FREEPORT MCMORAN COPPER & GOLD INC
Form 10-K
February 27, 2014

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, 2013
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 Copper & Gold 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 ¨ 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. ¨ 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 ¨ 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 ¨ 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 ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company

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

¨ Yes þ No

The aggregate market value of common stock held by non-affiliates of the registrant was $34.5 billion on February 14, 2014, and $28.3 billion on June 28, 2013.

Common stock issued and outstanding was 1,038,417,983 shares on February 14, 2014, and 1,037,809,895 shares on June 28, 2013.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our proxy statement for our 2014 annual meeting of stockholders are incorporated by reference into Part III (Items 10, 11, 12, 13 and 14) of this report.

FREEPORT-McMoRan COPPER & GOLD 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 Copper & Gold 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

As further discussed in Note 2, during second-quarter 2013, we completed the acquisitions of Plains Exploration & Production Company (PXP) and McMoRan Exploration Co. (MMR). With these acquisitions, we are a premier U.S.-based natural resource company with an industry leading global portfolio of mineral assets, significant oil and natural gas resources and a growing production profile. 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.

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 oil and natural gas assets in North America. Below is FCX's ownership interest in its operating mines and its oil and gas business through its subsidiary, FCX Oil & Gas Inc. (FM O&G), at December 31, 2013:

a. We have an 85 percent interest in Morenci and our direct ownership in PT Freeport Indonesia (PT-FI) totals 81.28 percent. Refer to Note 3 for further discussion of our ownership in subsidiaries and joint ventures.

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Mining

At December 31, 2013, consolidated recoverable proven and probable mineral reserves totaled 111.2 billion pounds of copper, 31.3 million ounces of gold, 3.26 billion pounds of molybdenum, 308.5 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, 2013, by geographic location (refer to “Mining Operations” for further discussion):

	Copper	Gold	Molybdenum	Silver	Cobalt
North America	33%	1%	78%	28%	—
South America	33%	4%	22%	35%	—
Indonesia	27%	95%	—	37%	—
Africa	7%	—	—	—	100%
	100%	100%	100%	100%	100%

In North America, we have seven operating copper mines – Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico, and two operating molybdenum mines – Henderson and Climax in Colorado. In addition to copper, certain of our North America copper mines also produce molybdenum concentrates.

In South America, we have four operating copper mines – Cerro Verde in Peru, and El Abra, Candelaria and Ojos del Salado in Chile. In addition to copper, the Cerro Verde mine also produces molybdenum concentrates, and the Candelaria and Ojos del Salado mines produce gold 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.R.L. (TFM) operates the mines in the Tenke minerals district. In addition to copper, the Tenke minerals district also produces cobalt hydroxide.

Following is a summary of our consolidated copper, gold and molybdenum production for the year 2013 by geographic location (refer to "Mining Operations" for further information):

	Copper	Gold	Molybdenum
North America	35%	1%	86%
South America	32%	8%	14%
Indonesia	22%	91%	—
Africa	11%	—	—
	100%	100%	100%

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

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Oil and Gas

At December 31, 2013, our estimated proved oil and natural gas reserves totaled 464 million barrels of oil equivalents (MMBOE). All of our proved oil and natural gas reserves were located in the U.S., with 80 percent comprised of oil (including natural gas liquids, or NGLs) and 66 percent represented by proved developed reserves. Refer to “Oil and Gas Operations” for further discussion.

Our oil and gas operations include oil production facilities and growth potential in the Deepwater Gulf of Mexico (GOM), oil production from the onshore Eagle Ford shale play in Texas, oil production facilities onshore and offshore California, onshore natural gas resources in the Haynesville shale play in Louisiana, natural gas production from the Madden area in central Wyoming, and an industry-leading position in the emerging shallow-water Inboard Lower Tertiary/Cretaceous natural gas trend on the Shelf of the GOM and onshore in South Louisiana.

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 market prices of these metals refer to MD&A.

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 (SHFE). Prices on these exchanges generally reflect the worldwide balance of copper supply and demand, and can be volatile and cyclical. During 2013, LME spot copper prices ranged from a low of $3.01 per pound to a high of $3.74 per pound and averaged $3.31 per pound. 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:

Electrical applications	34	%
Construction	31	%
Industrial machinery	13	%
Transportation	13	%
Consumer products	9	%
	100	%

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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 2013, London PM gold prices ranged from a low of $1,192 per ounce to a high of $1,694 per ounce and averaged $1,405 per ounce.

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 2013, the weekly average price of molybdenum quoted by Metals Week ranged from a low of $9.18 per pound to a high of $11.95 per pound and averaged $10.32 per pound.

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 Light Louisiana Sweet (LLS). Prices generally reflect the worldwide supply and demand balance, and can be volatile. During 2013, the Brent crude oil price ranged from a low of $97.69 per barrel to a high of $118.90 per barrel and averaged $108.68 per barrel.

PRODUCTS AND SALES

FCX’s consolidated revenues for 2013 primarily included sales of copper (69 percent), oil (11 percent), gold (8 percent) and molybdenum (5 percent). Oil sales reflect sales for the seven-month period following the acquisition of our oil and gas operations. Refer to Note 16 for a summary of our consolidated revenues and operating income by business segment and geographic area.

PT-FI's sales to 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) represented 8 percent of our consolidated revenues in 2013, and 11 percent in 2012 and 2011. No other customer accounted for more than 10 percent of our consolidated revenues in any of the past three years.

Copper Products
We are one of the world’s leading producers of copper concentrate, cathode and continuous cast copper rod. During 2013, 49 percent of our mined copper was sold in concentrate, 28 percent as cathode and 23 percent as rod.

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 anodes, which weigh between 800 and 900 pounds each and have an average copper content of 99.5 percent. The anodes are further treated by electrolytic refining to produce copper cathodes, which weigh between 100 and 350 pounds each and have 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 cathodes are used as the raw material input for copper rod, brass mill products and for other uses.

Copper Concentrate. We produce copper concentrate at eight of our mines, of which PT-FI is our largest producer. In North America, copper concentrate is produced at our Morenci, Bagdad, Sierrita and Chino mines, and is generally shipped to our Miami smelter in Arizona. In South America, we produce copper concentrate at our Cerro Verde, Candelaria and Ojos del Salado mines.

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

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 2013, four percent of our North America mines' copper sales volumes were shipped to Atlantic Copper in the form of copper concentrate.

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. Our South America mines generally sell approximately 60 to 70 percent of copper production in concentrate and the rest as cathode. During 2013, 12 percent of our South America mines' copper sales volumes were shipped to Atlantic Copper in the form of copper concentrate.

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), including any applicable price participation charges that are based on the market price of copper. In addition, because a portion of the metals contained in copper concentrates 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 concentrates in the spot market. Following is a summary of PT-FI’s aggregate percentage concentrate sales to PT Smelting, Atlantic Copper and third parties for the last three years:

	2013		2012		2011	
PT Smelting	41	%	52	%	44	%
Atlantic Copper	9	%	11	%	10	%
Third parties	50	%	37	%	46	%
	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, treatment and refining 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. 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

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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 our Henderson and Climax molybdenum mines, we produce molybdenum concentrate at certain of our North America copper mines, and at our Cerro Verde copper mine in Peru. The majority of our molybdenum concentrates are processed in our own conversion facilities. Molybdenum generally is priced based on the average Metals Week price for the month prior to the month of shipment.

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 published by Metal Bulletin for a specified month near the month of shipment. Beginning in 2014, we will begin using LME-based pricing for our cobalt hydroxide sales contracts.

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 throughout the U.S. Our oil production is primarily sold under contracts with prices based upon regional benchmarks. Approximately 50 percent of our gas production is sold monthly based on published index pricing, with the remainder priced daily on the spot market.

Approximately 68 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. We sell a large portion of our Eagle Ford production to third parties using a LLS-based pricing mechanism. 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, 2013, we employed approximately 36,100 people (13,300 in the U.S., 12,300 in Indonesia, 5,800 in South America, 3,300 in Africa and 1,400 in Europe and other locations). Additionally, we have contractors that have personnel at many of our operations, including approximately 19,400 at our Grasberg minerals district, 12,800 at our South America mining operations, 3,800 at our Tenke minerals district, 1,900 in the U.S. and 500 in Europe and other locations. The number of employees represented by unions at December 31, 2013, and the expiration date of the applicable union agreements are listed below. Refer to Item 1A. "Risk Factors" for further information on labor matters.

