof are made using the twelve-month average of the first-day-of-the-month historical reference prices as adjusted for location and quality differentials. Refer to discussion above for pricing used in our reserve reports at December 31, 2015.
b. The present value of estimated future net cash flows before income taxes (PV-10) is not considered a U.S. generally accepted accounting principle (GAAP) financial measure. We believe that our PV-10 presentation is an important measure and useful to our investors because it presents the discounted future net cash flows attributable to our proved reserves before taking into account the related future income taxes, as such taxes may differ among companies because of differences in the amounts and timing of deductible basis, net operating loss carryforwards and other factors. We believe investors use our PV-10 as a basis for comparison of the relative size and value of our proved reserves to the reserve estimates of other companies. PV-10 is not a measure of financial or operating performance under U.S. GAAP and is not intended to represent the current market value of our estimated oil and gas reserves. PV-10 should not be considered in isolation or as a substitute for the standardized measure of discounted future net cash flows as defined under U.S. GAAP.
c. Future tax deductions are expected to be sufficient to fully offset future taxable income, resulting in no future income tax obligation at December 31, 2015.

Refer to Note 21 for further discussion of our proved reserves.

Probable Reserves. All of our probable oil and gas reserves at December 31, 2015, are based upon reserve reports prepared by the independent petroleum engineering firm of NSAI. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves, but which, together with proved reserves, are as likely as not to be recovered. In addition to the uncertainties inherent in estimating quantities and values of proved reserves, probable reserves may be assigned to areas where data control or interpretations of available data are less certain even if the interpreted reservoir continuity of structure or productivity does not meet the reasonably certain criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir. Probable reserve estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves. Undeveloped reserves that meet the reasonably certain, economic and other requirements to be classified as proved undeveloped, except that they are not expected to be developed within five years, are classified as probable reserves.

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The following table presents our estimated probable oil and gas reserves at December 31, 2015:

	Probable Oil and Gas Reserves Estimated at December 31, 2015		
	Oil[a] (MMBbls)	Gas (Bcf)	Total (MMBOE)
Probable Developed[b]:			
GOM	20	45	27
California	5	—	5
	25	45	32
Probable Undeveloped:			
GOM	65	29	70
California	27	2	27
	92	31	97
Total Probable Reserves	117	76	129

a. Includes 5 MMBbls of NGL probable reserves, consisting of 2 MMBbls of probable developed and 3 MMBbls of probable undeveloped.
b. Reflects reserves associated with incremental recovery from existing production/injection wells that require minimal to no future development costs and reserves associated with work performed on existing producers/injectors that do not meet the reasonable certainty requirements to be classified as proved reserves.

Drilling Activities

The following table provides the total number of wells that we drilled during the years ended December 31, 2015 and 2014, and the seven-month period ending December 31, 2013:

	Years Ended December 31,				Seven Months Ended December 31, 2013	
	2015		2014			
	Gross	Net	Gross	Net	Gross	Net
Exploratory						
Productive:						
Oil	2	1	25	21	40	35
Gas	31	5	21	2	25	2
Dry	4	3	10	7	1	1
	37	9	56	30	66	38
Development						
Productive:						
Oil	7	3	184	174	71	66
Gas	17	2	75	10	23	8
Dry	2	2	2	—	1	1
	26	7	261	184	95	75
	63	16	317	214	161	113

In addition to the wells drilled, there were 9 gross exploratory and 19 gross development wells (5 net exploratory and 7 net development wells) in progress at December 31, 2015.

Productive Wells

We had working interests in 3,060 gross (2,976 net) active producing oil wells and 1,759 gross (213 net) active producing natural gas wells at December 31, 2015; 3,069 gross (2,991 net) active producing oil wells and 1,710 gross (211 net) active producing natural gas wells at December 31, 2014; and 3,310 gross (3,153 net) active producing oil

wells and 1,651 gross (238 net) active producing natural gas wells at December 31, 2013. One or more completions in the same well bore are considered one well. If any well in which one of the multiple completions is an oil completion, such well is classified as an oil well. At December 31, 2015, we owned interests in five gross wells containing multiple completions.

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Item 1A. Risk Factors.

This report contains "forward-looking statements" within the meaning of United States (U.S.) federal securities laws. Forward-looking statements are all statements other than statements of historical facts, such as projections or expectations relating to ore grades and milling rates; production and sales volumes; unit net cash costs; cash production costs per barrel of oil equivalent (BOE); operating cash flows; capital expenditures; debt reduction initiatives; exploration efforts and results; development and production activities and costs; liquidity; tax rates; the impact of copper, gold, molybdenum, cobalt, crude oil and natural gas price changes; the impact of deferred intercompany profits on earnings; reserve estimates; future dividend payments; and share purchases and sales.

We undertake no obligation to update any forward-looking statements. We caution readers that forward-looking statements are not guarantees of future performance and our actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include the following:

Financial risks

Declines in the market prices of copper, gold and oil have adversely affected our earnings, cash flows and asset values and, if sustained or intensified, may adversely affect our ability to repay debt. Fluctuations in the market prices of copper, gold and oil have caused and may continue to cause significant volatility in our financial performance and in the trading prices of our debt and common stock.

Our financial results vary with fluctuations in the market prices of the commodities we produce, primarily copper, gold and oil, and to a lesser extent molybdenum, silver, cobalt and natural gas. As described below, during 2015 and in early 2016, copper and oil prices declined significantly. If low prices persist or decline further, they may continue to have a material adverse effect on our financial results, the value of our assets and/or our ability to repay our debt and meet our other fixed obligations; and may continue to depress the trading prices of our common stock and of our publicly traded debt securities.

In response to lower commodities prices, we have announced revised operating plans that incorporate significant reductions in capital spending, production curtailments at certain North and South America mines and actions to reduce operating, exploration and administrative costs, which may not achieve all the results we anticipate. If market prices for our primary commodities continue to decline or persist at low levels, we may have to further revise our operating plans, including curtailing production further, reducing operating costs and capital expenditures and discontinuing certain exploration and development programs. We may be unable to decrease our costs in an amount sufficient to offset reductions in revenues, in which case we may incur additional losses, and those losses may be material. We are also pursuing asset sales and joint venture arrangements to raise proceeds for debt reduction. We may be unable to receive favorable terms for asset sales or joint venture arrangements in the current market environment, which may prevent us from achieving our desired debt reduction levels.

Fluctuations in commodities prices are caused by varied and complex factors beyond our control, including global supply and demand balances and inventory levels; global economic and political conditions; international regulatory, trade and tax policies; commodities investment activity and speculation; the price and availability of substitute products; and changes in technology.

In particular, copper prices may be affected by demand from China, which has become the largest consumer of refined copper in the world, and by changes in demand for industrial, commercial and residential products containing copper. Copper prices have declined significantly during 2015, with London Metal Exchange (LME) spot copper prices

averaging $3.11 per pound in 2014 and $2.49 per pound in 2015. On December 31, 2015, the LME spot copper price was $2.13 per pound. Copper prices weakened further in early 2016 with the LME spot copper price ranging from $1.96 per pound to $2.13 per pound from January 1, 2016, to February 19, 2016. The decline in prices during 2015 resulted in non-cash charges for copper and molybdenum inventory adjustments ($338 million) and long-lived mining asset impairments ($37 million), as more fully discussed in Notes 4 and 5. Copper prices at or below the December 31, 2015, level could result in additional inventory adjustments and impairment charges for our long-lived mining assets. Other events that could result in impairment of our long-lived mining assets include, but are not limited to, decreases in estimated proven and probable mineral reserves and any event that might otherwise have a material adverse effect on mine production costs.

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Factors affecting gold prices may include the relative strength of the U.S. dollar to other currencies, inflation and interest rate expectations, purchases and sales of gold by governments and central banks, demand from China and India, two of the world's largest consumers of gold, and global demand for jewelry containing gold. The London PM gold price averaged $1,160 per ounce in 2015 and $1,266 per ounce in 2014, and was $1,062 per ounce on December 31, 2015.

Crude oil prices have been and could be affected in the future by continued development of shale reserves through hydraulic fracturing, actions of the Organization of the Petroleum Exporting Countries and other major oil producing nations, political and weather conditions in oil producing regions, transportation and refinery capacity, the amount of foreign imports of oil into the U.S., and the impact of legislation adopted in December 2015 lifting 40-year old restrictions on exporting U.S. oil. Oil prices have declined significantly since mid-2014, with Brent crude oil prices averaging $99.45 per barrel in 2014 and $53.64 per barrel in 2015. On December 31, 2015, the Brent crude oil price was $37.28. In early 2016, oil prices weakened further to multi-year lows in response to excess global supplies and relatively weak economic conditions with Brent crude oil prices ranging from $27.88 per barrel to $37.22 per barrel from January 1, 2016, to February 19, 2016. As further discussed in Note 1 and in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A), lower oil prices, and to a lesser extent natural gas prices, were a significant contributing factor to the non-cash impairment charges totaling $13.1 billion for the year 2015 and $3.7 billion for the year 2014 to write-down the carrying value of our proved oil and gas properties.

As further described in Note 1, under full cost accounting rules, a "ceiling test" is conducted each quarter to review the carrying value of proved oil and gas properties for impairment. The U.S. Securities and Exchange Commission (SEC) requires that the twelve-month average of the first-day-of-the-month historical reference prices be used to determine the ceiling test limitation. Using West Texas Intermediate (WTI) as the reference oil price, the average price was $50.28 per barrel at December 31, 2015, compared with $94.99 per barrel at December 31, 2014. If the twelve-month historical average price remains below the December 31, 2015, twelve-month average of $50.28 per barrel, the ceiling test limitation will decrease potentially resulting in additional ceiling test impairments of our oil and gas properties. The WTI spot oil price was $29.64 per barrel at February 19, 2016.

In addition to declines in the trailing twelve-month average oil and natural gas prices, other factors that could result in future impairment of our oil and gas properties, include costs transferred from unevaluated properties to the full cost pool without corresponding proved oil and natural gas reserve additions, negative reserve revisions and the future incurrence of exploration, development and production costs. At December 31, 2015, carrying costs for unevaluated properties were $4.8 billion. These costs will be transferred into the full cost pool as the properties are evaluated and proved reserves are established or if impairment is determined. If these activities do not result in additions to discounted future net cash flows from proved oil and natural gas reserves at least equal to the related costs transferred (net of related tax effects), ceiling test impairments may occur. During 2015, we transferred $6.4 billion of costs associated with unevaluated properties to the full cost pool mostly reflecting impairment of the carrying values of unevaluated properties.

Our debt and other financial commitments may limit our financial and operating flexibility.

At December 31, 2015, our total consolidated debt was $20.4 billion (see Note 8) and our total consolidated cash was $224 million. We also have various other financial commitments, including for reclamation and environmental obligations, take-or-pay contracts and leases. Our level of indebtedness and other financial commitments could have important consequences to our business, including the following:

- Limiting our flexibility in planning for, or reacting to, changes in the industries in which we operate;

- Increasing our vulnerability to general adverse economic and industry conditions;

- Limiting our ability to fund future working capital and capital expenditures, to engage in future development activities, or to otherwise realize the value of our assets and opportunities fully because of the need to dedicate a substantial portion of our cash flows from operations to payments on our debt;

- Requiring us to sell assets to reduce debt; or

- Placing us at a competitive disadvantage compared to our competitors that have less debt and/or fewer financial commitments.

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On February 26, 2016, we reached agreement with our bank group to amend our revolving credit facility and term loan. The changes pursuant to the revolving credit facility and the term loan included modifications of the maximum leverage ratio and minimum interest expense coverage ratio to provide us with additional flexibility, and the commitment under our revolving credit facility has been reduced by $500 million from $4.0 billion to $3.5 billion. A springing collateral and guarantee trigger was added to the revolving credit facility and term loan. Under this provision, if we have not entered into definitive agreements for asset sales totaling $3.0 billion in aggregate by June 30, 2016, that are reasonably expected to close by December 31, 2016, we will be required to secure the revolving credit facility and term loan with a mutually acceptable collateral and guarantee package. If such asset sales totaling $3.0 billion in aggregate have not occurred by December 31, 2016, then the springing collateral and guarantee trigger will go into effect. Refer to Notes 8 and 18 for further information about the revolving credit facility and term loan.

Any failure to comply with the financial and other covenants in our debt agreements may result in an event of default that would allow the creditors to accelerate the related debt, which in turn may trigger cross-acceleration or cross-default provisions in other debt agreements. Our cash flow would not be sufficient to fully repay borrowings under our debt instruments that are accelerated upon an event of default.

Since August 2015 and through January 5, 2016, we sold 210 million shares of our common stock at an average price of $9.47 per share under at-the-market equity programs that generated approximately $2 billion in gross proceeds. We may seek to raise additional equity capital to fund operations, reduce debt or improve our financial position, which may have a negative impact to our stock price. For additional information, see Note 10.

As of February 24, 2016, our senior unsecured debt was rated "BB" with a negative outlook by Standard & Poor’s (S&P), "BBB-" with a negative outlook by Fitch Ratings (Fitch), and "B1" with a negative outlook by Moody’s Investors Service (Moody's). There is no assurance that our credit ratings will not be downgraded in the future. For more information, refer to the risk factor below relating to mine closure and reclamation regulations and plugging and abandonment obligations related to our oil and gas operations.

Our strategic review of the oil and gas business and evaluation of other transactions may not result in increased stockholder value.

Our Board of Directors (the Board) is undertaking a strategic review of alternatives for our oil and gas business. We and our advisors are actively engaged with interested parties in a process to evaluate opportunities that include asset sales and joint venture arrangements that would generate cash proceeds for debt repayment. We are also evaluating transactions involving certain of our mining assets. These initiatives may not result in transactions or other events that will lead to debt reduction or an increase in stockholder value.

Mine closure and reclamation regulations impose substantial costs on our operations, and include requirements that we provide financial assurance supporting those obligations. We also have plugging and abandonment obligations related to our oil and gas properties, and are required to provide bonds or other forms of financial assurance in connection with those operations. Changes in or the failure to comply with these requirements could have a material adverse effect on us.

We are required by U.S. federal and state laws and regulations to provide financial assurance sufficient to allow a third party to implement approved closure and reclamation plans for our mining properties if we are unable to do so. The U.S. Environmental Protection Agency (EPA) and state agencies may also require financial assurance for investigation and remediation actions that are required under settlements of enforcement actions under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) or equivalent state

regulations. Refer to Note 12 for additional information regarding our financial assurance obligations.

With respect to our mining operations, most of our financial assurance obligations are imposed by state laws that vary significantly by jurisdiction. Currently there are no financial assurance requirements for active mining operations under CERCLA, but in August 2014, several environmental organizations initiated litigation against the EPA to require it to set a schedule for adopting financial assurance regulations under CERCLA governing the hard rock mining industry. The EPA and the environmental organizations reached a joint agreement and submitted it to the U.S. Court of Appeals for the District of Columbia Circuit for approval. Notwithstanding industry objections, the court approved the agreement on January 29, 2016, thereby requiring the EPA to propose financial assurance

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regulations for the hard rock mining industry by December 1, 2016, and to provide notice of its final action by December 1, 2017. The Court also ruled that the EPA has no obligation to promulgate rules at all and has until the end of 2016 to decide whether or not to proceed. It is uncertain how the new requirements, if promulgated, will affect the amount and form of our existing and future financial assurance obligations or the extent to which they will supplement or replace state requirements. Any new regulations may, however, be financially material and adverse.

We are also subject to financial assurance requirements in connection with our oil and gas operations under both state and federal laws. For example, permits, bonding and insurance are required to drill, operate, and plug and abandon wells. Financial responsibility requirements are also required under the Oil Pollution Act of 1990 to cover containment and cleanup costs resulting from an oil spill.

In order to cover the various obligations of lessees operating in federal waters, such as the cost to plug and abandon wells and decommission and remove platforms and pipelines at the end of production, the BOEM generally requires that lessees demonstrate financial strength and reliability according to regulatory standards sufficient to obtain a waiver from the requirement to post supplemental bonds, or post such bonds or other acceptable assurances that those obligations will be satisfied. Although we are currently exempt from the requirement to post security under the current rules, we may be required to post security under these rules if the BOEM determines we are no longer eligible for the exemption, which could have a material adverse effect on our financial condition and liquidity. In August 2014, the BOEM issued an Advanced Notice of Proposed Rulemaking in which the agency indicated that it was considering changing the financial assurance requirements, and it currently plans to publish a revised notice in 2016. Among other things, the Notice states that the BOEM intends to revise its supplemental bonding procedures to eliminate waivers from the requirement to post security. Substantial changes to BOEM’s financial assurance requirements, including a requirement to post significant amounts of security in the form of bonds or similar assurance, could have a material adverse effect on our financial condition and liquidity. The cost for bonds or assurances can be substantial, and there is no assurance that they can be obtained in all cases. Our failure to provide financial assurance, or failure to do the same by our co-lessees, could result in BOEM or the Bureau of Safety and Environmental Enforcement (BSEE) suspending or terminating operations on affected leases, which could materially and adversely affect our financial condition and results of operations.

As of December 31, 2015, our financial assurance obligations associated with closure, reclamation and remediation of mining sites, and plugging and abandonment obligations in our oil and gas operations totaled approximately $2.6 billion, and a substantial portion of these obligations were satisfied by FCX and FM O&G guarantees and financial capability demonstrations. As a result of the downgrade of the credit ratings of our debt below investment grade by S&P's and Moody’s, we may be required to provide additional or alternative forms of financial assurance, such as letters of credit, surety bonds or collateral. These other forms of assurance would be costly to provide and, depending on our financial condition and market conditions, may be difficult or impossible to obtain. Failure to provide the required financial assurance could result in the closure of the affected mines or suspension of the affected oil and gas operations.

Refer to Notes 1 and 12, for further discussion of our environmental and asset retirement obligations.

International risks

Our international operations are subject to political, social and geographic risks of doing business in countries outside the U.S.

We are a U.S.-based natural resources company with substantial mining assets located outside of the U.S. We conduct international mining operations in Indonesia, Peru, Chile and the Democratic Republic of Congo (DRC). Accordingly,

in addition to the usual risks associated with conducting business in countries outside the U.S., our business may be adversely affected by political, economic and social uncertainties in each of these countries. Risks of conducting business in countries outside of the U.S. include:

- Renegotiation, cancellation or forced modification of existing contracts;

- Expropriation or nationalization of property;

- Changes in another country's laws, regulations and policies, including those relating to labor, taxation, royalties, divestment, imports, exports, trade regulations, currency and environmental matters, which

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because of rising "resource nationalism" in countries around the world, may impose increasingly onerous requirements on foreign operations and investment;

- Political instability, bribery, extortion, corruption, civil strife, acts of war, guerrilla activities, insurrection and terrorism;

- Changes in the aspirations and expectations of local communities in which we operate with respect to our contributions to employee health and safety, infrastructure and community development and other factors that may affect our social license to operate, all of which lead to increased costs;

- Foreign exchange controls and movements in foreign currency exchange rates; and

- The risk of having to submit to the jurisdiction of an international court or arbitration panel or having to enforce the judgment of an international court or arbitration panel against a sovereign nation within its own territory.

Our insurance does not cover most losses caused by the above described risks. Accordingly, our exploration, development and production activities outside of the U.S. may be substantially affected by many unpredictable factors beyond our control, some of which could materially and adversely affect our results of operations and financial condition.

Our international operations must comply with the U.S. Foreign Corrupt Practices Act and similar anti-corruption and anti-bribery laws of the other jurisdictions in which we operate. There has been a substantial increase in the global enforcement of these laws in recent years, and a steadily increasing focus on enforcement of those laws continues. Any violation of those laws could result in significant criminal or civil fines and penalties, litigation, and loss of operating licenses or permits, and may damage our reputation, which could have a material adverse effect on our business, results of operations and financial condition.

We are involved in several significant tax proceedings and other tax disputes with the Indonesian and Peruvian tax authorities (refer to Note 12 for further discussion of these matters). Other risks specific to certain countries in which we operate are discussed in more detail below.

Because our Grasberg mining operations in Indonesia is a significant operating asset, our business may continue to be adversely affected by political, economic and social uncertainties and security risks in Indonesia.

Our mining operations in Indonesia are conducted by our subsidiary PT Freeport Indonesia (PT-FI) pursuant to a Contract of Work (COW) with the Indonesian government. Maintaining a good working relationship with the Indonesian government is important to us because of the significance of our Indonesia operations to our business, and because our mining operations there are among Indonesia's most significant business enterprises. Partially because of their significance to Indonesia's economy, the environmentally sensitive area in which they are located, and the number of people employed, our Indonesia operations have been the subject of political debates and of criticism in the Indonesian press, and have been the target of protests and occasional violence. For further discussion of the history of PT-FI's COW, refer to Note 13.

The initial term of PT-FI's COW expires in 2021, but the COW explicitly provides that it can be extended for two 10-year periods subject to Indonesian government approval, which cannot be withheld or delayed unreasonably. PT-FI has been engaged in discussions with officials of the Indonesian government since 2012 regarding various provisions of its COW, including extending the term of the COW. Notwithstanding provisions in the COW prohibiting it from doing so, the Indonesian government has sought to modify existing mining contracts, including PT-FI’s COW, to

address provisions contained in the mining law enacted in 2009, and mining regulations adopted thereunder, including matters with respect to the size of contract concessions, government revenues, domestic processing of minerals, divestment, provision of local goods and services, conversion from a COW to a licensing framework for extension periods, and a requirement that extensions may be applied for only within two years prior to a COW's expiration.

Regulations published in January 2014 imposed, among other things, a progressive export duty on copper concentrate and restricts concentrate exports after January 12, 2017. Despite PT-FI's rights under its COW to

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export concentrate without the payment of duties, PT-FI was unable to obtain administrative approval for exports and operated at approximately half of its capacity from mid-January 2014 through July 2014.

In July 2014, PT-FI entered into a Memorandum of Understanding (MOU) with the Indonesian government. Under the MOU, PT-FI provided a $115 million assurance bond to support its commitment for smelter development, agreed to increase royalty rates and agreed to pay export duties (which were set at 7.5 percent, declining to 5.0 percent when smelter development progress exceeds 7.5 percent and are eliminated when development progress exceeds 30 percent). The MOU also anticipated an amendment of the COW within six months to address other matters; however, no terms of the COW other than those relating to the smelter bond, increased royalties and export duties were changed. In January 2015, the MOU was extended to July 25, 2015, and it expired on that date. The increased royalty rates, export duties and smelter assurance bond remain in effect.

PT-FI is required to apply for renewal of export permits at six-month intervals. On July 29, 2015, PT-FI's export permit was renewed through January 28, 2016. In connection with the renewal, export duties were reduced to 5.0 percent, as a result of smelter development progress. On February 9, 2016, PT-FI's export permit was renewed through August 8, 2016. PT-FI will continue to pay a 5.0 percent export duty on concentrate while it reviews its smelter progress with the Indonesian government.

As of December 31, 2015, we owned 90.64 percent of PT-FI, and the remaining 9.36 percent was owned by the Indonesian government. Upon completion of an amended COW, which has not yet occurred, we and PT-FI have agreed to divest to the Indonesian national or local governments and/or Indonesian nationals up to a 30 percent interest (an additional 20.64 percent) in PT-FI at fair market value.

PT-FI is engaged in active discussions with the Indonesian government regarding an amended COW. The revisions to the COW are expected to result in additional costs for our Indonesian operations. We cannot predict whether we will be successful in reaching a satisfactory agreement on the terms of our long-term mining rights. It has been difficult to get firm or final commitments from the Indonesian government. As a result, the outcome of these discussions remains uncertain. If we are unable to reach agreement with the government on our long-term rights, we may be required to reduce or defer investments in our underground development projects, which would materially and adversely affect future production and reserves. In addition, we cannot predict whether our applications for renewal of export permits, which are required at six-month intervals, will be granted on a timely basis or whether we will be permitted to export concentrate after August 8, 2016. Recent media reports have indicated that the Indonesia government is considering revisions to the 2009 Mining Law. It is unclear how any such changes would impact our current negotiations with the Indonesian government related to the extension and amendment of the COW, smelter development, export permits and other significant issues.

Indonesia has long faced separatist movements and civil and religious strife in a number of provinces. Several separatist groups have sought increased political independence for the province of Papua, where our Grasberg minerals district is located. In Papua, there have been sporadic attacks on civilians by separatists and sporadic but highly publicized conflicts between separatists and the Indonesian military. In addition, illegal miners have periodically clashed with police who have attempted for years to move them away from our facilities. Social, economic and political instability in Papua could materially and adversely affect us if it results in damage to our property or interruption of our Indonesia operations.

In 2009, a series of shooting incidents occurred within the PT-FI project area, including along the road leading to our mining and milling operations. The shooting incidents have continued on a sporadic basis with the last incident occurring on January 1, 2015. During this time, there were 20 fatalities and 59 injuries to our employees, contractor employees, government security personnel and civilians. To date, no one person or group has claimed responsibility for the shootings. The safety of our workforce is a critical concern, and PT-FI continues to work with the Indonesian

government to address security issues. The investigation of these incidents is ongoing. We also continue to limit the use of the road leading to our mining and milling operations to secured convoys.

We cannot predict whether additional incidents will occur that could disrupt or suspend our Indonesian operations. If other disruptive incidents occur, they could adversely affect our results of operations and financial condition in ways that we cannot predict at this time. For further discussion of labor disruptions at PT-FI, refer to the operational risk factor "Labor unrest and activism could disrupt our operations and may adversely affect our business, financial condition, results of operations and prospects."

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We will not mine all of our ore reserves in Indonesia before the initial term of our COW expires.

The initial term of PT-FI's COW expires in 2021, but can be extended for two 10-year periods subject to Indonesian government approval, which pursuant to the COW cannot be withheld or delayed unreasonably. Our proven and probable ore reserves in Indonesia reflect estimates of minerals that can be recovered through the end of 2041, and our current mine plan and planned operations are based on the assumption that we will receive the two 10-year extensions. As a result, we will not mine all of these ore reserves during the initial term of the current COW. Prior to the end of 2021, we expect to mine 21 percent of aggregate proven and probable recoverable ore at December 31, 2015, representing 27 percent of PT-FI's share of recoverable copper reserves and 38 percent of its share of recoverable gold reserves. There can be no assurance that the Indonesian government will approve our COW extensions. For further discussion, refer to the above risk factor "Because our Grasberg minerals district is a significant operating asset, our business may continue to be adversely affected by political, economic and social uncertainties and security risks in Indonesia."

PT-FI's COW may be subject to termination if we do not comply with our contractual obligations, and if a dispute arises, we may have to submit to the jurisdiction of an international arbitration panel.

PT-FI's COW was entered into under Indonesia's 1967 Foreign Capital Investment Law, which provides guarantees of remittance rights and protection against nationalization. The COW may be subject to termination by the Indonesian government if we do not satisfy our contractual obligations, which include the payment of royalties and taxes to the government and the satisfaction of certain mining, environmental, safety and health requirements.

Recently adopted Indonesian laws and regulations conflict with the mining rights established under the COW. Although the COW grants to PT-FI the unencumbered right to operate in accordance with the COW, government agencies have sought and may continue to seek to impose additional restrictions on PT-FI that could affect exploration and operating requirements. For further discussion, refer to the above risk factor "Because our Grasberg minerals district is a significant operating asset, our business may continue to be adversely affected by political, economic and social uncertainties and security risks in Indonesia."

At times, certain government officials and others in Indonesia have questioned the validity of contracts entered into by the Indonesian government prior to May 1998 (i.e., during the Suharto regime, which lasted over 30 years), including PT-FI's COW, which was signed in December 1991. We cannot provide assurance that the validity of, or our compliance with, the COW will not be challenged for political or other reasons.

PT-FI's COW requires that disputes with the Indonesian government be submitted to international arbitration. Accordingly, if a dispute arises under the COW, we face the risk of having to submit to the jurisdiction of an international arbitration panel, and if we prevail in such a dispute, we will face the additional risk of having to enforce the judgment of an international arbitration panel against Indonesia within its own territory. Additionally, our operations may be materially and adversely affected while resolution of a dispute is pending, and such a dispute could be pending for years.

The Tenke Fungurume (Tenke) minerals district is located in the Southeast region of the DRC, and may be adversely affected by security risks and political, economic and social instability in the DRC.

Since gaining independence in 1960, the DRC has undergone outbreaks of violence, changes in national leadership and financial crises. The DRC held its first democratic elections in 2006. President Joseph Kabila, elected in 2006 and currently serving his second five-year term, is not eligible under the DRC constitution for reelection. The next presidential election is scheduled to be held in November 2016 but recent reports indicate that the government may

delay the elections, which could lead to additional unrest. These factors heighten the risk of abrupt changes in the national policy toward foreign investors, which in turn could result in unilateral modification of concessions or contracts, increased taxation, denial of permits or permit renewals or expropriation of assets. As part of a review of all mining contracts by the Ministry of Mines (the Ministry) in the DRC, in February 2008, we received notification that the Ministry wished to renegotiate several material provisions of Tenke Fungurume Mining S.A.'s (TFM) mining contracts. In October 2010, the DRC government concluded its review of TFM's existing mining contracts and confirmed that they were in good standing. In connection with the review, several amendments were made to TFM’s mining contracts and governing documents, and in March 2012, FCX's effective ownership in TFM was reduced from 57.75 percent to 56 percent.

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Political, economic, social and security risks in the DRC are generally outside of our control and could adversely affect our business. These risks include legal and regulatory uncertainties with limited effective recourse through the courts; exposure to an environment of governmental corruption and bribery; unwarranted attempts to increase taxes or make claims for fees and penalties by governmental officials, including retroactive claims; administrative disputes; security risks resulting from political instability; risks associated with illegal mining activity on Tenke's concession; and risk of loss because of civil strife, acts of war, guerrilla activities, insurrection and terrorism.

In addition to ongoing conflict in the eastern region of the DRC, there have been acts of violence in the Southeast region of the DRC where the Tenke minerals district is located. The safety of our workforce at all of our operations is our highest priority, and TFM works cooperatively with government officials to address security issues; however, no assurance can be given that conflict or random acts of violence will not occur near or impact Tenke's operations.

Accordingly, our Tenke operations and future development activities at the Tenke minerals district may be substantially affected by factors beyond our control, any of which could interrupt TFM’s operations or future development activities and have a material adverse effect on our results of operations and financial condition.

Operational risks

Our mining and oil and gas operations are subject to operational risks that could adversely affect our business.