Location	Number of Unions	Number of Union-Represented Employees	Expiration Date	
PT-FI – Indonesia	1	9,356	September 2015	
TFM – DRC	6	3,327	N/A	[a]
Cerro Verde – Peru	2	1,846	August 2018	[b]
El Abra – Chile	2	1,007	May 2016	
Candelaria – Chile	2	904	December 2016	
Atlantic Copper – Spain	2	450	December 2015	

Kokkola - Finland	3	410	November 2016
Chino – New Mexico	1	352	November 2014
Rotterdam – The Netherlands	2	62	March 2015
Aurex – Chile	1	38	December 2017
Bayway – New Jersey	1	37	April 2016
Stowmarket – United Kingdom	1	31	May 2014

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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. Additionally, in September 2012 TFM negotiated a 4-year salary scale with union-represented employees.

b. In November 2013, Cerro Verde signed a new four-year CLA, which is effective September 1, 2014, upon the expiration of the current agreement.

ENVIRONMENTAL AND RECLAMATION MATTERS

The cost of complying with environmental laws is a fundamental and 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 50 percent of total worldwide mined copper production. We currently rank second among those producers, with approximately eight percent of total worldwide estimated 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 gas reserves in the future will depend on 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

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.

Morenci

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

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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 and secondary sulfide mineralization, 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 a 50,000 metric ton-per-day concentrator, that produces copper and molybdenum concentrates; 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. Morenci’s concentrate leach, direct-electrowinning facility was commissioned in 2007 and processed copper concentrate until early 2009 when it was placed on care-and-maintenance status. The available mining fleet consists of one hundred and seven 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.

Morenci’s production, including our joint venture partner’s share, totaled 664 million pounds of copper and 2 million pounds of molybdenum in 2013, 632 million pounds of copper and 3 million pounds of molybdenum in 2012, and 614 million pounds of copper and 2 million pounds of molybdenum in 2011.

Morenci is expanding mining and milling capacity to process additional sulfide ores identified through exploratory drilling. The project is targeting incremental annual production (net of our joint venture partner's share) of approximately 225 million pounds of copper beginning in 2014 through an increase in milling rates from 50,000 metric tons of ore per day to approximately 115,000 metric tons of ore per day. Refer to “Mining Development Projects and Exploration” for further discussion.

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 64,750 acres, comprising 50,800 acres of patented mining claims and other fee lands, 10,900 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 which we own a one-third interest) 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 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

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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 concentrates, an SX/EW plant that can produce up to 25 million pounds per year of copper cathode from solution generated by low-grade stockpile leaching, and a pressure leach plant to process molybdenum concentrates. The available mining fleet consists of thirty 235-metric ton haul trucks loaded by five shovels with bucket sizes ranging from 44 to 62 cubic meters, which are capable of moving an average of 200,000 metric tons of material per day.

Bagdad’s production totaled 216 million pounds of copper and 8 million pounds of molybdenum in 2013, 197 million pounds of copper and 10 million pounds of molybdenum in 2012, and 194 million pounds of copper and 10 million pounds of molybdenum in 2011.

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. Although we believe the Bagdad operation has sufficient water sources to support current operations, we are a party to litigation that may set legal precedents, which could adversely affect our water rights at Bagdad and at our other properties in Arizona. Refer to Item 1A. "Risk Factors" and Item 3. “Legal Proceedings” for further discussion.

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 eight 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 cathodes. 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 sulphur 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 twenty 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.

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Safford's copper production totaled 146 million pounds in 2013, 175 million pounds in 2012 and 151 million pounds in 2011.

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.

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 seven 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 and secondary sulfide mineralization, 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 concentrates. 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 a copper sulfate crystal plant, which has the capacity to produce 40 million pounds of copper sulfate per year, and 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.

Sierrita's production totaled 171 million pounds of copper and 20 million pounds of molybdenum in 2013, 157 million pounds of copper and 21 million pounds of molybdenum in 2012, and 177 million pounds of copper and 23 million pounds of molybdenum in 2011.

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.

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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.

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 six 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. Current operations include leaching by the SX/EW process. The design capacity of the SX/EW plant is 200 million pounds of copper per year. The available mining fleet consists of twelve 227-metric ton haul trucks loaded by three shovels with bucket sizes ranging from 31 to 34 cubic meters, which are capable of moving an average of 95,000 metric tons of material per day.

Miami’s copper production totaled 61 million pounds in 2013 and 66 million pounds in both 2012 and 2011.

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 southwestern New Mexico in Grant County, 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 and secondary sulfide mineralization, and millable primary sulfide mineralization. The predominant oxide copper minerals are chrysocolla and azurite. 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 concentrates, 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-five 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 220,000 metric tons of material per day.

Ramp up activities at Chino are continuing, with production of approximately 250 million pounds of copper per year targeted in 2014. Chino's production totaled 171 million pounds of copper and 2 million pounds of molybdenum in 2013, 144 million pounds of copper and 2 million pounds of molybdenum in 2012, and 69 million pounds of copper in 2011.

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 southwestern New Mexico in Grant County, approximately 10 miles south of Silver City, New Mexico, along State Highway 90. The site is accessible by paved road and 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 cathodes per year. The available mining fleet consists of nineteen 240-metric ton haul trucks loaded by three shovels with bucket sizes ranging from 17 to 47 cubic meters, which are capable of moving an average of 135,000 metric tons of material per day.

Tyrone’s copper production totaled 96 million pounds in 2013, 83 million pounds in 2012 and 76 million pounds in 2011.

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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 fourteen 9-metric ton load-haul-dump (LHD) units and six 73-metric ton haul trucks, which deliver ore to a gyratory crusher feeding a series of three overland conveyors to the mill stockpiles.

Henderson’s molybdenum production totaled 30 million pounds in 2013, 34 million pounds in 2012 and 38 million pounds in 2011.

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 was commissioned in second-quarter 2012 and includes a 25,000 metric ton-per-day mill facility. 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 19 million pounds in 2013 and 7 million pounds in 2012 (reflecting production since the start of commercial operations in May 2012).

The Climax mine is located in a mountainous region with snowfall averaging 23 feet per year. 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. 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 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 cathodes and concentrate production are transported approximately 70 miles by truck and rail to the Port of Matarani for shipment to international markets.

The Cerro Verde mine is a porphyry copper deposit that has oxide and secondary sulfide mineralization, 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 current operation consists of an open-pit copper mine, a 120,000 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 and a ROM leach system. This leaching operation has a capacity of approximately 200 million pounds of copper per year. The available fleet consists of forty-two 230-metric ton haul trucks loaded by four electric shovels with bucket sizes ranging in size from 33 to 53 cubic meters and one hydraulic shovel with a bucket size of 21 cubic meters, which are capable of moving an average of 335,000 metric tons of material per day.

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Cerro Verde's production totaled 558 million pounds of copper and 13 million pounds of molybdenum in 2013, 595 million pounds of copper and 8 million pounds of molybdenum in 2012, and 647 million pounds of copper and 10 million pounds of molybdenum in 2011.

Construction activities associated with a large-scale expansion at Cerro Verde are in progress, which are expected to expand the concentrator facilities to 360,000 metric tons of ore per day and provide incremental annual production of approximately 600 million pounds of copper and 15 million pounds of molybdenum beginning in 2016. Refer to "Mining Development Projects and Exploration" for further discussion.

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 2,753 meters above sea level and the ultimate pit bottom is expected to be 1,568 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. Cerro Verde has a mining concession covering approximately 157,000 acres, including 14,500 acres rented from the Regional Government of Arequipa, plus 25 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 Empresa de Generación Eléctrica de Arequipa. 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. Cerro Verde's participation in the Pillones Reservoir Project has secured water rights from the regulated system that we believe will be sufficient to support Cerro Verde's current operations.

An agreement has been reached 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 Cerro Verde to finance, engineer and construct a wastewater treatment plant for the city of Arequipa. Cerro Verde has obtained authorization to reuse an annual average of one cubic meter per second of the treated water, which would be used to supplement existing water supplies to support the concentrator expansion.

For further discussion of risks associated with the availability of water, see Item 1A. "Risk Factors."

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

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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 26 to 41 cubic meters, which are capable of moving an average of 223,000 metric tons of material per day.

El Abra's copper production totaled 343 million pounds in 2013, 338 million pounds in 2012 and 274 million pounds in 2011.

We continue to evaluate a potential large-scale milling operation at El Abra to process additional sulfide material and to achieve higher recoveries. Refer to "Mining Development Projects and Exploration" for further discussion.

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 Electroandina. Water for our El Abra processing operations comes from pumping of groundwater from the Salar de Ascotán aquifer pursuant to regulatory approval. We believe El Abra has sufficient water rights to support current operations. For a discussion of risks associated with the availability of water, see Item 1A. “Risk Factors.”