Our mines are very large in scale and, by their nature are subject to significant operational risks, some of which are outside of our control, and many of which are not covered fully, or in some cases even partially, by insurance. These operational risks, which could materially and adversely affect our business, operating results and cash flow, include earthquakes, rainstorms, floods, and other natural disasters; equipment failures; accidents; wall failures and rock slides in our open-pit mines, and structural collapses of our underground mines or tailings impoundments; and lower than expected ore grades or recovery rates.

The waste rock (including overburden) and tailings produced in our mining operations represent our largest volume of waste. Managing the volume of waste rock and tailings presents significant environmental, safety and engineering challenges and risks. We maintain large leach pads and tailings impoundments containing viscous material, which are effectively large dams that must be engineered, constructed and monitored to assure structural stability and avoid leakages or structural collapse. Our tailings impoundments in arid areas must have effective programs to suppress fugitive dust emissions, and we must effectively monitor and treat acid rock drainage at all of our operations. In Indonesia, we use a river transport system for tailings management, which presents other risks, as discussed elsewhere in these risk factors.

The failure of tailings and other impoundments at any of our mining operations could cause severe property and environmental damage and loss of life, and we apply significant financial resources and both internal and external technical resources to the effective, safe management of all those facilities. The importance of careful design, management and monitoring of large impoundments was emphasized recently by large scale tailings dam failures at unaffiliated mines, which caused extensive property and environmental damage and resulted in the loss of life.

Our oil and gas operations are also subject to operating hazards, including well blowouts, cratering, explosions, fires, uncontrollable flows of oil, gas or well fluids and pipeline ruptures, as well as natural disasters such as earthquakes, mudslides and hurricanes. Our operations in California, including transportation of oil by pipelines within the city and county of Los Angeles, are especially susceptible to damage from earthquakes and involve increased risks of personal injury, property damage and marketing interruptions because of the population density of southern California. Our operations in the Gulf of Mexico (GOM) and Gulf Coast region are particularly susceptible to interruption and

damage from hurricanes. Any of these operating hazards could cause personal injuries, fatalities, oil spills, discharge of hazardous substances into the air, soil, water and groundwater and other property or environmental damage, lost production and revenue, remediation and clean-up costs and liability for damages, all of which could adversely affect our financial condition and results of operations and may not be fully covered by our insurance.

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Labor unrest and activism could disrupt our operations and may adversely affect our business, financial condition, results of operations and prospects.

As of December 31, 2015, 48 percent of our global labor force was covered by collective bargaining agreements and 4 percent of our global labor force was covered by agreements that expired in 2015 and are currently being negotiated or will expire during 2016, including the agreement covering employees at our El Abra mine in Chile. None of the employees of our oil and gas operations are represented by a union or covered by a collective labor agreement. Labor agreements are negotiated on a periodic basis, and may not be renewed on reasonably satisfactory terms to us or at all. If we do not successfully negotiate new collective bargaining agreements with our union workers, we may incur prolonged strikes and other work stoppages at our mining operations, which could adversely affect our financial condition and results of operations. Additionally, if we enter into a new labor agreement with any union that significantly increases our labor costs relative to our competitors, our ability to compete may be materially and adversely affected. Refer to Items 1. and 2., "Business and Properties," for additional information regarding labor matters, and expiration dates of such agreements.

We could also experience labor disruptions such as work stoppages, work slowdowns, union organizing campaigns, strikes, or lockouts which could adversely affect our operations. For example, our PT-FI operations were affected by work stoppages in 2011 and during first-quarter 2012. In October 2014, a large percentage of Grasberg open-pit operators did not report to their scheduled shifts, notwithstanding approval of resumption of operations by Indonesian authorities upon completion of their investigation of a fatal haul truck accident that occurred near the Grasberg open pit. Significant reductions in productivity or protracted work stoppages at one or more of our operations could significantly reduce our production and sales volumes, which could adversely affect our business, financial condition and results of operations.

Our mining operations depend on the availability of secure water supplies.

Our mining operations require physical availability and secure legal rights to significant quantities of water for mining and ore processing activities, and related support facilities. Most of our North and South America mining operations are in areas where competition for water supplies is significant. Continuous production at our mines is dependent on many factors, including our ability to maintain our water rights and claims, and the continuing physical availability of the water supplies.

In Arizona, where our operations use both surface and ground water, we are a participant in two active general stream adjudications in which the Arizona courts have been attempting, for over 40 years, to quantify and prioritize surface water claims for two of the state's largest river systems, which primarily affect our Morenci, Safford, Sierrita and Miami mines. The adjudications are addressing the state law claims of thousands of competing users, including us, as well as significant federal water claims that are potentially adverse to the state law claims of both surface water and groundwater users. Groundwater is treated differently from surface water under Arizona law, which historically allowed land owners to pump unlimited quantities of subsurface water, subject only to the requirement of putting it to "reasonable use." However, court decisions in one of the adjudications have concluded that underground water is often hydrologically connected to surface water so that it actually is surface water and is therefore subject to the Arizona doctrine of prior appropriation, as a result of which it would be subject to the adjudication and potentially unavailable to groundwater pumpers in the absence of valid surface water claims, which historic groundwater pumpers typically do not have. Any re-characterization of groundwater as surface water could affect the ability of consumers, farmers, ranchers, municipalities, and industrial users like us to continue to access water supplies that have been relied on for decades. Because we are a user of both groundwater and surface water in Arizona, we are an active participant in the adjudication proceedings.

Water for our Cerro Verde operation in Peru comes from renewable sources through a series of storage reservoirs on the Rio Chili watershed that collects water primarily from seasonal precipitation. As a result of occasional drought conditions, temporary supply shortages are possible that could affect our Cerro Verde operations. In January 2016, the Peruvian government declared a temporary state of emergency with respect to the water supply in the Rio Chili Basin because of drought conditions. As a result, the Cerro Verde water rights from the Rio Chili were temporarily decreased by 18 percent beginning in February 2016. The Peruvian government will continue to evaluate supply availability in the subsequent months dependent on monthly precipitation.

Water for our El Abra mining operation in Chile comes from the continued pumping of groundwater from the Salar de Ascotán aquifer. In 2010, El Abra obtained regulatory approval, for the continued pumping of groundwater from the Salar de Ascotán aquifer for its sulfide processing plant, which began operations in 2011. The agreement to

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pump from this aquifer is subject to continued monitoring of the aquifer level to ensure that environmentally sensitive areas are not impacted by our pumping. If impact occurs, we would have to reduce pumping to restore water levels which could affect production from El Abra.

Although we typically have sufficient water for our Indonesian operations, lower rainfall resulting from El Niño weather conditions in the second half of 2015 has impacted operations and may continue to impact operations in 2016.

Although each of our mining operations currently has access to sufficient water supplies to support current operational demands, as discussed above some supplies are subject to adjudication proceedings, the outcome of which we cannot predict, and the availability of additional supplies that may be required for potential future expansions is uncertain. The loss of a water right or currently available water supply could force us to curtail operations or force premature closures, thereby increasing and/or accelerating costs or foregoing profitable operations.

In addition to the usual risks encountered in the mining industry, our Indonesia and Africa mining operations involve additional risks because they are located in very remote areas and, in Indonesia, unusually difficult terrain.

The Grasberg minerals district is located in steep mountainous terrain in a remote area of Indonesia. These conditions have required us to overcome special engineering difficulties and develop extensive infrastructure facilities. In addition, the area receives considerable rainfall, which has led to periodic floods and mudslides. The mine site is also in an active seismic area and has experienced earth tremors from time to time. Our insurance may not sufficiently cover an unexpected natural or operating disaster.

Underground mining operations can be particularly dangerous, and in May 2013, a tragic accident, which resulted in 28 fatalities and 10 injuries, occurred at PT-FI when the rock structure above the underground ceiling of a training facility collapsed. PT-FI temporarily suspended mining and processing activities at the Grasberg complex to conduct inspections and resumed open-pit mining and concentrating activities on June 24, 2013, and underground operations on July 9, 2013. No assurance can be given that similar events will not occur in the future.

The Tenke minerals district is located in a remote area of the DRC and is subject to challenges, such as severely limited infrastructure, including road, bridge and rail access that is in disrepair and receives minimal maintenance; limited and unreliable energy supply from antiquated equipment and from power distribution corridors that are not maintained; difficulties in attracting and retaining experienced personnel; security risks; and limited health care in an area plagued by disease and other potential endemic health issues, including malaria, cholera and HIV.

Additionally, because of limited rail access, we currently truck a significant portion of the production from the Tenke minerals district approximately 1,900 miles to ports in South Africa. The Tenke minerals district and its future development may be substantially affected by factors beyond our control, which could adversely affect its contribution to our operating results and increase the cost of future development.

We must continually replace reserves depleted by production, but our exploration activities may not result in additional discoveries.

Our existing mineral and oil and natural gas reserves will be depleted over time by production from our operations. Because our profits are derived from our mining and oil and gas operations, our ability to replenish our reserves is essential to our long-term success. Our exploration projects involve many risks, require substantial expenditures and may not result in the discovery of additional deposits or reservoirs that can be produced profitably. We may not be able to discover, enhance, develop or acquire reserves in sufficient quantities to maintain or grow our current reserve levels, which could negatively affect our business and prospects.

Development projects are inherently risky and may require more capital than anticipated, which could adversely affect our business.

Consolidated capital expenditures are expected to approximate $3.4 billion for 2016, including $1.9 billion from the mining business (reflecting $1.4 billion for major projects primarily for underground development activities at Grasberg and remaining costs for the Cerro Verde expansion and $0.5 billion for sustaining capital) and $1.5 billion for oil and gas operations.

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There are many risks and uncertainties inherent in all development projects. The economic feasibility of development projects is based on many factors, including the accuracy of estimated reserves, estimated capital and operating costs, and estimated future prices of the relevant commodity. The capital expenditures and time required to develop new mines, wells, or other projects are considerable, and changes in costs or construction or drilling schedules can adversely affect project economics.

New development projects have no operating history upon which to base estimates of future cash flow. The actual costs, production rates and economic returns of our development projects may differ materially from our estimates, which may have a material adverse impact on our business and results of operations.

Operations in the Deepwater GOM present greater operating risks than operations in the shallower waters or onshore. In addition, our shallow water and onshore operations that target ultra-deep prospects involve greater risks and costs than conventional GOM Shelf and onshore Gulf Coast prospects.

The Deepwater GOM presents significant challenges because of risks associated with geological complexity, water depth and higher drilling and development costs. For example, in April 2010, the Deepwater Horizon, an unaffiliated offshore drilling rig located in the Deepwater GOM, sank following an explosion and fire, resulting in fatalities and the discharge of substantial amounts of oil into the GOM until mid-July 2010 when the flow of oil was finally stopped. The U.S. Department of Interior imposed a moratorium on deepwater drilling from May through October 2010 and also issued a series of rules and notices to lessees and operators imposing new and more stringent regulatory safety and performance requirements and permitting procedures for new wells to be drilled in the Deepwater GOM, all of which significantly and adversely disrupted oil and gas exploration activities in the GOM and resulted in increased costs.

The Deepwater GOM also lacks the infrastructure present in shallower waters, which can result in significant delays in obtaining or maintaining production. As a result, deepwater operations may require significant time between a discovery and marketability, thereby increasing the financial risk of these operations.

Our operations are subject to extensive regulations, some of which require permits and other approvals. These regulations increase our costs and in some circumstances may delay or suspend our operations.

Our operations are subject to extensive and complex laws and regulations that are subject to change and to changing interpretation by governmental agencies and other bodies vested with broad supervisory authority. As a natural resource company, compliance with environmental legal requirements is an integral and costly part of our business. For additional information, see "Environmental risks." We are also subject to extensive regulation of worker health and safety, including the requirements of the U.S. Occupational Safety and Health Act and similar laws of other jurisdictions. In the U.S., the operation of our mines is subject to regulation by the U.S. Mine Safety and Health Administration (MSHA) under the Federal Mine Safety and Health Act of 1977. MSHA inspects our mines on a regular basis and issues citations and orders when it believes a violation has occurred. If such inspections result in an alleged violation, we may be subject to fines and penalties and, in instances of alleged significant violations, our mining operations could be subject to temporary or extended closures.

Our oil and gas operations are subject to extensive laws and regulations that require, among other things, permits for the drilling and operation of wells and bonding and insurance to drill, operate and plug and abandon wells, and that regulate the safety of our pipelines. Our U.S. offshore operations in federal waters are subject to broad regulation by the BOEM/BSEE, which among other things must issue permits in connection with our exploration, drilling, development and production plans. Under certain circumstances BOEM/BSEE may impose penalties and may

suspend or terminate any of our operations on federal leases. Many other governmental bodies regulate our operations, and our failure to comply with these legal requirements can result in substantial penalties. In addition, new laws and regulations or changes to existing laws and regulations and new interpretations of existing laws and regulations by courts or regulatory authorities occur regularly, but are difficult to predict. Any such variations could have a material adverse effect on our business and prospects.

Our business may be adversely affected by information technology disruptions.

Cybersecurity incidents are increasing in frequency, evolving in nature and include, but are not limited to, installation of malicious software, unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the

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corruption of data. We have experienced cybersecurity incidents in the past and may experience them in the future. We believe we have implemented appropriate measures to mitigate potential risks. However, given the unpredictability of the timing, nature and scope of information technology disruptions, we could be subject to manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on our financial condition and results of operations.

Environmental risks

Our operations are subject to complex, evolving and increasingly stringent environmental laws and regulations. Compliance with environmental regulatory requirements involves significant costs and may constrain existing operations or expansion opportunities.

Our operations, both in the U.S. and internationally, are subject to extensive environmental laws and regulations governing the generation, storage, treatment, transportation and disposal of hazardous substances; solid waste disposal; air emissions; wastewater discharges; remediation, restoration and reclamation of environmental contamination, including oil spill cleanup; mine closures and reclamation; well plug and abandonment requirements; protection of endangered and protected species and designation of critical habitats; and other related matters. In addition, we must obtain regulatory permits and approvals to start, continue and expand operations.

Our Miami, Arizona smelter processes 44 percent of the aggregate copper concentrate produced by our North America copper mines. EPA regulations require us to invest in new pollution control equipment to reduce sulfur dioxide (SO_2) to meet both regional haze requirements and to allow the state of Arizona to demonstrate compliance with EPA's SO_2 ambient air quality standards. The deadline for the smelter to install the SO_2 pollution control equipment to comply with the regional haze rules is January 1, 2018. The Arizona rules for complying with the national ambient air quality standards are still being developed by state regulators and are subject to EPA approval, and it is not clear when they will become effective, but it is possible that they will be effective prior to January 1, 2018. We expect capital expenditures for this project (to meet both regulatory requirements) to total approximately $250 million, and we expect those expenditures to be made through 2018. If these expenditures are delayed or deferred for technical, financial or any other reasons, we may be forced to curtail production at the Miami smelter, which would require us to export concentrate rather than process it ourselves and to purchase sulphuric acid that would otherwise be generated during the smelting process, which would result in increased production costs.

Laws such as CERCLA and similar state laws may expose us to joint and several liability for environmental damages caused by previous owners or operators of properties we acquired or are currently operating or at sites where we sent materials for processing, recycling or disposal. As discussed in more detail in the next risk factor, we have substantial obligations for environmental remediation on mining properties previously owned or operated by Freeport Minerals Corporation (FMC) and certain of its affiliates. Some of our onshore California oil and gas fields have been in operation for more than 100 years, and legal requirements may require substantial expenditures to remediate the properties or to otherwise comply with these requirements. Noncompliance with these laws and regulations could result in material penalties or other liabilities. In addition, compliance with these laws may from time to time result in delays in or changes to our development or expansion plans. Compliance with these laws and regulations imposes substantial costs, which we expect will continue to increase over time because of increased regulatory oversight, adoption of increasingly stringent environmental standards, as well as other factors.