Candelaria and Ojos del Salado

Candelaria
We have an 80 percent ownership interest in Candelaria, with the remaining 20 percent interest owned by affiliates of Sumitomo Corporation.

Candelaria's open-pit copper mine has been in operation since 1993 and the underground mine has been in operation since 2005. The Candelaria copper mining complex is located approximately 12 miles south of Copiapó in northern Chile's Atacama province, Region III. The site is accessible by two maintained dirt roads, one coming through the Tierra Amarilla community and the other off of Route 5 of the International Pan-American Highway. Copper concentrates are transported by truck to the Punta Padrones port facility located in Caldera, approximately 50 miles northwest of the mine.

The Candelaria mine is an iron oxide, copper and gold deposit. Primary sulfide mineralization consists of chalcopyrite.

The Candelaria operation consists of an open-pit copper mine and a 6,000 metric ton-per-day underground copper mine, which is mined by sublevel stoping, feeding a 75,000 metric ton-per-day concentrator. The available fleet consists of forty-eight 225-metric ton haul trucks loaded by six shovels with bucket sizes ranging from 28 to 43 cubic meters, which are capable of moving an average of 250,000 metric tons of material per day.

Candelaria's production totaled 370 million pounds of copper and 87 thousand ounces of gold in 2013, 271 million pounds of copper and 69 thousand ounces of gold in 2012, and 327 million pounds of copper and 85 thousand ounces of gold in 2011.

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Candelaria 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 832 meters above sea level and the ultimate pit bottom is expected to be 80 meters below sea level. The Candelaria property encompasses approximately 13,400 acres, including approximately 125 acres for the port facility in Caldera.

Candelaria receives electrical power through long-term contracts with AES Gener S.A., a local energy company. Candelaria's water supply comes from a nearby wastewater treatment facility and our desalination plant and pipeline that was completed in 2013. We believe that both of these sources will supply Candelaria's long term water needs.

Ojos del Salado
We have an 80 percent ownership interest in Ojos del Salado, with the remaining 20 percent interest owned by affiliates of Sumitomo Corporation.

The Ojos del Salado operation began commercial production in 1929 and consists of two underground copper mines (Santos and Alcaparrosa) and a 3,800 metric ton-per-day concentrator. The operation is located approximately 10 miles east of Copiapó in northern Chile's Atacama province, Region III, and is accessible by paved highway. The Ojos del Salado mines are iron oxide and copper and gold deposits. Primary sulfide mineralization consists of chalcopyrite.

The Ojos del Salado operation has a capacity of 3,800 metric tons per day of ore from the Santos underground mine and 4,000 metric tons of ore per day from the Alcaparrosa underground mine. The ore from both mines is mined by sublevel stoping since both the ore and enclosing rocks are competent. The broken ore is removed from the stopes using scoops and loaded into an available fleet of twenty-six 28-metric ton trucks, which transport the ore to the surface. The ore from the Santos mine is hauled directly to the Ojos del Salado mill for processing, and the ore from the Alcaparrosa mine is reloaded into six 54-metric ton trucks and hauled seven miles to the Candelaria mill for processing. The Ojos del Salado concentrator has the capacity to produce over 30 million pounds of copper and 9 thousand ounces of gold per year. Tailings from the Ojos del Salado mill are pumped to the Candelaria tailings facility for final deposition. The Candelaria facility has sufficient capacity for the remaining Ojos del Salado tailings.

Ojos del Salado's production totaled 52 million pounds of copper and 14 thousand ounces of gold in 2013, 53 million pounds of copper and 14 thousand ounces of gold in 2012, and 58 million pounds of copper and 16 thousand ounces of gold in 2011.

Ojos del Salado is located in a desert environment with rainfall averaging less than one inch per year and is in an active seismic zone. The highest underground level is at an elevation of 530 meters above sea level, with the lowest underground level at 40 meters above sea level. The Ojos del Salado mineral rights encompass approximately 15,800 acres, which includes 6,800 acres of owned land in and around the Ojos del
Salado underground mines and plant site.

Ojos del Salado receives electrical power through long-term contracts with AES Gener S.A. Ojos del Salado's water supply comes from a nearby wastewater treatment facility and our desalination plant and pipeline that was completed in 2013. We believe that both of these sources will supply Ojos del Salado's long term water needs.

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Indonesia

Ownership. PT-FI is a limited liability company organized under the laws of the Republic of Indonesia and incorporated in Delaware. 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.

We have established certain unincorporated joint ventures with Rio Tinto plc (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. Refer to Note 3 for further discussion of our joint ventures with Rio Tinto.

We also conducted exploration activities in Papua, Indonesia through two other entities: PT Nabire Bakti Mining (PTNBM) and PT Irja Eastern Minerals (Eastern Minerals), of which we own 100 percent. As further discussed below, we have begun the process to terminate the Contracts of Work (COW) for PTNBM and Eastern Minerals and to return the exploration areas to the Indonesian government.

Contracts 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 a new COW in 1991. The initial term of the current 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. 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 current mining operations are located. Under the COW, PT-FI also conducts exploration activities in the Block B area. We expect the Block B area to be reduced to approximately 413,000 acres once the Department of Energy and Mineral Resources (DEMR) formally accepts PT-FI's relinquishment of approximately 89,000 acres, and further relinquishments may result from the COW evaluation process discussed in Note 13.

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PT-FI pays royalties on copper, gold and silver under its COW, and has agreed to pay additional royalties to the Indonesian government that are not required under its COW. The additional royalties provide further support to the local governments and to the people of the Indonesian province of Papua. PT-FI's share of the combined royalties totaled $109 million in 2013, $93 million in 2012 and $137 million in 2011.

Under a joint venture agreement through PTNBM, we were allowed to conduct exploration activities under a separate COW on three parcels contiguous to PT-FI's Block B and one of Eastern Minerals' blocks. Since 2011, we have made a number of requests of the DEMR, including suspension of activities for the COW, while awaiting receipt of permits from the Indonesian government's Department of Forestry that would allow us to resume exploration activities. In September 2013, we received notification from the DEMR advising us to lodge a completed feasibility study within 30 days and enter into the construction period within the COW timeline. However, since we had not completed our exploration program, we were unable to comply. The letter was in effect, a denial of our previously unanswered requests, resulting in a decision to terminate the COW. We have initiated actions required under the COW that will result in its formal termination.

Eastern Minerals is allowed to conduct exploration in Papua through a joint venture agreement under a separate COW. The situation with the Eastern Minerals COW is similar to that of PTNBM, and we expect to receive a similar response from the DEMR. Because of this expected outcome, we have notified the DEMR of our intentions to terminate the COW and have initiated the formal termination process.

In 2009, Indonesia enacted a mining law (2009 Mining Law), which operates under a licensing system that is significantly less protective of licensees than the contract of work system that governs PT-FI, Eastern Minerals and PTNBM. The 2009 Mining Law and the regulations issued pursuant to that law provide that contracts of work would continue to be honored until their expiration. However, the regulations, including those issued in January 2014, attempt to apply certain provisions of the 2009 Mining Law and regulations to existing contracts of work and seek to apply the licensing system to any extension periods of contracts of work.

In January 2012, the President of Indonesia issued a decree calling for the creation of a team of Ministers to evaluate contracts of work for adjustment to the 2009 Mining Law and to take steps to assess and determine the Indonesian government's position on reduction to the size of contract concessions, increasing government revenues and domestic processing of minerals. We have been engaged in discussions with officials of the Indonesian government to complete this evaluation process and obtain an extension of the PT-FI COW beyond its primary term ending in 2021 to 2041, as provided under the terms of the COW, which can only be modified by mutual agreement between PT-FI and the Indonesian government. Refer to Item 1A. "Risk Factors" for further discussion.

In January 2014, the Indonesian government published regulations providing that holders of contracts of work with existing processing facilities in Indonesia may continue to export product through January 12, 2017, but established new requirements for the continued export of copper concentrates, including the imposition of a progressive export duty on copper concentrates in the amount of 25 percent in 2014, rising to 60 percent by mid-2016. PT-FI's COW authorizes it to export concentrates and specifies the taxes and other fiscal terms available to its operations. The COW states that PT-FI shall not be subject to taxes, duties or fees subsequently imposed or approved by the Indonesian government except as expressly provided in the COW. Additionally, PT-FI complied with the requirements of its COW for local processing by arranging for the construction and commissioning of Indonesia's only copper smelter and refinery, which is owned and operated by PT Smelting (refer to "Smelting Facilities and Other Mining Properties").

The January 2014 regulations conflict with PT-FI's contractual rights under its COW. We are working with the Indonesian government to clarify the situation and to defend PT-FI's rights under its COW. PT-FI is also seeking to

obtain the required administrative permits for 2014 exports, which have been delayed as a result of the new regulations.

As of February 21, 2014, PT-FI has not obtained administrative approval for 2014 exports. PT-FI has implemented near-term changes to its operations to coordinate its concentrate production with PT Smelting's operating plans. Since mid-January 2014, PT-FI's milling rate has averaged approximately 112,000 metric tons of ore per day, which is approximately half of normal rates. PT-FI is engaging with the government of Indonesia to reach a resolution that would enable PT-FI to resume normal operations as soon as possible. In the event that PT-FI is unable to resume normal operations for an extended period, we plan to consider further actions, including constraining operating

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costs, deferring capital expenditures and implementing workforce reductions. PT-FI may also be required to declare force majeure under its concentrate sales agreements.

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 Big Gossan underground mine. We also have 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 ramp up over several years to produce approximately 240,000 metric tons of ore per day following the transition from the Grasberg open pit, currently anticipated to occur in 2017. Refer to “Mining Development Projects and Exploration” for further discussion.

PT-FI’s production, including our joint venture partner’s share, totaled 928 million pounds of copper and 1.14 million ounces of gold in 2013, 695 million pounds of copper and 862 thousand ounces of gold in 2012 and 882 million pounds of copper and 1.44 million ounces of gold in 2011.

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. Our Indonesian operations are in an active seismic zone and experience average annual rainfall of approximately 200 inches.

Grasberg Open Pit

We began open-pit mining of the Grasberg ore body in 1990, with mining operations expected to continue through early 2017. Production in the open pit is currently at the 3,190- to 3,940- meter elevation level and totaled 46 million metric tons of ore in 2013, which provided 71 percent of PT-FI's 2013 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 157 haul trucks with payloads ranging from 218 to 330 metric tons and 16 shovels with bucket sizes ranging from 30 to 42 cubic meters, which mined an average of 381,000 metric tons of material per day during 2013, 399,000 metric tons per day in 2012 and 486,000 metric tons per day in 2011.

Grasberg crushing and conveying systems are integral to the mine and provide the capacity to transport up to 250,000 metric tons per day of Grasberg ore to the mill and 150,000 metric tons per day of overburden to the overburden stockpiles. The remaining overburden is moved by haul trucks.

DOZ underground mine

The DOZ ore body lies vertically below the now depleted Intermediate Ore Zone. We 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. Production from the DOZ mine averaged 49,400 metric tons of ore per day for the year 2013 and is expected to ramp up to the design rate of 80,000 metric tons of ore per day during 2014 pending approval of export permits as described above. Production at the DOZ mine is expected to continue through 2019.

The DOZ mine fleet consists of over 200 pieces of mobile heavy equipment, which is capable of mining an average of 80,000 metric tons of material per day. The primary mining equipment directly associated with production and development includes an available fleet of 44 LHD units and 20 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 undeveloped underground ore bodies.

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Big Gossan underground mine

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 underground mine averaged 2,100 metric tons of ore per day for the year 2013 and is expected to ramp up to 7,000 metric tons of ore per day by 2016. Although development activities continue, production from the Big Gossan underground mine is currently suspended pending resolution of the export regulatory matter discussed above.

The Big Gossan underground mine fleet consists of over 70 pieces of mobile heavy equipment, which includes 11 loaders and eight 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 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 was entered into in 1996 and was replaced with the ARMC in 2005, which 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 $29 million in 2013, $25 million in 2012 and $24 million in 2011.

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The Tenke minerals district is located in the Katanga province 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 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.

Initial copper production commenced at the Tenke minerals district in March 2009. TFM completed its second phase expansion project in early 2013, which included optimizing the current plant and increasing mine, mill and processing capacity. The expanded mill facility throughput rates averaged 14,900 metric tons of ore per day during 2013, compared with original design capacity of 14,000 metric tons of ore per day, enabling an increase in Tenke's copper production to over 430 million pounds per year. The addition of a second sulphuric acid plant is expected to be completed in 2016.

We continue to engage in exploration activities and metallurgical testing to evaluate the potential of the highly prospective Tenke minerals district. These analyses are being incorporated into future plans for potential expansions of production capacity. Future expansions are subject to a number of factors, including economic and market conditions and the business and investment climate in the DRC.

The current equipment fleet includes one 10-cubic meter mass excavator, three 17-cubic meter mass excavators, three 12-cubic meter front-end loaders, ten 7-cubic meter front-end loaders, thirty-two 91-metric ton haul trucks and eleven 45-metric ton haul trucks.

Copper and cobalt are recovered through an agitation-leach plant. Production from the Tenke minerals district totaled 462 million pounds of copper and 28 million pounds of cobalt in 2013, 348 million pounds of copper and 26 million pounds of cobalt in 2012 and 281 million pounds of copper and 25 million pounds of cobalt in 2011.

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 1,518 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 currently has a capacity of 285,000 metric tons of copper per year. During 2013, Atlantic Copper treated approximately 869,400 million metric tons of concentrate and scrap and produced 224,300 metric tons of copper anodes from its smelter and 226,000 metric tons of copper cathodes from its refinery. Following is a summary of Atlantic Copper's concentrate purchases from our copper mining operations and third parties for the last three years:

	2013		2012		2011	
North America copper mines	13	%	16	%	2	%
South America mining	32	%	31	%	30	%
Indonesia mining	16	%	10	%	17	%

Third parties	39	%	43	%	51	%
	100	%	100	%	100	%

During 2013, Atlantic Copper successfully completed a scheduled 68-day major maintenance turnaround. Atlantic Copper's major maintenance turnarounds typically occur approximately every eight years, with short-term maintenance turnarounds in the interim. The next short-term maintenance turnaround is scheduled for the second half of 2015.

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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, Mitsubishi Materials Corporation, Mitsubishi Corporation Unimetals Ltd. and JX Nippon Mining & Metals Corporation own 25 percent, 60.5 percent, 9.5 percent and 5 percent, respectively, of the outstanding PT Smelting common stock.

PT-FI's contract with PT Smelting provides for the supply of 100 percent of the copper concentrate requirements (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 also sells copper concentrate to PT Smelting (at market rates) for quantities in excess of 205,000 metric tons of copper annually.

During 2013, PT Smelting treated 967,800 metric tons of concentrate and produced 217,700 metric tons of copper anodes from its smelter and 214,300 metric tons of copper cathodes from its refinery.

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 an 18-day maintenance turnaround during first-quarter 2014, and the next major maintenance turnaround is scheduled for 2016.

Miami Smelter. We own and operate a smelter at our Miami, Arizona, mining operation. 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. As a result of new air quality standards for sulfur dioxide emissions, the Miami smelter is required to install pollution control equipment as part of an expansion that will allow the smelter to operate and comply with the new standard (refer to Item 1A. "Risk Factors" for further discussion).

The Miami smelter processes copper concentrate primarily from our Arizona copper mines. Concentrate processed through the smelter totaled approximately 629,000 metric tons in 2013. In addition, because sulphuric acid is a by-product of smelting concentrates, the Miami smelter is also the most significant source of sulphuric acid for our North America leaching operations.

Major maintenance turnarounds (which take approximately three weeks to complete) typically occur approximately every 14 months for the Miami smelter, with shorter term maintenance turnarounds in the interim.

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 Miami. 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 concentrates 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. On March 29, 2013, we, through a newly formed consolidated joint venture, completed the acquisition of a cobalt chemical refinery in Kokkola, Finland, and the related sales and marketing business. The acquisition provides 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 12,000 metric tons of cobalt, sufficient to refine the majority of the cobalt we produce in the Tenke minerals district.

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Other North America Copper Mines. In addition to our operating mines, we have four non-operating copper mines in North America – Ajo, Bisbee and Tohono in Arizona, and Cobre in New Mexico – that have been on care-and-maintenance status for 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.

In December 2009, we purchased the Twin Buttes copper mine, which ceased operations in 1994 and is adjacent to our Sierrita mine in Arizona. The purchase provides significant synergies in the Sierrita minerals district, including the potential for expanded mining activities and access to material that can be used for Sierrita tailings and stockpile reclamation purposes. We have completed drilling on the property and metallurgical studies to support a future feasibility study.

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, which will require substantial additional capital investment, are presented below. Also refer to MD&A for further discussion of these projects, our other development projects and exploration activities.

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.

Morenci. We are expanding mining and milling capacity at Morenci to process additional sulfide ores identified through exploratory drilling. The project is targeting incremental annual production of approximately 225 million pounds of copper beginning in 2014 (an approximate 40 percent increase from 2013) through an increase in milling rates from 50,000 metric tons of ore per day to approximately 115,000 metric tons of ore per day. At full rates, Morenci's copper production is expected to approach 1 billion pounds in 2015 compared with 564 million pounds in 2013. At December 31, 2013, construction is more than 60 percent complete and the project is on track for first copper production in the first half of 2014.