New or revised environmental regulatory requirements are frequently proposed, many of which result in substantially increased costs for our business, including those regarding financial assurance in the financial risk factor above. In addition, in 2015, the EPA promulgated rules that could reclassify certain mineral processing materials as "hazardous waste" under the Federal Resource Conservation and Recovery Act and subject the industry to significant new and

costly waste management requirements. These rules are currently being challenged by multiple parties in court; however, if the legal challenges are unsuccessful, the reclassification of certain mineral processing materials as "hazardous waste'" could materially increase costs at our U.S. copper and molybdenum processing facilities.

The EPA also recently adopted rules that bring remote "tributaries" into the regulatory definition of "waters of the United States" that are protected by the Clean Water Act, thereby imposing significant additional restrictions on waterway discharges and land uses, and is in many ways aggressively attempting to expand its regulatory authority over air quality, water quality and solid wastes, among other things. Regulations are also being considered at various governmental levels to increase federal financial responsibility requirements both for mine closure and reclamation and for oil and gas decommissioning, and to increase regulation of or prohibit hydraulic fracturing.

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Adoption of these or similar new environmental regulations or more stringent application of existing regulations may materially increase our costs, threaten certain operating activities and constrain our expansion opportunities.

In February 2016, the Department of the Interior's Fish & Wildlife Service (FWS) adopted final rules that broaden the regulatory definitions of "critical habitat" and "destruction or adverse modification," both of which are integral to the FWS's implementation of the Endangered Species Act, which protects federally-listed endangered and threatened species. The new rules increase FWS's discretion to limit uses of land and water courses that may become suitable habitat for listed species in the future, or that are occasionally used by protected species. The new rules may limit the ability of landowners, including us, to obtain federal permits or authorizations needed for expansion of our operations, and may also affect our ability to obtain, retain or deliver water to some operations.

During 2015, we incurred environmental capital expenditures and other environmental costs (including our joint venture partners' shares) to comply with applicable environmental laws and regulations that affect our operations of $421 million, compared with $405 million in 2014 and $595 million in 2013. For 2016, we expect to incur approximately $495 million of aggregate environmental capital expenditures and other environmental costs. The timing and amounts of estimated payments could change as a result of changes in regulatory requirements, changes in scope and costs of reclamation and plug and abandonment activities, the settlement of environmental matters and the rate at which actual spending occurs on continuing matters.

We incur significant costs for remediating environmental conditions on mining properties that have not been operated in many years.

FMC and its subsidiaries, and many of their affiliates and predecessor companies have been involved in exploration, mining, milling, smelting and manufacturing in the U.S. for more than a century. Activities that occurred in the late 19th century and the 20th century prior to the advent of modern environmental laws were not subject to environmental regulation and were conducted before American industrial companies fully understood the long-term effects of their operations on the surrounding environment.

With the passage of CERCLA in 1980, companies like FMC became legally responsible for remediating hazardous substances released into the environment from properties owned or operated by them as well as properties where they arranged for disposal of such substances, irrespective of when the release to the environment occurred or who caused it. That liability is often asserted on a joint and several basis with other prior and subsequent owners, operators and arrangers, meaning that each owner or operator of the property is, and each arranger may be, held fully responsible for the remediation, although in many cases some or all of the other responsible parties no longer exist, do not have the financial ability to respond or cannot be found. As a result, because of our acquisition of FMC in 2007, many of the subsidiary companies we now own are potentially responsible for a wide variety of environmental remediation projects throughout the U.S., and we expect to spend substantial sums annually for many years to address those remediation issues. We are also subject to claims where the release of hazardous substances is alleged to have damaged natural resources. At December 31, 2015, we had more than 100 active remediation projects (including damaged natural resource claims) in 26 U.S. states. In addition, FMC and certain affiliates and predecessor companies were parties to agreements relating to the transfer of businesses or properties, which contained indemnification provisions relating to environmental matters, and which from time to time become the source of claims against us.

At December 31, 2015, we had $1.2 billion recorded in our consolidated balance sheet for environmental obligations attributable to CERCLA or analogous state programs and for estimated future costs associated with environmental matters at closed facilities or closed portions of certain operating facilities. Our environmental obligation estimates are primarily based upon:

- Our knowledge and beliefs about complex scientific and historical facts and circumstances that in many cases occurred many decades ago;

- Our beliefs and assumptions regarding the nature, extent and duration of remediation activities that we will be required to undertake and the estimated costs of those remediation activities, which are subject to varying interpretations; and

- Our beliefs regarding the requirements that are imposed on us by existing laws and regulations and, in some cases, the clarification of uncertain regulatory requirements that could materially affect our environmental obligation estimates.

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Significant adjustments to these estimates are likely to occur in the future as additional information becomes available. The actual environmental costs may exceed our current and future accruals for these costs, and any such changes could be material.

In addition, remediation standards imposed by the EPA and state environmental agencies have generally become more stringent over time and may become even more stringent in the future. Imposition of more stringent remediation standards poses a risk that additional remediation work could be required at our active remediation sites and at sites that we have already remediated to the satisfaction of the responsible governmental agencies, and may increase the risk of toxic tort litigation.

Refer to Note 12 for further discussion of our environmental obligations.

Our Indonesia mining operations create difficult and costly environmental challenges, and future changes in environmental laws, or unanticipated environmental impacts from those operations, could require us to incur increased costs.

Mining operations on the scale of our Indonesia operations involve significant environmental risks and challenges. Our primary challenge is to dispose of the large amount of crushed and ground rock material, called tailings, that results from the process by which we physically separate the copper-, gold- and silver-bearing materials from the ore that we mine. Our tailings management plan, which has been approved by the Indonesian government, uses the unnavigable river system in the highlands near our mine to transport the tailings to an engineered area in the lowlands where the tailings and natural sediments are managed in a deposition area. Lateral levees have been constructed to help contain the footprint of the tailings and to limit their impact in the lowlands.

Another major environmental challenge is managing overburden, which is the rock that must be moved aside in the mining process to reach the ore. In the presence of air, water and naturally occurring bacteria, some overburden can generate acid rock drainage, or acidic water containing dissolved metals that, if not properly managed, can adversely affect the environment. In addition, overburden stockpiles are subject to erosion caused by the large amounts of rainfall, with the eroded stockpile material eventually being deposited in the lowlands tailings management area; this additional material, while predicted in our environmental studies, could influence the deposition of finer tailings material in the estuary.

From time to time, certain Indonesian government officials have raised questions with respect to our tailings and overburden management plans, including a suggestion that we implement a pipeline system rather than the river transport system for tailings management and disposition. Because our Indonesia mining operations are remotely located in steep mountainous terrain and in an active seismic area, a pipeline system would be costly, difficult to construct and maintain, and more prone to catastrophic failure, and could therefore involve significant potentially adverse environmental issues. Based on our own studies and others conducted by third parties, we do not believe that a pipeline system is necessary or practical.

Regulation of greenhouse gas emissions and climate change issues may increase our costs and adversely affect our operations.

Many scientists believe that emissions from the combustion of carbon-based fuels contribute to greenhouse effects and, therefore, contribute to climate change. Carbon-based energy is a significant input in our operations, and our revenues include sales of oil, natural gas liquids and natural gas, and other carbon-based energy products. The potential physical impacts of climate change on our operations are highly uncertain, and would vary by operation

based on particular geographic circumstances. As a result of the Paris Agreement reached during the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change in 2015, a number of governments have pledged "Nationally Determined Contributions" to control and reduce greenhouse gas emissions. In the U.S., the EPA has finalized regulations governing greenhouse gas emissions from new, modified, and existing power plants. While these rules are being challenged in court, increased regulation of greenhouse gas emissions may increase our costs and may also affect the demand for the oil and gas we produce.

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Other risks

Our holding company structure may impact our ability to service debt and our stockholders' ability to receive dividends.

We are a holding company with no material assets other than the capital stock of our subsidiaries. As a result, our ability to repay our indebtedness and pay dividends is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, loan, debt repayment or otherwise. Our subsidiaries do not have any obligation to make funds available to us to repay our indebtedness or pay dividends. Dividends from subsidiaries that are not wholly owned are shared with other equity owners. Cash at our international operations is also typically subject to foreign withholding taxes upon repatriation into the U.S.

In addition, our subsidiaries may not be able to, or be permitted to, make distributions to us or repay loans to us, to enable us to repay our indebtedness or pay dividends. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal restrictions, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. Certain of our subsidiaries are parties to credit agreements that restrict their ability to make distributions or loan repayments to us if such subsidiary is in default under such agreements, to repay any subordinated loan we may make to such subsidiary unless specified conditions are met, or to transfer substantially all of the assets of such subsidiary without the consent of the lenders. Our rights to participate in any distribution of our subsidiaries' assets upon their liquidation, reorganization or insolvency would generally be subject to the prior claims of the subsidiaries' creditors, including any trade creditors.

Anti-takeover provisions in our charter documents and Delaware law may make an acquisition of us more difficult.

Anti-takeover provisions in our charter documents and Delaware law may make an acquisition of us more difficult. These provisions:

- Authorize the Board to issue preferred stock without stockholder approval and to designate the rights, preferences and privileges of each class; if issued, such preferred stock would increase the number of outstanding shares of our capital stock and could include terms that may deter an acquisition of us;
- Establish advance notice requirements for nominations to the Board or for proposals that can be presented at stockholder meetings;
- Limit who may call stockholder meetings; and
- Require the approval of the holders of two thirds of our outstanding common stock to enter into certain business combination transactions, subject to certain exceptions, including if the consideration to be received by our common stockholders in the transaction is deemed to be a fair price.

These provisions may discourage potential takeover attempts, discourage bids for our common stock at a premium over market price or adversely affect the market price of, and the voting and other rights of the holders of, our common stock. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors other than the candidates nominated by the Board.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit large stockholders from consummating a merger with, or acquisition of, us.

These provisions may deter an acquisition of us that might otherwise be attractive to stockholders.

Item 1B. Unresolved Staff Comments.

Not applicable.

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Item 3. Legal Proceedings.

We are involved in numerous legal proceedings that arise in the ordinary course of our business or are associated with environmental issues arising from legacy operations conducted over the years by Freeport Minerals Corporation (FMC) and its affiliates. We are also involved periodically in inquiries, investigations and other proceedings initiated by or involving government agencies, some of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. Management does not believe, based on currently available information, that the outcome of any legal proceeding will have a material adverse effect on our financial condition; although individual outcomes could be material to our operating results for a particular period, depending on the nature and magnitude of the outcome and the operating results for the period. Below is a discussion of our material water rights legal proceedings. Refer to Note 12 for discussion of our other material legal proceedings.

Water Rights Legal Proceedings

Our operations in the western United States (U.S.) require significant secure quantities of water for mining, ore processing and related support facilities. Continuous operation of our mines is dependent on, among other things, our ability to maintain our water rights and claims and the continuing physical availability of the water supplies. In the arid western U.S., where certain of our mines are located, water rights are often contested, and disputes over water rights are generally time-consuming, expensive and not necessarily dispositive unless they resolve both actual and potential claims. The loss of a water right, or a currently available water supply could force us to curtail operations, or force premature closures, thereby increasing and/or accelerating costs or foregoing profitable operations.

At our North America operations, certain of our water supplies are supported by surface water rights, which give us the right to use public waters for a statutorily defined beneficial use at a designated location. In Arizona, where our operations use both surface and groundwater, we are a participant in two active general stream adjudications in which the Arizona courts have been attempting, for over 40 years, to quantify and prioritize surface water claims for two of the state's largest river systems, which primarily affect our Morenci, Safford, Sierrita and Miami mines. The adjudications are addressing the state law claims of thousands of competing users, including us, as well as significant federal water claims that are potentially adverse to the state law claims of both surface water and groundwater users. Groundwater is treated differently from surface water under Arizona law, which historically allowed land owners to pump unlimited quantities of subsurface water, subject only to the requirement of putting it to "reasonable use." However, court decisions in one of the adjudications have concluded that underground water is often hydrologically connected to surface water so that it actually is surface water and is therefore subject to the Arizona doctrine of prior appropriation, as a result of which it would be subject to the adjudication and potentially unavailable to groundwater pumpers in the absence of valid surface water claims, which historic groundwater pumpers typically do not have. Any re-characterization of groundwater as surface water could affect the ability of consumers, farmers, ranchers, municipalities, and industrial users like us to continue to access water supplies that have been relied on for decades. Because we are a user of both groundwater and surface water in Arizona, we are an active participant in the adjudication proceedings.

In Re the General Adjudication of All Rights to Use Water in the Little Colorado Water System and Sources, Apache County, Superior Court, No. 6417, filed on or about February 17, 1978. The principal parties, in addition to us, include: the state of Arizona; the Salt River Project; the Arizona Public Service Company; the Navajo Nation, the Hopi Indian Tribe; the San Juan Southern Paiute Tribe; and the U.S. on behalf of those tribes, on its own behalf, and on behalf of the White Mountain Apache Tribe. This case involves adjudication of water rights claims, including federal claims, in the Little Colorado River watershed.

In Re The General Adjudication of All Rights to Use Water in the Gila River System and Sources, Maricopa County, Superior Court, Cause Nos. W-1 (Salt), W-2 (Verde), W-3 (Upper Gila), and W-4 (San Pedro). This case was originally initiated in 1974 with the filing of a petition with the Arizona State Land Department and was consolidated and transferred to the Maricopa County Superior Court in 1981. The principal parties, in addition to us, include: the state of Arizona; the Gila Valley Irrigation District; the Franklin Irrigation District; the San Carlos Irrigation and Drainage District; the Salt River Project; the San Carlos Apache Tribe; the Gila River Indian Community (GRIC); and the U.S. on behalf of those tribes, on its own behalf, and on behalf of the White Mountain Apache Tribe, the Fort McDowell Mohave-Apache Indian Community, the Salt River Pima-Maricopa Indian Community, and the Payson Community of Yavapai Apache Indians.

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Prior to January 1, 1983, various Indian tribes filed suits in the U.S. District Court in Arizona claiming superior rights to water being used by many other water users, including us, and claiming damages for prior use in derogation of their allegedly superior rights. These federal proceedings have either been stayed pending the Arizona Superior Court adjudications or have been settled.

The Maricopa County Superior Court issued a decision in 2005 in the Gila River adjudication that directed the Arizona Department of Water Resources (ADWR) to prepare detailed recommendations regarding the delineation of the “sub-flow” zone of the San Pedro River Basin, a tributary of the Gila River. According to the court, the sub-flow zone is the subsurface area adjacent to the river where the court may find that groundwater is connected to the surface water such that groundwater pumping may reduce surface flows in violation of rights of holders of surface water rights. Although we have minimal interests in the San Pedro River Basin, a decision that re-characterizes groundwater in that basin as surface water may set a precedent for other river systems in Arizona that could have material implications for many commercial, industrial, municipal and agricultural users of groundwater, including our Arizona operations.

ADWR produced its recommendations in June 2009 which were objected to by numerous parties. Following this and other court rulings in 2012 and 2013, ADWR submitted a revised report in 2014. The court held hearings in 2015 to address the parties' comments and objections, and the issue is currently under advisement with the court. Also in 2014, ADWR submitted a proposal for the next projects that it believes should be undertaken in the case, including the development of procedures for "cone of depression" analyses to determine whether a well located outside of the subflow zone creates a cone of depression that intersects the subflow zone and causes a drawdown in the subflow of the river. Based on the cone of depression analyses, wells outside of the subflow zone could be subject to the jurisdiction of the adjudication court, which might then require the owners of those wells to either demonstrate a valid surface water claim to support the pumping, refrain from pumping or pay damages. On November 6, 2014, the court held a hearing to address the parties’ comments to ADWR’s revised report. In May 2015, ADWR submitted a report concerning cone of depression testing, and in November 2015, several parties, including us, submitted comments to that report.

As part of the Gila River adjudication, the U.S. has asserted numerous claims for express and implied "reserved" surface water and groundwater rights on non-Indian federal lands throughout Arizona. These claims are related to reservations of federal land for specific purposes (e.g., national parks, military bases and wilderness areas). Unlike state law-based water rights, federal reserved water rights are given priority in the prior appropriation system based on the date the land was reserved, not the date that water was first used on the land. In addition, federal reserved water rights, if recognized by the court, may enjoy greater protection from groundwater pumping than is accorded to state law-based water rights.

Because federal reserved water rights have not yet been quantified, the task of determining how much water each federal reservation may use has been left to the Gila River adjudication court. Several “contested cases” to quantify reserved water rights for particular federal reservations in Arizona are currently pending in the adjudication. For instance, In re Aravaipa Canyon Wilderness Area is a contested case to resolve the U.S.'s claims to water for the Aravaipa Canyon Wilderness Area. These claims went to trial in 2015 and the parties are awaiting a decision. In Re Fort Huachuca concerns the U.S.'s claims to water for an Army base and is scheduled for trial in 2016. In Re Redfield Canyon Wilderness Area and In Re San Pedro Riparian National Conservation Area concern the U.S.'s claims to two other federal reservations, and these cases are expected to go to trial in 2017.

In multiple instances, the U.S. asserts a right to all water in a particular watershed that was not effectively appropriated under state law prior to the establishment of the federal reservation. This creates risks for both surface water users and groundwater users because such expansive claims may severely impede current and future uses of water within the same watershed. Federal reserved rights present additional risks to water users aside from the

significant quantities of water claimed by the U.S. Of particular significance, federal reserved rights enjoy greater protection from groundwater pumping than is accorded to state law-based water rights.

Because there are numerous federal reservations in watersheds across Arizona, the reserved water right claims of the U.S. pose a significant risk to multiple operations, including Morenci and Safford in the Upper Gila River watershed, and Sierrita in the Santa Cruz watershed. Because federal reserved water rights may adversely affect water uses at each of these operations, we have been actively involved in litigation over these claims.

Given the legal and technical complexity of these adjudications, their long history, and their long-term legal, economic and political implications, it is difficult to predict the timing or the outcome of these proceedings. If we are

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unable to satisfactorily resolve the issues being addressed in the adjudications, our ability to pump groundwater could be diminished or curtailed, and our operations at Morenci, Safford, Sierrita and Miami could be adversely affected unless we are able to acquire alternative resources.

Item 4. Mine Safety Disclosures.

The safety and health of all employees is our highest priority. Management believes that safety and health considerations are integral to, and compatible with, all other functions in the organization and that proper safety and health management will enhance production and reduce costs. Our approach towards the health and safety of our workforce is to continuously improve performance through implementing robust management systems and providing adequate training, safety incentive and occupational health programs.

Our objective is zero work place injuries and occupational illnesses. We measure progress toward achieving our objective against regularly established benchmarks, including measuring company-wide Total Recordable Incident Rates (TRIR). Our TRIR (including contractors) was 0.56 per 200,000 man-hours worked in 2015 and 2014, and 0.74 per 200,000 man-hours worked in 2013. The metal mining sector industry average reported by the U.S. Mine Safety and Health Administration (MSHA) was 2.23 per 200,000 man-hours worked in 2014 and 2.39 per 200,000 man-hours worked in 2013. The metal mining sector industry average for 2015 was not available at the time of this filing.

Refer to Exhibit 95.1 for mine safety disclosures required in accordance with Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K.

Executive Officers of the Registrant.

Certain information as of February 19, 2016, about our executive officers is set forth in the following table and accompanying text:

Name	Age	Position or Office
Richard C. Adkerson	69	Vice Chairman of the Board, President and Chief Executive Officer
Kathleen L. Quirk	52	Executive Vice President, Chief Financial Officer and Treasurer
Harry M. "Red" Conger, IV	60	President and Chief Operating Officer - Americas and Africa Mining
Michael J. Arnold	63	Executive Vice President and Chief Administrative Officer
James C. Flores	56	FCX Oil & Gas Inc. Chairman of the Board and Chief Executive Officer

Richard C. Adkerson has served as Vice Chairman of the Board since June 2013, President since January 2008 and also from April 1997 to March 2007, Chief Executive Officer since December 2003 and a director since October 2006. Mr. Adkerson previously served as Chief Financial Officer from October 2000 to December 2003. Mr. Adkerson served as Co-Chairman of the Board of McMoRan Exploration Co. (MMR) from September 1998 until FCX's acquisition of MMR in 2013.

Kathleen L. Quirk has served as Executive Vice President since March 2007, Chief Financial Officer since December 2003 and Treasurer since February 2000. Ms. Quirk previously served as Senior Vice President from December 2003 to March 2007. Ms. Quirk served as the Senior Vice President of MMR from April 2002 and as Treasurer from January 2000 until FCX's acquisition of MMR in 2013.

Harry M. "Red" Conger, IV has served as Chief Operating Officer - Americas and Africa Mining since July 2015, and as President - Americas since 2007. He has also served as President and Chief Operating Officer - Rod and Refining since 2014. Prior to 2007, he served in a number of senior operations positions at Phelps Dodge Corporation.

Michael J. Arnold has served as Executive Vice President since March 2007 and Chief Administrative Officer since December 2003.

James C. Flores has served as FCX Oil & Gas Inc. (FM O&G) Chief Executive Officer since June 2013 and as FM O&G Chairman of the Board since October 2015. He served as Vice Chairman of the Board of FCX from June 2013 to October 2015, and as President of FM O&G from June 2013 to July 2015. Mr. Flores previously served as

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Chairman of the Board, President and Chief Executive Officer of Plains Exploration & Production Company (PXP) from September 2002 until FCX's acquisition of PXP in 2013.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Unregistered Sales of Equity Securities

None.

Common Stock

Our common shares trade on the New York Stock Exchange (NYSE) under the symbol “FCX.” The FCX share price is reported daily in the financial press under “FMCG” in most listings of NYSE securities. The table below shows the NYSE composite tape common share price ranges during 2015 and 2014:

	2015		2014	
	High	Low	High	Low
First Quarter	$23.72	$16.43	$38.09	$30.38
Second Quarter	$23.97	$18.11	$36.51	$32.35
Third Quarter	$18.84	$7.76	$39.32	$32.29
Fourth Quarter	$14.20	$6.08	$32.91	$20.94

At February 19, 2016, there were 14,544 holders of record of our common stock.

Common Stock Dividends

The declaration of dividends is at the discretion of the FCX Board of Directors (the Board) and will depend on our financial results, cash requirements, future prospects and other factors deemed relevant by the Board. In February 2012, the Board authorized an increase in the cash dividend on our common stock to an annual rate of $1.25 per share ($0.3125 per share quarterly). The Board declared a one-time special cash dividend of $0.1105 per share related to the settlement of the shareholder derivative litigation, which was paid in August 2015. In March 2015, the Board reduced the annual common stock dividend to $0.20 per share ($0.05 per share quarterly), and in December 2015, the Board suspended the annual common stock dividend. The Board will review its financial policy on an ongoing basis. Below is a summary of dividends on FCX common stock for 2015 and 2014:

	2015 Per Share Amount	Record Date	Payment Date
First Quarter	$0.3125	01/15/2015	02/02/2015
Second Quarter	$0.0500	04/15/2015	05/01/2015
Special Dividend	$0.1105	07/15/2015	08/03/2015
Third Quarter	$0.0500	07/15/2015	08/03/2015
Fourth Quarter	$0.0500	10/15/2015	11/02/2015
	2014 Per Share Amount	Record Date	Payment Date
First Quarter	$0.3125	01/15/2014	02/03/2014

Second Quarter	$0.3125	04/15/2014	05/01/2014
Third Quarter	$0.3125	07/15/2014	08/01/2014
Fourth Quarter	$0.3125	10/15/2014	11/03/2014

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Issuer Purchases of Equity Securities

The following table sets forth information with respect to shares of FCX common stock purchased by us during the three months ended December 31, 2015:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[a]	(d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs[a]
October 1-31, 2015	—	$—	—	23,685,500
November 1-30, 2015	—	$—	—	23,685,500
December 1-31, 2015	—	$—	—	23,685,500
Total	—	$—	—	23,685,500

a. On July 21, 2008, the Board approved an increase in our open-market share purchase program for up to 30 million shares. The program does not have an expiration date.

Item 6. Selected Financial Data.

FREEPORT-McMoRan INC.
SELECTED FINANCIAL AND OPERATING DATA

	Years Ended December 31,				
	2015	2014	2013[a]	2012	2011
CONSOLIDATED FINANCIAL DATA	(In millions, except per share amounts)				
Revenues	$15,877 [b]	$21,438 [b]	$20,921 [b]	$18,010	$20,880
Operating (loss) income	$(13,382) [b,c,d]	$97 [b,c,e]	$5,351 [b,c,f]	$5,814 [c,g]	$9,140 [c,h]
Net (loss) income	$(12,089)	$(745)	$3,441	$3,980	$5,747
Net (loss) income attributable to common stockholders	$(12,236) [b,c,d,i]	$(1,308) [b,c,e,j,k]	$2,658 [b,c,f,j,k,l]	$3,041 [c,g,j,k]	$4,560 [c,h,j,k]
Basic net (loss) income per share attributable to common stockholders	$(11.31)	$(1.26)	$2.65	$3.20	$4.81
Basic weighted-average common shares outstanding	1,082	1,039	1,002	949	947
Diluted net (loss) income per share attributable to common stockholders	$(11.31) [b,c,d,i]	$(1.26) [b,c,e,j,k]	$2.64 [b,c,f,j,k,l]	$3.19 [c,g,j,k]	$4.78 [c,h,j,k]
Diluted weighted-average common shares outstanding	1,082	1,039	1,006	954	955
Dividends declared per share of common stock	$0.2605	$1.25	$2.25	$1.25	$1.50
Operating cash flows	$3,220	$5,631	$6,139	$3,774	$6,620
Capital expenditures	$6,353	$7,215	$5,286	$3,494	$2,534
At December 31:					
Cash and cash equivalents	$224	$464	$1,985	$3,705	$4,822
Property, plant, equipment and mining development costs, net	$27,509	$26,220	$24,042	$20,999	$18,449
Oil and gas properties, net	$7,093	$19,274	$23,359	$—	$—
Goodwill	$—	$—	$1,916	$—	$—
Total assets	$46,577	$58,674 [m]	$63,385 [m]	$35,421 [m]	$32,038 [m]

Total debt, including current portion	$20,428	$18,849 [m]	$20,618 [m]	$3,508 [m]	$3,505 [m]
Redeemable noncontrolling interest	$764	$751	$716	$—	$—
Total stockholders' equity	$7,828	$18,287	$20,934	$17,543	$15,642

The selected consolidated financial data shown above is derived from our audited consolidated financial statements. These historical results are not necessarily indicative of results that you can expect for any future period. You should read this data in conjunction with Items 7. and 7A. Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risks (MD&A) and Item 8. Financial Statements and Supplementary Data thereto contained in our annual report on Form 10-K for the year ended December 31, 2015. All references to income or losses per share are on a diluted basis, unless otherwise noted.

a. Includes the results of FCX Oil & Gas Inc. (FM O&G) beginning June 1, 2013.

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b. Includes net noncash mark-to-market (losses) gains associated with crude oil and natural gas derivative contracts totaling $(319) million ($(198) million to net loss attributable to common stockholders or $(0.18) per share) for 2015, $627 million ($389 million to net loss attributable to common stockholders or $0.37 per share) for 2014 and $(312) million ($(194) million to net income attributable to common stockholders or $(0.19) per share) for the seven-month period from June 1, 2013, to December 31, 2013.

c. Includes net charges (credits) for adjustments to environmental obligations and related litigation reserves of $43 million ($28 million to net loss attributable to common stockholders or $0.03 per share) in 2015, $76 million ($50 million to net loss attributable to common stockholders or $0.05 per share) in 2014, $19 million ($17 million to net income attributable to common stockholders or $0.02 per share) in 2013, $(62) million ($(40) million to net income attributable to common stockholders or $(0.04) per share) in 2012 and $107 million ($86 million to net income attributable to common stockholders or $0.09 per share) in 2011.

d. The year 2015 includes net charges totaling $13.8 billion to operating loss ($12.0 billion to net loss attributable to common stockholders or $11.11 per share) consisting of (i) $13.1 billion ($11.6 billion to net loss attributable to common stockholders) for impairment of oil and gas properties, (ii) $338 million ($217 million to net loss attributable to common stockholders) for adjustments to copper and molybdenum inventories, (iii) $188 million ($117 million to net loss attributable to common stockholders) for charges at oil and gas operations primarily associated with other asset impairments and inventory write-downs, idle/terminated rig costs and prior year non-income tax assessments related to the California properties, (iv) $156 million ($94 million to net loss attributable to common stockholders) for charges at mining operations primarily associated with asset impairment, restructuring and other net charges and (v) $18 million ($12 million to net loss attributable to common stockholders) for executive retirement benefits, partly offset by (vi) a net gain of $39 million ($25 million to net loss attributable to common stockholders) for the sale of the Luna Energy power facility.

e. The year 2014 includes net charges totaling $4.8 billion to operating income ($3.6 billion to net loss attributable to common stockholders or $3.46 per share) consisting of (i) $3.7 billion ($2.3 billion to net loss attributable to common stockholders) for impairment of oil and gas properties, (ii) $1.7 billion ($1.7 billion to net loss attributable to common stockholders) to impair the full carrying value of goodwill, (ii) $46 million ($29 million to net loss attributable to common stockholders) for charges at oil and gas operations primarily associated with idle/terminated rig costs and inventory write-downs and (iv) $6 million ($4 million to net loss attributable to common stockholders) for adjustments to molybdenum inventories, partly offset by (v) net gains on sales of assets of $717 million ($481 million to net loss attributable to common stockholders) primarily from the sale of our 80 percent interests in the Candelaria and Ojos del Salado mining operations.

f. The year 2013 includes net charges totaling $232 million to operating income ($137 million to net income attributable to common stockholders or $0.14 per share) consisting of (i) $80 million ($50 million to net income attributable to common stockholders) for transaction and related costs principally associated with our oil and gas acquisitions, (ii) $76 million ($49 million to net income attributable to common stockholders) associated with updated mine plans at Morenci that resulted in a loss in recoverable leach stockpiles, (iii) $37 million ($23 million to net income attributable to common stockholders) for restructuring an executive employment arrangement, (iv) $36 million ($13 million to net income attributable to common stockholders) associated with a labor agreement at Cerro Verde and (v) $3 million ($2 million to net income attributable to common stockholders) for adjustments to molybdenum inventories.

g. The year 2012 includes net charges totaling $16 million to operating income ($8 million to net income attributable to common stockholders or $0.01 per share) associated with a labor agreement at Candelaria.

h. The year 2011 includes net charges totaling $57 million to operating income ($19 million to net income attributable to common stockholders or $0.02 per share) consisting of (i) $116 million ($50 million to net income attributable to common stockholders) associated with labor agreements at PT Freeport Indonesia (PT-FI), Cerro Verde and El Abra, partly offset by (ii) a gain of $59 million ($31 million to net income attributable to common stockholders) for the settlement of an insurance claim for business interruption and property damage related to PT-FI's concentrate pipelines.

i. The year 2015 includes a gain of $92 million ($92 million to net loss attributable to common stockholders or $0.09 per share) related to net proceeds received from insurance carriers and other third parties related to the shareholder derivative litigation settlement.

j. Includes after-tax net gains (losses) on early extinguishment of debt totaling $3 million (less than $0.01 per share) in 2014, $(28) million ($(0.03) per share) in 2013, $(149) million ($(0.16) per share) in 2012 and $(60) million ($(0.06) per share) in 2011.

k. As further discussed in "Consolidated Results - Provision for Income Taxes" contained in MD&A , amounts include net tax charges of $121 million ($103 million net of noncontrolling interests or $0.10 per share) in 2014 and a net tax benefit of $199 million ($0.20 per share) in 2013. In addition, the year 2012 includes a net tax benefit of $205 million ($98 million net of noncontrolling interests or $0.11 per share) primarily for adjustments to Cerro Verde's deferred income taxes, and the year 2011 includes a tax charge of $53 million ($49 million net of noncontrolling interests or $0.05 per share) for additional taxes associated with Cerro Verde's election to pay a special mining burden.

l. The year 2013 includes a gain of $128 million ($0.13 per share) related to our preferred stock investments in and the subsequent acquisition of McMoRan Exploration Co.

m. Amounts restated to reflect adoption of new accounting guidance for debt issuance costs, which reduced total debt and total assets by $121 million at December 31, 2014, $88 million at December 31, 2013, $19 million at December 31, 2012, and $32 million at December 31, 2011.