Cerro Verde. Construction activities associated with a large-scale expansion at Cerro Verde are in progress. At December 31, 2013, engineering was more than 90 percent complete and construction progress is advancing on schedule. The project is expected to expand the concentrator facilities from 120,000 metric tons of ore per day to 360,000 metric tons of ore per day and provide incremental annual production of approximately 600 million pounds of copper and 15 million pounds of molybdenum beginning in 2016. In addition, construction activities are progressing on a wastewater treatment plant for the city of Arequipa, which will be used to supplement existing water supplies to support the concentrator expansion.

El Abra. We continue to evaluate a potential large-scale milling operation at El Abra to process additional sulfide material and to achieve higher recoveries. Exploration results in recent years at El Abra indicate a significant sulfide resource, which could potentially support a major mill project.

Grasberg. We have several projects in progress in the Grasberg minerals district related to the development of large-scale, long-lived, high-grade underground ore bodies. In aggregate, these underground ore bodies are expected to ramp up over several years to produce approximately 240,000 metric tons of ore per day following the transition from the Grasberg open pit, currently anticipated to occur in 2017. Development of the Grasberg Block Cave and Deep Mill Level Zone (DMLZ) mines is advancing to enable DMLZ to commence production in 2015 and the Grasberg Block Cave mine to commence production in 2017.

In addition to the near-term development projects in progress in the Grasberg minerals district, 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 billion (which are expected to be made between 2019 and 2032). Additionally, our current mine development plans include approximately $3 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 2016 and 2034).

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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 approximately 20 percent of our 2013 consolidated copper production costs and included purchases of approximately 260 million gallons of diesel fuel; 7,200 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); 705 thousand metric tons of coal for our coal power plant in Indonesia; and 1 MMBtu (million British thermal units) of natural gas at certain of our North America mines. For 2014, we estimate energy will approximate 21 percent of our consolidated copper production costs.

Our mining operations also require significant quantities of water for mining, ore processing and related support facilities. Although we believe our mining operations have sufficient water rights, 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.”

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 sulphur 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.

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 basic 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 testing
- 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 resources companies and international human rights organizations and they are incorporated into our human rights policy and site level projects.

We also are currently integrating the United Nations Guiding Principles on Business and Human Rights into our human rights program by conducting a corporate level human rights impact assessment. The results of this assessment will be used to evaluate and help direct our human rights program going forward, including a review of our human rights policy. We also participate in a multi-industry human rights working group to help us learn from peer companies and determine the best way to integrate human rights due diligence into our business practices and to support our Voluntary Principles program.

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 three years, these investments have averaged $179 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

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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 has also reached 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 (refer to MD&A for further discussion). Treating this water will improve the Rio Chili's water quality, enhance agriculture products grown in the area and reduce waterborne illnesses.

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 committed through 2016 to provide one percent of its annual revenue for the development of the local people in its area of operation through the Partnership Fund. Our share of contributions to the Partnership Fund totaled $41 million in 2013, $39 million in 2012 and $50 million in 2011.

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.

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, which is unarmed and performs 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 has received human rights training and each member is required to certify his or her compliance with our human rights policy.

PT-FI’s share of costs for its internal civilian security department totaled $51 million for 2013, $52 million for 2012 and $37 million for 2011.

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 $25 million in 2013, $22 million in 2012 and $14 million in 2011. 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 in the Katanga province 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 90 clean water wells in rural villages as well as construction of urban water distribution systems, and economic development programs supporting

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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 Amended and Restated Mining Convention, TFM has also committed to contribute 0.3 percent of net sales revenue from production 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 and four TFM representatives. A community stakeholder forum comprised of 40 community representatives provides for increased community participation and input regarding project priorities, community needs, and transparency of fund management. The TFM Social Community Fund contributions totaled $4 million in each of the years 2013, 2012 and 2011.

Security Matters. TFM maintains an unarmed internal security department. The national government also has assigned Mines Police to the TFM concession area. 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, monetary allowances and logistical support as well as direct payments to the government for the provision of the security assigned to the concession area. The total cost to TFM for this support, including in-kind support, totaled less than $1 million in each of the years 2013, 2012 and 2011.

TFM also participates in monthly security coordination meetings with host country security personnel, other mining companies, 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 concession for host government security personnel, local representatives and TFM security employees.

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Mining Production Data

	Years Ended December 31,				
(FCX's net interest in %)	2013	2012	2011	2010	2009
COPPER (millions of recoverable pounds)					
North America					
Morenci (85%)[a]	564	537	522	437	428
Bagdad (100%)	216	197	194	203	225
Safford (100%)	146	175	151	143	184
Sierrita (100%)	171	157	177	147	170
Miami (100%)	61	66	66	18	16
Chino (100%)	171	144	69	34	36
Tyrone (100%)	96	83	76	82	86
Other (100%)	6	4	3	3	2
Total North America	1,431	1,363	1,258	1,067	1,147
South America					
Cerro Verde (53.56%)	558	595	647	668	662
El Abra (51%)	343	338	274	320	358
Candelaria/Ojos del Salado (80%)	422	324	385	366	370
Total South America	1,323	1,257	1,306	1,354	1,390
Indonesia					
Grasberg (90.64%)[b]	915	695	846	1,222	1,412
Africa					
Tenke Fungurume (56%)[c]	462	348	281	265	154
Consolidated	4,131	3,663	3,691	3,908	4,103
Less noncontrolling interests	801	723	710	766	754
Net	3,330	2,940	2,981	3,142	3,349
GOLD (thousands of recoverable ounces)					
North America (100%)[a]	7	13	10	7	4
South America (80%)	101	83	101	93	92
Indonesia (90.64%)[b]	1,142	862	1,272	1,786	2,568
Consolidated	1,250	958	1,383	1,886	2,664
Less noncontrolling interests	127	98	139	186	258
Net	1,123	860	1,244	1,700	2,406
MOLYBDENUM (millions of recoverable pounds)					
Henderson (100%)	30	34	38	40	27
Climax (100%)[d]	19	7	—	—	—
North America copper mines (100%)[a]	32	36	35	25	25
Cerro Verde (53.56%)	13	8	10	7	2
Consolidated	94	85	83	72	54
Less noncontrolling interest	6	4	5	3	1
Net	88	81	78	69	53
COBALT (millions of contained pounds)					
Consolidated - Tenke Fungurume (56%)[c]	28	26	25	20	—
Less noncontrolling interests	12	11	11	8	—
Net	16	15	14	12	—

a. Amounts are net of Morenci’s 15 percent joint venture partner interest.
b. Amounts are net of Grasberg’s joint venture partner’s interest, which varies in accordance with terms of the joint venture agreement.
c. Initial copper production commenced at the Tenke mines in March 2009. Effective March 26, 2012, FCX's effective ownership interest in TFM was prospectively reduced from 57.75 percent to 56 percent.
d. 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 %)	2013	2012	2011	2010	2009
COPPER (millions of recoverable pounds)					
North America					
Morenci (85%)[a]	561	532	521	434	459
Bagdad (100%)	212	196	201	206	225
Safford (100%)	151	175	147	155	176
Sierrita (100%)	170	162	175	152	172
Miami (100%)	60	68	59	17	16
Chino (100%)	168	132	62	35	52
Tyrone (100%)	94	82	79	83	85
Other (100%)	6	4	3	3	2
Total North America	1,422	1,351	1,247	1,085	1,187
South America					
Cerro Verde (53.56%)	560	589	657	654	667
El Abra (51%)	341	338	276	315	361
Candelaria/Ojos del Salado (80%)	424	318	389	366	366
Total South America	1,325	1,245	1,322	1,335	1,394
Indonesia					
Grasberg (90.64%)[b]	885	716	846	1,214	1,400
Africa					
Tenke Fungurume (56%)[c]	454	336	283	262	130
Consolidated sales from mines	4,086	3,648	3,698	3,896	4,111
Less noncontrolling interests	795	717	717	756	746
Net	3,291	2,931	2,981	3,140	3,365
Consolidated sales from mines	4,086	3,648	3,698	3,896	4,111
Purchased copper	223	125	223	182	166
Total copper sales, including purchases	4,309	3,773	3,921	4,078	4,277
Average realized price per pound	$3.30	$3.60	$3.86	$3.59	$2.60
GOLD (thousands of recoverable ounces)					
North America (100%)[a]	6	13	7	5	6
South America (80%)	102	82	101	93	90
Indonesia (90.64%)[b]	1,096	915	1,270	1,765	2,543
Consolidated sales from mines	1,204	1,010	1,378	1,863	2,639
Less noncontrolling interests	123	102	139	184	256
Net	1,081	908	1,239	1,679	2,383
Average realized price per ounce	$1,315	$1,665	$1,583	$1,271	$993
MOLYBDENUM (millions of recoverable pounds)					
Consolidated sales from mines	93	83	79	67	58
Less noncontrolling interests	5	4	4	3	1
Net	88	79	75	64	57
Average realized price per pound	$11.85	$14.26	$16.98	$16.47	$12.36
COBALT (millions of contained pounds)					
Consolidated - Tenke Fungurume (56%)[c]	25	25	25	20	—