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FREEPORT-McMoRan INC.
SELECTED FINANCIAL AND OPERATING DATA (Continued)

	Years Ended December 31,				
	2015	2014	2013	2012	2011
CONSOLIDATED MINING OPERATING DATA					
Copper					
Production (millions of recoverable pounds)	4,017	3,904	4,131	3,663	3,691
Production (thousands of recoverable metric tons)	1,822	1,771	1,874	1,662	1,674
Sales, excluding purchases (millions of recoverable pounds)	4,070	3,888	4,086	3,648	3,698
Sales, excluding purchases (thousands of recoverable metric tons)	1,846	1,764	1,853	1,655	1,678
Average realized price per pound	$2.42	$3.09	$3.30	$3.60	$3.86
Gold					
Production (thousands of recoverable ounces)	1,257	1,214	1,250	958	1,383
Sales, excluding purchases (thousands of recoverable ounces)	1,247	1,248	1,204	1,010	1,378
Average realized price per ounce	$1,129	$1,231	$1,315	$1,665	$1,583
Molybdenum					
Production (millions of recoverable pounds)	92	95	94	85	83
Sales, excluding purchases (millions of recoverable pounds)	89	95	93	83	79
Average realized price per pound	$8.70	$12.74	$11.85	$14.26	$16.98
NORTH AMERICA COPPER MINES					
Operating Data, Net of Joint Venture Interest					
Copper					
Production (millions of recoverable pounds)	1,947	1,670	1,431	1,363	1,258
Production (thousands of recoverable metric tons)	883	757	649	618	571
Sales, excluding purchases (millions of recoverable pounds)	1,988	1,664	1,422	1,351	1,247
Sales, excluding purchases (thousands of recoverable metric tons)	902	755	645	613	566
Average realized price per pound	$2.47	$3.13	$3.36	$3.64	$3.99
Molybdenum					
Production (millions of recoverable pounds)	37	33	32	36	35
100% Operating Data					
Solution extraction/electrowinning (SX/EW) operations					
Leach ore placed in stockpiles (metric tons per day)	909,900	1,005,300	1,003,500	998,600	888,300
Average copper ore grade (percent)	0.26	0.25	0.22	0.22	0.24
Copper production (millions of recoverable pounds)	1,134	963	889	866	801
Mill operations					
Ore milled (metric tons per day)	312,100	273,800	246,500	239,600	222,800
Average ore grade (percent):					
Copper	0.49	0.45	0.39	0.37	0.38
Molybdenum	0.03	0.03	0.03	0.03	0.03
Copper recovery rate (percent)	85.4	85.8	85.3	83.9	83.1
Copper production (millions of recoverable pounds)	972	828	642	592	549
SOUTH AMERICA MINING[a]					

Copper					
Production (millions of recoverable pounds)	869	1,151	1,323	1,257	1,306
Production (thousands of recoverable metric tons)	394	522	600	570	592
Sales (millions of recoverable pounds)	871	1,135	1,325	1,245	1,322
Sales (thousands of recoverable metric tons)	395	515	601	565	600
Average realized price per pound	$2.38	$3.08	$3.30	$3.58	$3.77
Gold					
Production (thousands of recoverable ounces)	—	72	101	83	101
Sales (thousands of recoverable ounces)	—	67	102	82	101
Average realized price per ounce	—	$1,271	$1,350	$1,673	$1,580
Molybdenum					
Production (millions of recoverable pounds)	7	11	13	8	10
SX/EW operations					
Leach ore placed in stockpiles (metric tons per day)	193,900	275,200	274,600	229,300	245,200
Average copper ore grade (percent)	0.44	0.48	0.50	0.55	0.50
Copper production (millions of recoverable pounds)	430	491	448	457	439
Mill operations					
Ore milled (metric tons per day)	152,100	180,500	192,600	191,400	189,200
Average ore grade:					
Copper (percent)	0.46	0.54	0.65	0.60	0.66
Gold (grams per metric ton)	—	0.10	0.12	0.10	0.12
Molybdenum (percent)	0.02	0.02	0.02	0.02	0.02
Copper recovery rate (percent)	81.5	88.1	90.9	90.1	89.6
Copper production (millions of recoverable pounds)	439	660	875	800	867

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FREEPORT-McMoRan INC.
SELECTED FINANCIAL AND OPERATING DATA (Continued)

	Years Ended December 31,				
	2015	2014	2013	2012	2011
INDONESIA MINING					
Operating Data, Net of Joint Venture Interest					
Copper					
Production (millions of recoverable pounds)	752	636	915	695	846
Production (thousands of recoverable metric tons)	341	288	415	315	384
Sales (millions of recoverable pounds)	744	664	885	716	846
Sales (thousands of recoverable metric tons)	337	301	401	325	384
Average realized price per pound	$2.33	$3.01	$3.28	$3.58	$3.85
Gold					
Production (thousands of recoverable ounces)	1,232	1,130	1,142	862	1,272
Sales (thousands of recoverable ounces)	1,224	1,168	1,096	915	1,270
Average realized price per ounce	$1,129	$1,229	$1,312	$1,664	$1,583
100% Operating Data					
Ore milled (metric tons per day):[b]					
Grasberg open pit	115,900	69,100	127,700	118,800	112,900
Deep Ore Zone underground mine	43,700	50,500	49,400	44,600	51,700
Deep Mill Level Zone underground mine	2,900	—	—	—	—
Big Gossan underground mine	—	900	2,100	1,600	1,500
Total	162,500	120,500	179,200	165,000	166,100
Average ore grade:					
Copper (percent)	0.67	0.79	0.76	0.62	0.79
Gold (grams per metric ton)	0.79	0.99	0.69	0.59	0.93
Recovery rates (percent):					
Copper	90.4	90.3	90.0	88.7	88.3
Gold	83.4	83.2	80.0	75.7	81.2
Production:					
Copper (millions of recoverable pounds)	752	651	928	695	882
Gold (thousands of recoverable ounces)	1,232	1,132	1,142	862	1,444
AFRICA MINING					
Copper					
Production (millions of recoverable pounds)	449	447	462	348	281
Production (thousands of recoverable metric tons)	204	203	210	158	127
Sales (millions of recoverable pounds)	467	425	454	336	283
Sales (thousands of recoverable metric tons)	212	193	206	152	128
Average realized price per pound	$2.42	$3.06	$3.21	$3.51	$3.74
Cobalt					
Production (millions of contained pounds)	35	29	28	26	25
Sales (millions of contained pounds)	35	30	25	25	25
Average realized price per pound	$8.21	$9.66	$8.02	$7.83	$9.99
Ore milled (metric tons per day)	14,900	14,700	14,900	13,000	11,100
Average ore grade (percent):					
Copper	4.00	4.06	4.22	3.62	3.41
Cobalt	0.43	0.34	0.37	0.37	0.40
Copper recovery rate (percent)	94.0	92.6	91.4	92.4	92.5

MOLYBDENUM MINES						
Molybdenum production (millions of recoverable pounds)	48	51	49	41	[c] 38	
Ore milled (metric tons per day)	34,800	39,400	35,700	20,800	[d] 22,300	[d]
Average molybdenum ore grade (percent)	0.20	0.19	0.19	0.23	[d] 0.24	[d]
OIL AND GAS OPERATIONS[e]						
Sales Volumes:						
Oil (million barrels)	35.3	40.1	26.6			
Natural gas (billion cubic feet)	89.7	80.8	54.2	—	—	
Natural gas liquids (NGLs) (million barrels)	2.4	3.2	2.4	—	—	
Million barrels of oil equivalents	52.6	56.8	38.1	—	—	
Average Realizations:						
Oil (per barrel)	$57.11	$90.00	$98.32	—	—	
Natural gas (per million British thermal units)	$2.59	$4.23	$3.99	—	—	
NGLs (per barrel)	$18.90	$39.73	$38.20	—	—	

a. Includes the results of the Candelaria and Ojos del Salado mines prior to their sale in November 2014.
b. Represents the approximate average daily throughput processed at PT-FI's mill facilities from each producing mine.
c. Includes production from the Climax molybdenum mine, which began commercial operations in May 2012.
d. The years 2012 and 2011 reflect operating data of only the Henderson mine.
e. Represents the results of FM O&G beginning June 1, 2013.

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Ratio of Earnings to Fixed Charges

For the ratio of earnings to fixed charges calculation, earnings consist of income (loss) from continuing operations before income taxes, noncontrolling interests in consolidated subsidiaries, equity in affiliated companies' net (losses) earnings, cumulative effect of accounting changes and fixed charges. Fixed charges include interest and that portion of rent deemed representative of interest. The ratio of earnings to fixed charges and preferred stock dividends is the same as the ratio of earnings to fixed charges for the years presented because no shares of preferred stock were outstanding during these years. Our ratio of earnings to fixed charges was as follows for the years presented:

	Years Ended December 31,				
	2015	2014	2013	2012	2011
Ratio of earnings to fixed charges	— [a]	— [b]	7.4x	19.8x	20.7x

a. As a result of the loss recorded in 2015, the ratio coverage was less than 1:1. FCX would have needed to generate additional earnings of $14.2 billion to achieve coverage of 1:1 in 2015.

b. As a result of the loss recorded in 2014, the ratio coverage was less than 1:1. FCX would have needed to generate additional earnings of $657 million to achieve coverage of 1:1 in 2014.

Items 7. and 7A. Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk.

In Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk, "we," "us" and "our" refer to Freeport-McMoRan Inc. (FCX) and its consolidated subsidiaries. The results of operations reported and summarized below are not necessarily indicative of future operating results (refer to "Cautionary Statement" for further discussion). References to "Notes" are Notes included in our Notes to Consolidated Financial Statements. Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk, all references to income or losses per share are on a diluted basis, unless otherwise noted.

OVERVIEW

We are a premier United States (U.S.)-based natural resources company with an industry-leading global portfolio of mineral assets and significant oil and natural gas resources. We are the world's largest publicly traded copper producer. Our portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits; significant mining operations in North and South America; the Tenke Fungurume (Tenke) minerals district in the Democratic Republic of Congo (DRC) in Africa; and significant U.S. oil and natural gas assets, including reserves in the Deepwater Gulf of Mexico (GOM), onshore and offshore California and in the Haynesville shale in Louisiana, and a position in the Inboard Lower Tertiary/Cretaceous natural gas trend onshore in South Louisiana.

Our results for 2015, compared with 2014, were significantly affected by lower price realizations from copper and oil. Results for both years were also impacted by impairment charges associated with oil and gas properties totaling $13.1 billion ($11.6 billion to net loss attributable to common stockholders) in 2015 and $5.5 billion ($4.0 billion to net loss attributable to common stockholders) in 2014 (refer to "Critical Accounting Estimates" and Note 2 for further discussion of these impairment charges). Refer to "Consolidated Results" for discussion of items impacting our consolidated results for the three years ended December 31, 2015.

We have significant mineral reserves, resources and future development opportunities within our portfolio of mining assets. At December 31, 2015, our estimated consolidated recoverable proven and probable mineral reserves totaled 99.5 billion pounds of copper, 27.1 million ounces of gold and 3.05 billion pounds of molybdenum, which were

determined using long-term average prices of $2.00 per pound for copper, $1,000 per ounce for gold and $10 per pound for molybdenum. Refer to “Critical Accounting Estimates – Mineral Reserves” for further discussion.

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A summary of the sources of our consolidated copper, gold and molybdenum production for the year 2015 by geographic location follows:

	Copper		Gold		Molybdenum	
North America	48	%	2	%	92	%[a]
South America	22		—		8	
Indonesia	19		98		—	
Africa	11		—		—	
	100	%	100	%	100	%

a. Our Henderson and Climax molybdenum mines produced 52 percent of consolidated molybdenum production, and our North America copper mines produced 40 percent.

Copper production from the Grasberg mine in Indonesia, Morenci mine in North America and Cerro Verde mine in South America together totaled 55 percent of our consolidated copper production in 2015.

Our oil and gas business has significant proved, probable and possible reserves with organic growth opportunities. Our estimated proved oil and natural gas reserves at December 31, 2015, totaled 252 million barrels of oil equivalents (MMBOE), with 82 percent comprised of oil and natural gas liquids (NGLs). For 2015, our oil and gas sales volumes totaled 52.6 MMBOE, including 35.3 million barrels (MMBbls) of crude oil, 89.7 billion cubic feet (Bcf) of natural gas and 2.4 MMBbls of NGLs. Refer to “Operations” for further discussion of our oil and gas operations and to “Critical Accounting Estimates – Oil and Natural Gas Reserves” for further discussion of our reserves.

Our Board of Directors (the Board) is undertaking a strategic review of alternatives for our oil and gas business (FCX Oil & Gas Inc., or FM O&G). We and our advisors are actively engaged with interested participants in a process to evaluate opportunities that include asset sales and joint venture arrangements that would generate cash proceeds for debt repayment. We expect to advance the evaluation of these alternatives during the first half of 2016.

At December 31, 2015, we had $20.4 billion in total debt. We have announced initiatives to accelerate our debt reduction plans. Several initiatives are currently being advanced, including an evaluation of alternatives for the oil and gas business as well as several potential transactions involving certain of our mining assets.