Less noncontrolling interests	11	11	10	8	—
Net	14	14	15	12	—
Average realized price per pound	$8.02	$7.83	$9.99	$10.95	$—

a. Amounts are net of Morenci’s joint venture partner’s 15 percent interest.

b. Amounts are net of Grasberg’s joint venture partner’s interest, which varies in accordance with terms of the joint venture agreement.

c. Initial copper production commenced at the Tenke mines in March 2009. 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 mineral reserves from our mining operations summarized below and detailed on the following pages have been calculated as of December 31, 2013, 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 of other countries. Proven and probable mineral 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 mineral reserves for which (1) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (2) grade and/or quality are computed from the results of detailed sampling; and (3) 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 mineral reserves for which quantity and grade are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement 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. Our estimates of recoverable proven and probable mineral reserves are prepared by and are the responsibility of our employees; a majority of these estimates are reviewed and verified by independent experts in mining, geology and reserve determination.

Estimated recoverable proven and probable mineral reserves at December 31, 2013, were determined using long-term average prices of $2.00 per pound for copper (consistent with the long-term average copper price used since December 31, 2010), $1,000 per ounce for gold and $10 per pound for molybdenum. For the three-year period ended December 31, 2013, LME spot copper prices averaged $3.64 per pound, London PM gold prices averaged $1,550 per ounce, and the weekly average price of molybdenum quoted by Metals Week averaged $12.85 per pound.

The recoverable proven and probable mineral 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 the 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, 2013				
	Copper[a] (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)	Silver[b] (million ounces)	Cobalt[b] (billion pounds)
North America	36.2	0.4	2.55	87.5	—
South America	37.0	1.1	0.71	107.5	—
Indonesia	30.0	29.8	—	113.5	—
Africa	8.0	—	—	—	0.87
Consolidated basis[c]	111.2	31.3	3.26	308.5	0.87
Net equity interest[d]	88.6	28.3	2.93	252.9	0.48

a. Recoverable copper reserves include 3.3 billion pounds in leach stockpiles and 1.4 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.

Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and at the Grasberg minerals district in Indonesia.

d. Net equity interest reserves represent estimated consolidated metal quantities further reduced for noncontrolling interest ownership.

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Recoverable Proven and Probable Mineral Reserves
Estimated at December 31, 2013

		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	677	0.49	—	0.02	—	—	8	0.47	—	0.02	—	—
	Crushed leach	407	0.51	—	—	—	—	6	0.52	—	—	—	—
	ROM leach	2,610	0.18	—	—	—	—	71	0.15	—	—	—	—
Bagdad	Mill	1,023	0.34	—	[a] 0.02	1.61	—	152	0.32	—	[a] 0.02	1.61	—
	ROM leach	175	0.15	—	—	—	—	99	0.17	—	—	—	—
Safford	Crushed leach	97	0.45	—	—	—	—	52	0.45	—	—	—	—
Sierrita	Mill	2,273	0.24	—	[a] 0.03	1.42	—	239	0.20	—	[a] 0.02	1.21	—
	ROM leach	12	0.19	—	—	—	—	10	0.17	—	—	—	—
Miami	ROM leach	12	0.44	—	—	—	—	3	0.38	—	—	—	—
Chino	Mill	83	0.62	0.04	0.01	0.53	—	62	0.59	0.04	0.01	0.50	—
	ROM leach	173	0.31	—	—	—	—	58	0.27	—	—	—	—
Tyrone	ROM leach	68	0.34	—	—	—	—	1	0.25	—	—	—	—
Henderson	Mill	103	—	—	0.17	—	—	2	—	—	0.16	—	—
Climax	Mill	166	—	—	0.17	—	—	23	—	—	0.10	—	—
Cobre[b]	ROM leach	71	0.40	—	—	—	—	2	0.29	—	—	—	—
		7,950						788					
South America													
Cerro Verde	Mill	1,123	0.39	—	0.02	1.60	—	2,757	0.37	—	0.02	1.52	—
	Crushed leach	37	0.50	—	—	—	—	57	0.41	—	—	—	—
	ROM leach	16	0.21	—	—	—	—	57	0.21	—	—	—	—
El Abra	Crushed leach	365	0.50	—	—	—	—	91	0.47	—	—	—	—
	ROM leach	91	0.29	—	—	—	—	29	0.25	—	—	—	—
Candelaria	Mill	269	0.58	0.13	—	2.12	—	12	0.66	0.17	—	2.65	—
Ojos del Salado	Mill	6	1.05	0.24	—	4.04	—	2	0.88	0.20	—	3.50	—
		1,907						3,005					
Indonesia													
Grasberg open pit	Mill	94	1.05	1.34	—	2.71	—	112	0.87	0.86	—	2.09	—
Deep Ore Zone	Mill	48	0.57	0.73	—	2.33	—	104	0.55	0.73	—	2.21	—
Big Gossan	Mill	15	2.38	1.05	—	15.04	—	39	2.16	0.95	—	12.89	—
Grasberg Block Cave[b]	Mill	387	1.20	0.99	—	3.95	—	613	0.90	0.64	—	3.26	—

Kucing Liar[b]	Mill	154	1.31	1.11	—	7.48	—	266	1.21	1.04	—	6.13	—
Deep Mill Level Zone[b]	Mill	72	0.91	0.75	—	4.45	—	454	0.82	0.69	—	4.10	—
		770						1,588					
Africa													
Tenke Fungurume	Agitation leach	52	3.66	—	—	—	0.39	61	3.07	—	—	—	0.33
Total FCX - 100% Basis		10,679						5,442					

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, 2013
(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	685	0.49	—	0.02	—	—	79.5	—	50.5	—	—
	Crushed leach	413	0.51	—	—	—	—	78.0	—	—	—	—
	ROM leach	2,681	0.18	—	—	—	—	43.5	—	—	—	—
Bagdad	Mill	1,175	0.34	—	[b] 0.02	1.61	—	85.8	59.1	70.8	49.3	—
	ROM leach	274	0.16	—	—	—	—	23.4	—	—	—	—
Safford	Crushed leach	149	0.45	—	—	—	—	65.2	—	—	—	—
Sierrita	Mill	2,512	0.23	—	[b] 0.03	1.40	—	83.9	59.9	76.6	49.3	—
	ROM leach	22	0.18	—	—	—	—	53.1	—	—	—	—
Miami	ROM leach	15	0.43	—	—	—	—	56.0	—	—	—	—
Chino	Mill	145	0.61	0.04	0.01	0.52	—	79.5	77.9	44.0	78.5	—
	ROM leach	231	0.30	—	—	—	—	39.5	—	—	—	—
Tyrone	ROM leach	69	0.34	—	—	—	—	61.3	—	—	—	—
Henderson	Mill	105	—	—	0.17	—	—	—	—	84.2	—	—
Climax	Mill	189	—	—	0.16	—	—	—	—	89.9	—	—
Cobre[c]	ROM leach	73	0.39	—	—	—	—	50.7	—	—	—	—
		8,738										
South America												
Cerro Verde	Mill	3,880	0.37	—	0.02	1.55	—	86.3	—	53.1	44.7	—
	Crushed leach	94	0.44	—	—	—	—	79.5	—	—	—	—
	ROM leach	73	0.21	—	—	—	—	49.8	—	—	—	—
El Abra	Crushed leach	456	0.50	—	—	—	—	57.5	—	—	—	—
	ROM leach	120	0.28	—	—	—	—	30.7	—	—	—	—
Candelaria	Mill	281	0.58	0.14	—	2.14	—	89.7	71.9	—	76.3	—
Ojos del Salado	Mill	8	1.00	0.23	—	3.87	—	90.2	71.9	—	76.3	—
		4,912										
Indonesia												
Grasberg open pit	Mill	206	0.95	1.08	—	2.37	—	84.1	81.1	—	43.7	—
Deep Ore Zone	Mill	152	0.56	0.73	—	2.25	—	86.7	77.5	—	66.2	—
Big Gossan	Mill	54	2.22	0.97	—	13.49	—	91.6	67.1	—	63.8	—