In February 2016, we entered into a definitive agreement to sell a 13 percent undivided interest in the Morenci unincorporated joint venture to Sumitomo Metal Mining Co., Ltd. for $1.0 billion in cash and also reached agreement with our bank group to amend our revolving credit facility and term loan. Refer to Note 18 for further discussion.

REVISED OPERATING PLANS

During 2015, in response to weak market conditions, we took actions to enhance our financial position, including significant reductions in capital spending, production curtailments at certain North and South America mines (which resulted in aggregate annual reductions of 350 million pounds of copper and 34 million pounds of molybdenum) and actions to reduce operating, exploration and administrative costs (refer to “Operations” for further discussion). In addition, we generated approximately $2 billion in gross proceeds from at-the-market equity programs, and our Board reduced our annual common stock dividend from $1.25 per share to $0.20 per share in March 2015, and subsequently suspended the annual common stock dividend in December 2015 (refer to Note 10 and “Capital Resources and Liquidity” for further discussion).

Concerns about the global economy, and particularly the weakening of the Chinese economy, have dominated financial market sentiment and negatively impacted commodity prices, including copper. Oil prices have weakened to multi-year lows in response to excess global supplies and relatively weak economic conditions. Current market

conditions and uncertainty about the timing of economic and commodity price recovery require us to continue taking actions to strengthen our financial position, reduce debt and re-focus our portfolio of assets. Our business strategy is focused on our position as a leading global copper producer. We will continue to manage our production activities, spending on capital projects and operations, and the administration of our business to enhance cash flows, and intend to complete significant asset sale transactions to reduce debt. We are confident about the longer term outlook for copper prices based on the global demand and supply fundamentals. With our established reserves and large-scale current production base, our significant portfolio of undeveloped resources, and our global

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organization of highly qualified and dedicated workers and management, we believe we are well positioned to generate significant asset sale proceeds while retaining an attractive portfolio of high-quality assets.

OUTLOOK

We view the long-term outlook for our business positively, supported by limitations on supplies of copper and by the requirements for copper and oil in the world's economy. Our financial results vary as a result of fluctuations in market prices primarily for copper, gold, molybdenum and oil, as well as other factors. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Because we cannot control the price of our products, the key measures that management focuses on in operating our business are sales volumes, unit net cash costs for our mining operations, cash production costs per barrel of oil equivalents (BOE) for our oil and gas operations, operating cash flow and capital expenditures.

Projections included in this annual report on Form 10-K for the year ended December 31, 2015, do not reflect PT-FI continuing to pay a 5.0 percent export duty on concentrate or the results of any potential transactions with third parties to raise cash for debt reduction, including the recently announced transaction to sell a 13 percent undivided interest in Morenci (refer to Note 18). Additionally, projections for the year 2016 assume renewal of PT-FI's export permit after August 8, 2016,

Sales Volumes. Following are our projected consolidated sales volumes for 2016 and actual consolidated sales volumes for 2015:

	2016 (Projected)	2015 (Actual)
Copper (millions of recoverable pounds):		
North America copper mines	1,820	1,988
South America mining	1,340	871
Indonesia mining	1,475	744
Africa mining	495	467
	5,130	4,070
Gold (thousands of recoverable ounces)	1,835	1,247
Molybdenum (millions of recoverable pounds)	73	[a] 89
Oil Equivalents (MMBOE)	57.6	52.6

a. Projected molybdenum sales include 30 million pounds produced by our Molybdenum mines and 43 million pounds produced by our North and South America copper mines.

Consolidated sales for first-quarter 2016 are expected to approximate 1.1 billion pounds of copper, 200 thousand ounces of gold, 19 million pounds of molybdenum and 12.4 MMBOE. Anticipated higher grades from Grasberg in the second half of 2016 are expected to result in approximately 55 percent of consolidated copper sales and 75 percent of consolidated gold sales occurring in the second half of the year. Projected sales volumes are dependent on operational performance and other factors. For other important factors that could cause results to differ materially from projections, refer to "Cautionary Statement."

Mining Unit Net Cash Costs. Unit net cash costs for 2016 are expected to decline significantly from 2015, principally reflecting higher anticipated copper and gold volumes, the impact of lower energy and other input costs and cost reduction initiatives. Assuming average prices of $1,100 per ounce of gold and $4.50 per pound of molybdenum, and achievement of current volume and cost estimates, consolidated unit net cash costs (net of by-product credits) for our copper mines are expected to average $1.10 per pound in 2016, compared with $1.53 per pound in 2015. The impact

of price changes in 2016 on consolidated unit net cash costs would approximate $0.015 per pound for each $50 per ounce change in the average price of gold and $0.015 per pound for each $2 per pound change in the average price of molybdenum. Quarterly unit net cash costs vary with fluctuations in volumes and average realized prices (primarily gold and molybdenum prices). Higher anticipated grades from Grasberg in the second half of 2016 are expected to result in lower unit net cash costs in the second half of 2016, compared to the first half of the year. Refer to "Consolidated Results – Production and Delivery Costs" for further discussion of consolidated production costs for our mining operations.

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Oil and Gas Cash Production Costs per BOE. Cash production costs per BOE for 2016 are expected to decline from 2015 per BOE costs, principally reflecting increased production from the Deepwater GOM and cost reduction efforts. Based on current sales volume and cost estimates, oil and gas cash production costs are expected to approximate $15 per BOE in 2016, compared with $18.59 per BOE in 2015. Refer to “Operations – Oil and Gas Operations” for further discussion of oil and gas production costs.

Consolidated Operating Cash Flow. Our consolidated operating cash flows vary with volumes, prices realized from copper, gold, molybdenum and oil sales, production costs, income taxes, other working capital changes and other factors. Based on current sales volume and cost estimates, and assuming average prices of $2.00 per pound of copper, $1,100 per ounce of gold, $4.50 per pound of molybdenum and $34 per barrel of Brent crude oil, we estimate consolidated operating cash flows for 2016 of $3.4 billion (net of $0.6 billion in idle rig costs). Projected consolidated operating cash flows for 2016 also reflect an estimated income tax provision of $0.8 billion primarily associated with income from our international mining operations (refer to "Consolidated Results - Income Taxes" for further discussion of projected income taxes). The impact of price changes in 2016 on consolidated operating cash flows would approximate $440 million for each $0.10 per pound change in the average price of copper, $55 million for each $50 per ounce change in the average price of gold, $60 million for each $2 per pound change in the average price of molybdenum and $135 million for each $5 per barrel change in the average Brent crude oil price.

Consolidated Capital Expenditures. Consolidated capital expenditures are expected to approximate $3.4 billion for 2016, including $1.9 billion from the mining business (reflecting $1.4 billion for major projects primarily for underground development activities at Grasberg and remaining costs for the Cerro Verde expansion and $0.5 billion for sustaining capital) and $1.5 billion for oil and gas operations. Consolidated capital expenditures exclude $0.6 billion for idle rig costs associated with drillship contracts, which are included in projected operating cash flows above.

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MARKETS

Metals. World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2006 through January 2016, the London Metal Exchange (LME) spot copper price varied from a low of $1.26 per pound in 2008 to a record high of $4.60 per pound in 2011; the London Bullion Market Association (London) PM gold price fluctuated from a low of $525 per ounce in 2006 to a record high of $1,895 per ounce in 2011, and the Metals Week Molybdenum Dealer Oxide weekly average price ranged from a low of $4.46 per pound in 2015 to a high of $33.88 per pound in 2008. Copper, gold and molybdenum prices are affected by numerous factors beyond our control as described further in our “Risk Factors” contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2015.

This graph presents LME spot copper prices and combined reported stocks of copper at the LME, Commodity Exchange Inc. (COMEX), a division of the New York Mercantile Exchange (NYMEX), and the Shanghai Futures Exchange from January 2006 through January 2016. Since mid-2014, copper prices have declined because of concerns about slowing growth rates in China, a stronger U.S. dollar and a broad-based decline in commodity prices. During 2015, LME spot copper prices ranged from a low of $2.05 per pound to a high of $2.92 per pound, averaged $2.49 per pound and closed at $2.13 per pound on December 31, 2015. The LME spot copper price closed at $2.08 per pound on February 19, 2016.

We believe the underlying long-term fundamentals of the copper business remain positive, supported by the significant role of copper in the global economy and a challenging long-term supply environment attributable to difficulty in replacing existing large mines' output with new production sources. Future copper prices are expected to be volatile and are likely to be influenced by demand from China and emerging markets, as well as economic activity in the U.S. and other industrialized countries, the timing of the development of new supplies of copper and production levels of mines and copper smelters.

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This graph presents London PM gold prices from January 2006 through January 2016. An improving economic outlook, stronger U.S. dollar and positive equity performance contributed to lower demand for gold in 2014 and 2015, resulting in lower prices. During 2015, London PM gold prices ranged from a low of $1,049 per ounce to a high of $1,296 per ounce, averaged $1,160 per ounce and closed at $1,062 per ounce on December 31, 2015. Gold prices closed at $1,231 per ounce on February 19, 2016.

This graph presents the Metals Week Molybdenum Dealer Oxide weekly average price from January 2006 through January 2016. Molybdenum prices have declined since mid-2014 because of weaker demand from global steel and stainless steel producers. During 2015, the weekly average price for molybdenum ranged from a low of $4.46 per pound to a high of $9.35 per pound, averaged $6.66 per pound and was $5.23 per pound on December 31, 2015. The Metals Week Molybdenum Dealer Oxide weekly average price was $5.26 per pound on February 19, 2016.

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Oil and Gas. Market prices for crude oil and natural gas can fluctuate significantly. During the period from January 2006 through January 2016, the Brent crude oil price ranged from a low of $27.88 per barrel in 2016 to a high of $146.08 per barrel in 2008 and the NYMEX natural gas contract price fluctuated from a low of $2.03 per million British thermal units (MMBtu) in 2015 to a high of $13.11 per MMBtu in 2008. Crude oil and natural gas prices are affected by numerous factors beyond our control as described further in our “Risk Factors” contained in Part I, Item 1A. of our annual report on Form 10-K for the year ended December 31, 2015.

This graph presents Brent crude oil prices and NYMEX natural gas contract prices from January 2006 through January 2016. Crude oil prices reached a record high in July 2008 as economic growth in emerging economies and the U.S. created high global demand for oil and lower inventories. Since mid-2014, oil prices have significantly declined associated with concerns of global oversupply. During 2015, the Brent crude oil price ranged from a low of $36.11 per barrel to a high of $67.77 per barrel, averaged $53.64 per barrel and was $37.28 per barrel on December 31, 2015. The Brent crude oil price was $33.01 per barrel on February 19, 2016.

CRITICAL ACCOUNTING ESTIMATES

Management’s Discussion and Analysis of Financial Condition and Results of Operations is based on our consolidated financial statements, which have been prepared in conformity with generally accepted accounting principles (GAAP) in the U.S. The preparation of these statements requires that we make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We base these estimates on historical experience and on assumptions that we consider reasonable under the circumstances; however, reported results could differ from those based on the current estimates under different assumptions or conditions. The areas requiring the use of management’s estimates are also discussed in Note 1 under the subheading “Use of Estimates.” Management has reviewed the following discussion of its development and selection of critical accounting estimates with the Audit Committee of our Board.

Mineral Reserves

Recoverable proven and probable reserves are the part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The determination of reserves involves numerous uncertainties with respect to the ultimate geology of the ore bodies, including quantities, grades and recovery rates. Estimating the quantity and grade of mineral reserves requires us to determine the size, shape and depth of our ore bodies by analyzing geological data, such as samplings of drill holes, tunnels and other underground workings. In addition to the geology of our mines, assumptions are required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods we use and the related costs incurred to develop and mine our reserves. Our estimates of recoverable proven and probable mineral

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reserves are prepared by and are the responsibility of our employees. A majority of these estimates are reviewed annually and verified by independent experts in mining, geology and reserve determination.

At December 31, 2015, our consolidated estimated recoverable proven and probable reserves were determined using long-term average prices of $2.00 per pound for copper, $1,000 per ounce for gold and $10 per pound for molybdenum. The following table summarizes changes in our estimated consolidated recoverable proven and probable copper, gold and molybdenum reserves during 2015 and 2014:

	Copper[a] (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
Consolidated reserves at December 31, 2013	111.2	31.3	3.26
Net additions/revisions	(0.1)	(0.6)	(0.05)
Production	(3.9)	(1.2)	(0.10)
Sale of Candelaria and Ojos del Salado mines	(3.7)	(1.0)	—
Consolidated reserves at December 31, 2014	103.5	28.5	3.11
Net additions/revisions	—	(0.1)	0.03
Production	(4.0)	(1.3)	(0.09)
Consolidated reserves at December 31, 2015	99.5	27.1	3.05

a. Includes estimated recoverable metals contained in stockpiles. See below for additional discussion of recoverable copper in stockpiles.

Refer to Note 20 for further information regarding estimated recoverable proven and probable mineral reserves.

As discussed in Note 1, we depreciate our life-of-mine mining and milling assets and values assigned to proven and probable mineral reserves using the unit-of-production (UOP) method based on our estimated recoverable proven and probable mineral reserves. Because the economic assumptions used to estimate mineral reserves may change from period to period and additional geological data is generated during the course of operations, estimates of reserves may change, which could have a significant impact on our results of operations, including changes to prospective depreciation rates and impairments of long-lived asset carrying values. Excluding impacts associated with changes in the levels of finished goods inventories and based on projected copper sales volumes, if estimated copper reserves at our mines were 10 percent higher at December 31, 2015, we estimate that our annual depreciation, depletion and amortization (DD&A) expense for 2016 would decrease by $76 million ($35 million to net income attributable to common stockholders), and a 10 percent decrease in copper reserves would increase DD&A expense by $93 million ($43 million to net income attributable to common stockholders). We perform annual assessments of our existing assets in connection with the review of mine operating and development plans. If it is determined that assigned asset lives do not reflect the expected remaining period of benefit, any change could affect prospective depreciation rates.

As discussed below and in Note 1, we review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable, and changes to our estimates of recoverable proven and probable mineral reserves could have an impact on our assessment of asset recoverability.

Recoverable Copper in Stockpiles

We record, as inventory, applicable costs for copper contained in mill and leach stockpiles that are expected to be processed in the future based on proven processing technologies. Mill and leach stockpiles are evaluated periodically to ensure that they are stated at the lower of weighted-average cost or net realizable value (refer to Note 4 and "Consolidated Results" for further discussion of inventory adjustments recorded for the three years ended December

31, 2015). Accounting for recoverable copper from mill and leach stockpiles represents a critical accounting estimate because (i) it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, thus requiring management to employ reasonable estimation methods and (ii) recovery rates from leach stockpiles can vary significantly. Refer to Note 1 for further discussion of our accounting policy for recoverable copper in stockpiles.

At December 31, 2015, estimated consolidated recoverable copper was 3.8 billion pounds in leach stockpiles (with a carrying value of $3.4 billion) and 1.0 billion pounds in mill stockpiles (with a carrying value of $617 million),

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compared with 3.6 billion pounds in leach stockpiles (with a carrying value of $3.6 billion) and 0.9 billion pounds in mill stockpiles (with a carrying value of $446 million) at December 31, 2014.

Impairment of Long-Lived Mining Assets

As discussed in Note 1, we assess the carrying values of our long-lived mining assets when events or changes in circumstances indicate that the related carrying amounts of such assets may not be recoverable. In evaluating our long-lived mining assets for recoverability, we use estimates of pre-tax undiscounted future cash flows of our individual mines are used. Estimates of future cash flows are derived from current business plans, which are developed using near-term metal price forecasts reflective of the current price environment and management's projections for long-term average metal prices. In addition to near- and long-term metal price assumptions, other key assumptions include estimates of commodity-based and other input costs; proven and probable mineral reserves estimates, including the timing and cost to develop and produce the reserves; value beyond proven and probable mineral reserve estimates (refer to Note 1); and the use of appropriate discount rates in the measurement of fair value. We believe our estimates and models used to determine fair value are similar to what a market participant would use. As quoted market prices are unavailable for our individual mining operations, fair value is determined through the use of estimated discounted after-tax future cash flows.

As a result of declining copper and molybdenum prices, during 2015 we evaluated our long-lived mining assets for impairment, which resulted in net charges of $37 million at our Tyrone mine. The December 31, 2015, evaluations of the recoverability of our copper mines were based on near-term price assumptions reflecting prevailing copper futures prices, ranging from $2.15 per pound to $2.17 per pound for COMEX and from $2.13 per pound to $2.16 per pound for LME, and a long-term average price of $3.00 per pound. If low copper prices persist or decline further, we could incur potentially significant additional impairments of our long-lived mining assets. The December 31, 2015, evaluations of the recoverability of our molybdenum mines used near-term price assumptions that are consistent with current market prices for molybdenum and a long-term average of $10 per pound. While continued low molybdenum prices could result in impairments of our molybdenum mines, we have incorporated changes in the commercial pricing structure for our chemicals products to promote continuation of chemical-grade production.

In addition to decreases in future metal price assumptions, other events that could result in impairment of our long-lived mining assets include, but are not limited to, decreases in estimated recoverable proven and probable mineral reserves and any event that might otherwise have a material adverse effect on mine site production levels or costs.

Oil and Natural Gas Reserves

Proved reserves represent quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations. The term “reasonable certainty” implies a high degree of confidence that the quantities of oil and gas actually recovered will equal or exceed the estimate. Engineering estimates of proved oil and natural gas reserves directly impact financial accounting estimates, including DD&A and the ceiling limitation under the full cost method. Our proved reserve volumes have been determined in accordance with the U.S. Securities and Exchange Commission (SEC) guidelines, which require the use of an average price, calculated as the twelve-month historical average of the first-day-of-the-month historical reference price as adjusted for location and quality differentials, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions and the impact of derivative contracts. Our reference prices for reserve determination are the West Texas Intermediate (WTI) spot price for crude oil and the Henry Hub price for gas, which were $50.28 per barrel of oil and $2.59 per MMBtu of natural gas at December 31, 2015. These prices are held constant throughout the life of the oil and gas properties, except where such guidelines permit alternate treatment, including the use of fixed and determinable contractual escalations. In accordance with the guidelines and excluding

the impact of derivative instruments, the average realized prices used in our reserve reports as of December 31, 2015, were $47.80 per barrel of oil and $2.55 per thousand cubic feet (Mcf) of natural gas. Actual future prices and costs may be materially higher or lower than the average prices and costs as of the date of the reserves estimate.

There are numerous uncertainties inherent in estimating quantities and values of proved oil and natural gas reserves and in projecting future rates of production and the amount and timing of development expenditures, including many factors beyond our control. Future development and abandonment costs are determined at least annually for each of our properties based upon its geographic location, type of production structure, water depth, reservoir depth and characteristics, currently available procedures and consultations with engineering consultants. Because these costs typically extend many years into the future, estimating these future costs is difficult and requires management to make judgments that are subject to future revisions based upon numerous factors,

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including changing technology and the political and regulatory environment. Reserve engineering is a subjective process of estimating the recovery from underground accumulations of oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Because all reserve estimates are to some degree subjective, the quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures, and future oil and natural gas sales prices may all differ from those assumed in our estimates. Refer to Note 21 for further information regarding estimated proved oil and natural gas reserves.

Our average amortization rate per BOE was $33.46 in 2015, $39.74 for 2014 and $35.54 for 2013. Our oil and gas DD&A rate, after the effect of the ceiling test impairments through December 31, 2015, is expected to approximate $20 per BOE. Changes to estimates of proved reserves and other factors could result in changes to the prospective UOP amortization rate for our oil and gas properties, which could have a significant impact on our results of operations. Based on our estimated proved reserves and our net oil and gas properties subject to amortization at December 31, 2015, a 10 percent increase in our costs subject to amortization would increase our amortization rate by approximately $2 per BOE and a 10 percent reduction to proved reserves would increase our amortization rate by approximately $2 per BOE. Changes in estimates of proved oil and natural gas reserves may also affect our ceiling test calculation. Refer to Note 1 and "Impairment of Oil and Gas Properties" below for further discussion.

Impairment of Oil and Gas Properties

As discussed in Note 1, we follow the full cost method of accounting for our oil and gas operations, whereby all costs associated with oil and gas property acquisition, exploration and development activities are capitalized and amortized to expense under the UOP method on a country-by-country basis using estimates of proved oil and natural gas reserves relating to each country where such activities are conducted. The costs of unproved oil and gas properties are excluded from amortization until the properties are evaluated.

Under full cost accounting rules, a "ceiling test" is conducted each quarter to review the carrying value of our oil and gas properties for impairment (refer to Note 1 for further discussion of the ceiling test calculation). The SEC requires that the twelve-month average of the first-day-of-the-month historical reference prices be used to determine the ceiling test limitation. Such prices are utilized except where different prices are fixed and determinable from applicable contracts for the remaining term of those contracts. The reference pricing in ceiling test impairment calculations may cause results that do not reflect current market conditions that exist at the end of an accounting period. For example, in periods of increasing oil and gas prices, the use of a twelve-month historical average price in the ceiling test calculation may result in an impairment. Conversely, in times of declining prices, ceiling test calculations may not result in an impairment.

Using WTI as the reference oil price, the average price was $50.28 per barrel at December 31, 2015, compared with $94.99 per barrel at December 31, 2014. Each quarter end since September 30, 2014, net capitalized costs with respect to FM O&G's proved U.S. oil and gas properties have exceeded the ceiling test limitation specified by the SEC's full cost accounting rules, which resulted in the recognition of impairment charges totaling $13.0 billion in 2015 and $3.7 billion in 2014. In addition, during 2015 impairment charges of $164 million were recorded for international oil and gas properties, primarily related to Morocco (refer to "Operations - Oil and Gas" for further discussion).

If the twelve-month historical average price in 2016 remains below the December 31, 2015, twelve-month average of $50.28 per barrel, the ceiling test limitation will decrease potentially resulting in additional ceiling test impairments of our oil and gas properties. The WTI spot oil price was $29.64 per barrel at February 19, 2016.

If the trailing twelve-month average prices for the period ended December 31, 2015, had been $46.03 per barrel of oil and $2.45 per MMBtu for natural gas, while all other inputs and assumptions remained constant, an additional pre-tax impairment charge of $0.6 billion would have been recorded to our oil and gas properties in 2015. These oil and natural gas prices were determined using a twelve-month simple average of the first-day-of-the-month for the eleven months ended February 2016, and the February 2016 prices were held constant for the remaining one month. This calculation solely reflects the impact of hypothetical lower oil and natural gas prices on our ceiling test limitation and proved reserves as of December 31, 2015. The oil and natural gas price is a single variable in the estimation of our proved reserves, and other factors, as described below, could have a significant impact on future reserves and the present value of future cash flows.

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In addition to declines in the trailing twelve-month average oil and natural gas prices, other factors that could result in future impairment of our oil and gas properties include costs transferred from unevaluated properties to the full cost pool without corresponding proved oil and natural gas reserve additions, negative reserve revisions and the future incurrence of exploration, development and production costs. During 2015, we transferred $6.4 billion of costs associated with unevaluated properties to the full cost pool, mostly reflecting impairment of the carrying values of unevaluated properties. As FM O&G completes activities to assess its unevaluated properties, related costs currently recorded as unevaluated properties not subject to amortization will be transferred to the full cost pool. If these activities do not result in additions to discounted future net cash flows from proved oil and natural gas reserves at least equal to the related costs transferred (net of related tax effects), additional ceiling test impairments are expected to result at current price levels.

At December 31, 2015, we had $4.8 billion of costs for unproved oil and gas properties, which are excluded from amortization. These costs will be transferred into the amortization base (i.e., full cost pool) as the properties are evaluated and proved reserves are established or if impairment is determined. We assess our unproved properties periodically (at least annually), and if impairment is indicated, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and subject to amortization. Accordingly, an impairment of unproved properties does not immediately result in the recognition of a charge to the consolidated statements of income, but rather increases the costs subject to amortization and the costs subject to the ceiling limitation under the full cost accounting method. Following a review of the carrying values of unevaluated properties during 2015, FM O&G determined that the carrying values of certain of its unevaluated properties were impaired primarily resulting from declines in oil prices and changes in operating plans. The transfer of costs into the amortization base involves a significant amount of judgment and may be subject to changes over time based on our drilling plans and results, geological and geophysical evaluations, the assignment of proved reserves, availability of capital and other factors.

Because the transfer of unevaluated property to the full cost pool requires significant judgment and the ceiling test used to evaluate impairment of our proved oil and gas properties requires us to make several estimates and assumptions that are subject to risk and uncertainty, changes in these estimates and assumptions could result in the impairment of our oil and gas properties. Events that could result in impairment of our oil and gas properties include, but are not limited to, decreases in future crude oil and natural gas prices, decreases in estimated proved oil and natural gas reserves, increases in production, development or abandonment costs and any event that might otherwise have a material adverse effect on our oil and gas production levels or costs.

Environmental Obligations

Our current and historical operating activities are subject to various national, state and local environmental laws and regulations that govern the protection of the environment, and compliance with those laws requires significant expenditures. Environmental expenditures are expensed or capitalized, depending upon their future economic benefits. The guidance provided by U.S. GAAP requires that liabilities for contingencies be recorded when it is probable that obligations have been incurred, and the cost can be reasonably estimated. At December 31, 2015, environmental obligations recorded in our consolidated balance sheet totaled $1.2 billion, which reflect obligations for environmental liabilities attributed to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) or analogous state programs and for estimated future costs associated with environmental matters. Refer to Notes 1 and 12 for further discussion of environmental obligations, including a summary of changes in our estimated environmental obligations for the three years ended December 31, 2015.

Accounting for environmental obligations represents a critical accounting estimate because changes to environmental laws and regulations and/or circumstances affecting our operations could result in significant changes to our estimates, which could have a significant impact on our results of operations. We perform a comprehensive annual review of our

environmental obligations and also review changes in facts and circumstances associated with these obligations at least quarterly. Judgments and estimates are based upon currently available facts, existing technology, presently enacted laws and regulations, remediation experience, whether or not we are a potentially responsible party (PRP), the ability of other PRPs to pay their allocated portions and take into consideration reasonably possible outcomes. Our cost estimates can change substantially as additional information becomes available regarding the nature or extent of site contamination, updated cost assumptions (including increases and decreases to cost estimates), changes in the anticipated scope and timing of remediation activities, the settlement of environmental matters, required remediation methods and actions by or against governmental agencies or private parties.

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Asset Retirement Obligations

We record the fair value of our estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Fair value is measured as the present value of cash flow estimates after considering inflation and a market risk premium. Our cost estimates are reflected on a third-party cost basis and comply with our legal obligation to retire tangible long-lived assets in the period incurred. These cost estimates may differ from financial assurance cost estimates for reclamation activities because of a variety of factors, including obtaining updated cost estimates for reclamation activities, the timing of reclamation activities, changes in scope and the exclusion of certain costs not considered reclamation and closure costs. At December 31, 2015, AROs recorded in our consolidated balance sheet totaled $2.8 billion, including $1.1 billion associated with our oil and gas operations. Refer to Notes 1 and 12 for further discussion of reclamation and closure costs, including a summary of changes in our AROs for the three years ended December 31, 2015.

Generally, ARO activities are specified by regulations or in permits issued by the relevant governing authority, and management judgment is required to estimate the extent and timing of expenditures. Accounting for AROs represents a critical accounting estimate because (i) we will not incur most of these costs for a number of years, requiring us to make estimates over a long period, (ii) reclamation and closure laws and regulations could change in the future and/or circumstances affecting our operations could change, either of which could result in significant changes to our current plans, (iii) the methods used or required to plug and abandon non-producing oil and gas wellbores, remove platforms, tanks, production equipment and flow lines, and restore the wellsite could change, (iv) calculating the fair value of our AROs requires management to estimate projected cash flows, make long-term assumptions about inflation rates, determine our credit-adjusted, risk-free interest rates and determine market risk premiums that are appropriate for our operations and (v) given the magnitude of our estimated reclamation, mine closure and wellsite abandonment and restoration costs, changes in any or all of these estimates could have a significant impact on our results of operations.

Taxes

In preparing our annual consolidated financial statements, we estimate the actual amount of income taxes currently payable or receivable as well as deferred income tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in income in the period in which such changes are enacted.

Our operations are in multiple jurisdictions where uncertainties arise in the application of complex tax regulations. Some of these tax regimes are defined by contractual agreements with the local government, while others are defined by general tax laws and regulations. We and our subsidiaries are subject to reviews of our income tax filings and other tax payments, and disputes can arise with the taxing authorities over the interpretation of our contracts or laws. The final taxes paid may be dependent upon many factors, including negotiations with taxing authorities. In certain jurisdictions, we must pay a portion of the disputed amount to the local government in order to formally appeal the assessment. Such payment is recorded as a receivable if we believe the amount is collectible.

A valuation allowance is provided for those deferred income tax assets for which the weight of available evidence suggests that the related benefits will not be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income or loss as well as feasible tax planning strategies in each jurisdiction. If we determine that we will not realize all or a portion of our deferred income tax assets, we will increase our valuation allowance. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced.

At December 31, 2015, our valuation allowances totaled $4.2 billion, covering U.S. federal and state deferred tax assets, including all of our U.S. foreign tax credit carryforwards, U.S. minimum tax credit carryforwards, foreign net operating loss carryforwards, and a portion of our U.S. federal and state net operating loss carryforwards. Refer to "Consolidated Results - Income Taxes" for discussion of tax charges recording in 2015 associated with the impairment of U.S. oil and gas properties. At December 31, 2014, valuation allowances totaled $2.4 billion, and covered a portion of our U.S. foreign tax credit carryforwards, foreign net operating loss carryforwards, U.S. state net operating loss carryforwards and U.S. state deferred tax assets. Refer to Note 11 for further discussion.

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CONSOLIDATED RESULTS

	Years Ended December 31,					
	2015		2014[a]		2013[a,b]	
SUMMARY FINANCIAL DATA	(in millions, except per share amounts)					
Revenues[c,d,e]	$15,877		$21,438		$20,921	
Operating (loss) income[c,d,e,f,g]	$(13,382)	[h,i,j,k]	$97	[h,i,k]	$5,351	[l]
Net (loss) income attributable to common stockholders[d,e,f,g,m]	$(12,236)	[h,i,j,k,n]	$(1,308)	[h,i,k,o,p]	$2,658	[l,o,p,q]
Diluted net (loss) income per share attributable to common stockholders[d,e,f,g,m]	$(11.31)	[h,i,j,k,n]	$(1.26)	[h,i,k,o,p]	$2.64	[l,o,p,q]
Diluted weighted-average common shares outstanding	1,082		1,039		1,006	
Operating cash flows[r]	$3,220		$5,631			