Grasberg Block Cave[c]	Mill	1,000	1.02	0.78	—	3.53	—	84.2	64.8	—	57.1	—
Kucing Liar[c]	Mill	420	1.24	1.07	—	6.63	—	84.9	45.2	—	38.7	—
Deep Mill Level Zone[c]	Mill	526	0.83	0.70	—	4.15	—	86.7	78.8	—	64.6	—
		2,358										
Africa												
Tenke Fungurume	Agitation leach	113	3.34	—	—	—	0.36	86.4	—	—	—	75.6
Total FCX - 100% Basis		16,121										

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, 2013
(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	5.9	—	0.15	—	—
		Crushed leach	3.6	—	—	—	—
		ROM leach	4.5	—	—	—	—
Bagdad	100%	Mill	7.6	0.1	0.39	30.0	—
		ROM leach	0.2	—	—	—	—
Safford	100%	Crushed leach	1.0	—	—	—	—
Sierrita	100%	Mill	10.8	0.1	1.08	55.6	—
		ROM leach	—	[a] —	—	—	—
Miami	100%	ROM leach	0.1	—	—	—	—
Chino	100%	Mill	1.5	0.2	0.01	1.9	—
		ROM leach	0.6	—	—	—	—
Tyrone	100%	ROM leach	0.3	—	—	—	—
Henderson	100%	Mill	—	—	0.33	—	—
Climax	100%	Mill	—	—	0.60	—	—
Cobre	100%	ROM leach	0.3	—	—	—	—
			36.4	0.4	2.56	87.5	—
Recoverable metal in stockpiles[b]			1.9	—	0.01	—	—
100% operations			38.3	0.4	2.57	87.5	—
Consolidated[c]			36.2	0.4	2.55	87.5	—
Net equity interest[d]			36.2	0.4	2.55	87.5	—
South America							
Cerro Verde	53.56%	Mill	27.5	—	0.69	86.2	—
		Crushed leach	0.7	—	—	—	—
		ROM leach	0.2	—	—	—	—
El Abra	51%	Crushed leach	2.9	—	—	—	—
		ROM leach	0.2	—	—	—	—
Candelaria	80%	Mill	3.3	0.9	—	14.8	—
Ojos del Salado	80%	Mill	0.1	—	[a] —	0.7	—
			34.9	0.9	0.69	101.7	—
Recoverable metal in stockpiles[b]			2.1	0.2	0.02	5.8	—
100% operations			37.0	1.1	0.71	107.5	—
Consolidated[c]			37.0	1.1	0.71	107.5	—
Net equity interest[d]			20.7	0.9	0.38	62.5	—
Indonesia							
Grasberg open pit	e	Mill	3.6	5.8	—	6.9	—
Deep Ore Zone	e	Mill	1.6	2.8	—	7.3	—
Big Gossan	e	Mill	2.5	1.1	—	15.0	—
Grasberg Block Cave	e	Mill	18.9	16.1	—	64.8	—
Kucing Liar	e	Mill	9.8	6.5	—	34.6	—
Deep Mill Level Zone	e	Mill	8.3	9.3	—	45.3	—

100% operations			44.7	41.6	—	173.9	—
Consolidated[c]			30.0	29.8	—	113.5	—
Net equity interest[d]			27.2	27.0	—	102.9	—
Africa							
Tenke Fungurume	56%	Agitation leach	7.2	—	—	—	0.68
Recoverable metal in stockpiles[b]			0.8	—	—	—	0.19
100% operations			8.0	—	—	—	0.87
Consolidated[c]			8.0	—	—	—	0.87
Net equity interest[d]			4.5	—	—	—	0.48
Total FCX – 100% basis			128.0	43.1	3.28	368.9	0.87
Total FCX – Consolidated basis[c]			111.2	31.3	3.26	308.5	0.87
Total FCX – Net equity interest[d]			88.6	28.3	2.93	252.9	0.48

a. Amounts not shown because of rounding.

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

c. Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and at the Grasberg minerals district in Indonesia.

d. Net equity interest represents estimated consolidated metal quantities further reduced for noncontrolling interest ownership.

e. 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, 2013:

	Copper Equivalent Cutoff Grade (Percent)			Molybdenum Cutoff Grade (Percent)
	Mill	Crushed or Agitation Leach	ROM Leach	Mill
North America				
Morenci	0.25	0.20	0.03	—
Bagdad	0.20	—	0.09	—
Safford	—	0.13	—	—
Sierrita	0.18	—	0.07	—
Miami	—	—	0.05	—
Chino	0.20	—	0.08	—
Tyrone	—	—	0.05	—
Henderson	—	—	—	0.12
Climax	—	—	—	0.06
Cobre	—	—	0.17	—
South America				
Cerro Verde	0.17	0.19	0.14	—
El Abra	—	0.11	0.07	—
Candelaria	0.24	—	—	—
Ojos del Salado	0.81	—	—	—
Indonesia				
Grasberg open pit	0.25	—	—	—
Deep Ore Zone	0.77	—	—	—
Big Gossan	1.88	—	—	—
Grasberg Block Cave	0.71	—	—	—
Kucing Liar	0.83	—	—	—
Deep Mill Level Zone	0.72	—	—	—
Africa				
Tenke Fungurume	—	1.33	—	—

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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	61	104	91
Miami	Open Pit	—	61	—	91
Chino	Open Pit	43	86	86	122
Tyrone	Open Pit	—	86	—	86
Henderson	Block Cave	38	—	85	—
Climax	Open Pit	61	—	91	—
Cobre	Open Pit	—	61	—	91
South America					
Cerro Verde	Open Pit	50	50	100	100
El Abra	Open Pit	—	75	—	120
Candelaria	Open Pit	35	—	70	—
Ojos del Salado	Sublevel Stoping	25	—	50	—
Indonesia					
Grasberg	Open Pit	32	—	86	—
Deep Ore Zone	Block Cave	23	—	57	—
Big Gossan	Open Stope	14	—	42	—
Grasberg	Block Cave	31	—	79	—
Kucing Liar	Block Cave	39	—	99	—
Deep Mill Level Zone	Block Cave	21	—	79	—
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. 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 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 the ore body and are available for copper recovery. For mill stockpiles, recovery is through milling, concentrating, smelting and refining or, alternatively, by concentrate leaching. For leach stockpiles, recovery 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.

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.

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Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, small- to large-scale column testing (which simulates the production-scale 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 continuously, 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, 2013:

	Million Metric Tons	Average Ore Grade (%)	Recovery Rate (%)	Recoverable Copper (billion pounds)
Mill stockpiles				
Cerro Verde	112	0.39	82.1	0.8
Candelaria	92	0.36	83.5	0.6
	204			1.4
Leach stockpiles				
Morenci	5,465	0.24	2.0	0.6
Bagdad	488	0.26	2.2	0.1
Safford	161	0.43	15.9	0.2
Sierrita	650	0.15	11.8	0.2
Miami	483	0.39	2.7	0.1
Chino	1,639	0.26	4.9	0.5
Tyrone	1,078	0.28	2.6	0.2
Cerro Verde	452	0.52	3.2	0.2
El Abra	529	0.42	10.3	0.5
Tenke Fungurume	31	1.25	91.9	0.8
	10,976			3.4
Total FCX - 100% basis				4.8
Total FCX - Consolidated basis[a]				4.7
Total FCX - Net equity interest[b]				3.5

a. Consolidated represents estimated metal quantities after reduction for our joint venture partner's interest in the Morenci mine in North America.

b. Net equity interest represents estimated consolidated metal quantities further reduced for noncontrolling interest ownership.

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 and $12 per pound for molybdenum.

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Mineralized Material
Estimated at December 31, 2013

		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%	1,328	0.26	—	0.02	—	1,350	0.20	2,678
Bagdad	100%	437	0.28	—	[a] 0.02	1.3	7	0.12	444
Safford	100%	431	0.53	0.10	—	[a] 2.0	161	0.24	592
Sierrita	100%	1,509	0.19	—	[a] 0.02	1.1	16	0.16	1,525
Chino	100%	110	0.42	—	0.01	—	28	0.27	138
Tyrone	100%	—	—	—	—	—	52	0.34	52
Henderson	100%	158	—	—	0.15	—	—	—	158
Climax	100%	421	—	—	0.15	—	—	—	421
Cobre	100%	39	0.54	—	—	—	9	0.26	48
Ajo	100%	817	0.33	0.07	0.01	0.9	—	—	817
Cochise/Bisbee	100%	—	—	—	—	—	258	0.45	258
Lone Star	100%	—	—	—	—	—	656	0.44	656
Sanchez	100%	—	—	—	—	—	160	0.29	160
Tohono	100%	203	0.70	—	—	—	248	0.65	451
Twin Buttes	100%	445	0.40	—	0.03	2.3	53	0.21	498
Christmas	100%	224	0.38	0.05	—	[a] 1.0	—	—	224
South America									
Cerro Verde	53.56%	319	0.35	—	0.01	1.5	7	0.39	326
El Abra	51%	1,842	0.45	0.02	0.01	1.4	192	0.28	2,034
Candelaria	80%	46	0.60	0.14	—	1.8	—	—	46
Indonesia									
Grasberg minerals district	54.38%[b]	2,666	0.61	0.54	—	3.4	—	—	2,666
Africa									
Tenke Fungurume[c]	56%	65	3.90	—	—	—	28	2.81	93
Kisanfu[c]	95%	49	2.48	—	—	—	47	3.16	96
Total FCX - 100% basis		11,109					3,272		14,381
Total FCX - Consolidated basis[d]		9,844					3,069		12,913
Total FCX - Net equity interest[e]		8,603					2,957		11,560

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 our joint venture partners' interest in the Morenci mine and the Grasberg minerals district.
e. Net equity interest represents estimated consolidated mineralized material further reduced for noncontrolling interest ownership.

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OIL AND GAS OPERATIONS

As further discussed in Note 2, during second-quarter 2013, we acquired oil and gas operations by completing the acquisitions of PXP and MMR. Our oil and gas operations include oil production facilities and growth potential in the Deepwater GOM, oil production from the onshore Eagle Ford shale play in Texas, oil production facilities onshore and offshore California, onshore natural gas resources in the Haynesville shale play in Louisiana, natural gas production from the Madden area in central Wyoming, and an industry-leading position in the emerging shallow-water Inboard Lower Tertiary/Cretaceous natural gas trend on the Shelf of the GOM and onshore in South Louisiana. Refer to "General" for a map showing the locations of our oil and gas operations.

Acreage

At December 31, 2013, we owned interests in approximately 45 thousand oil and gas leases covering 5.1 million gross acres (2.8 million acres net to our interest). The following table summarizes, by geographic area, the developed and undeveloped oil and gas acreage in which we held interests at December 31, 2013:

	Developed		Undeveloped	
	Gross Acres	Net Acres	Gross Acres	Net Acres
Louisiana:				
Onshore	377,767	71,152	84,611	41,557
Offshore	469,412	267,374	967,868	536,721
Texas	70,812	40,953	31,361	16,735
California:				
Onshore	61,287	60,721	63,408	39,980
Offshore	43,335	39,062	—	—
Wyoming	83,252	16,286	138,524	114,737
Nevada	—	—	246,073	246,073
Florida	160	24	114,600	14,982
Utah	—	—	86,862	71,880
Other	3,124	529	150,469	107,715
Total U.S.	1,109,149	496,101	1,883,776	1,190,380
Morocco	—	—	2,154,014	1,120,087
	1,109,149	496,101	4,037,790	2,310,467

Approximately 41 percent of our total U.S. net undeveloped acres are covered by leases that expire from 2014 to 2016; however, a significant portion of this acreage is expected to be retained by drilling operations or other means. The lease for our Morocco acreage expires in 2016; however, we have the ability to extend the lease through 2019.

Oil and Gas 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 make minimal investigation of title at the time we acquire undeveloped properties. We make 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.

Following are descriptions of our primary U.S. oil and gas properties:

Gulf of Mexico.

Deepwater GOM. Our Deepwater GOM portfolio includes a 100 percent working interest in the Holstein, Horn Mountain, Marlin, Dorado and King fields, a 31 percent working interest in the Ram Powell field and a 33.3 percent working interest in the Diana and Hoover fields.

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The following table summarizes our Deepwater GOM platforms at December 31, 2013:

					Capacity per Day	
Platform	Field Location	Type of Platform	Production Commenced	Water Depth (feet)	Oil (Bbls)	Gas (Mcf)
Holstein[a]	Green Canyon Blocks 644, 645 and 688	Truss Spar	2004	4,300	113,500	142,300
Horn Mountain[a]	Mississippi Canyon Blocks 126 and 127	Truss Spar	2002	5,400	75,000	72,000
Marlin Hub[a]	Several[b]	Tension Leg	2000	3,200	60,000	235,000
Ram Powell	Viosca Knoll Blocks 911 to 913 and 955 to 957	Tension Leg	1997	3,200	70,000	310,000
Hoover	Several[c]	Deep Draft Caisson Vessel	2000	4,800	100,000	325,000

a. We are the operator of the Holstein, Horn Mountain and Marlin Hub platforms.
b. The Marlin Hub is the production facility for three fields: 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, 128 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. The Hoover platform is a deep draft caisson vessel located in Alaminos Canyon Block 25. The Diana field is located in East Breaks Blocks 945, 946 and 989, and the Hoover field is located in Alaminos Canyon Blocks 25 and 26.

Additionally, our subsidiary Plains Offshore Operations Inc. (Plains Offshore), holds a 23.33 percent working interest in the Lucius oil field and a 50 percent working interest in the Phobos discovery. Refer to Note 2 for further discussion of Plains Offshore.

Our Deepwater GOM exploration portfolio includes interests in 147 blocks containing 60 prospects in the Pliocene, Miocene and Lower Tertiary reservoirs.

GOM Shelf. Our 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. Refer to "Exploration and Development Activities" for further discussion.

Eagle Ford. The Eagle Ford shale play is Upper Cretaceous in age, and typical well depths range from 9,500 feet to 11,500 feet. The area is currently being developed with horizontal wells with lateral lengths ranging from 3,500 feet to 6,000 feet at a measured total depth from 14,500 to 17,500 feet. We own approximately 392 square miles of 3-D seismic data on our acreage. Based on the 60 to 130 acre well spacing, we anticipate over 600 potential well locations, with approximately 250 locations remaining.

California.

Onshore California. We hold a 100 percent working interest in the majority of our Los Angeles Basin properties in the Inglewood, Las Cienegas, Montebello, Packard and San Vicente fields, and a 100 percent working interest in the majority of our San Joaquin Basin properties in the Cymric, Midway Sunset and South Belridge fields. 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 mature wells using waterflood recovery 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 long-lived fields that have 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, and produce with high water cuts.

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We also hold a 100 percent working interest (94 percent net revenue interest) in the Arroyo Grande Field located in San Luis Obispo County, which is a long-lived field that has heavier oil (12 to 16 degree API gravity) and well depths averaging 1,700 feet requiring continuous steam injection.

Offshore California. All of our offshore California properties are located in federal waters approximately five to seven miles offshore in the Santa Maria Basin. We hold a 69.3 percent working interest (58 perecent net revenue 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. We also hold a 100 percent working interest (83 percent net revenue 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. The Haynesville shale play is characterized by gas production from the Jurassic aged Haynesville shale formation in Louisiana, and typical well depth is 10,500 feet. The area has historically been developed with approximately 4,000 foot horizontal wells at a measured total depth of 16,000 feet.

Madden. We own an approximate 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

Our oil and gas business has significant proved, probable and possible reserves with financially attractive organic growth opportunities. The portfolio includes a broad range of development opportunities and high-potential exploration prospects. Substantial capital expenditures will continue to be required for our oil and gas exploration and development activities, which are expected to be funded by oil and gas operating cash flows and proceeds from asset sales. Also refer to MD&A for further discussion of our oil and gas exploration, operating and development activities.

Gulf of Mexico. Multiple development and exploration opportunities have been identified in the Deepwater GOM that are expected to benefit from tie-back opportunities to available production capacity at the FM O&G operated large-scale Holstein, Marlin and Horn Mountain deepwater production platforms.

Holstein, in which we have a 100 percent working interest, is located in Green Canyon and has production facilities capable of producing in excess of 100 thousand barrels of oil equivalents (MBOE) per day. The Holstein platform rig refurbishment program was conducted in the second half of 2013 in preparation for drilling and workover activity, which commenced in first-quarter 2014. Over the 2014 to 2016 period, we expect to drill seven sidetrack wells from the Holstein platform and five subsea tie-back wells from contracted drill ships to enhance production volumes from the spar. Near-term tie-back prospects in the Holstein area include Holstein Deep and Copper.

The Holstein Deep development, in which we have a 100 percent working interest, is located four miles west of the Holstein platform. FM O&G acquired the acreage associated with this development in the 2013 lease sale held by the Bureau of Ocean Energy Management. Two successful wells had previously been drilled and encountered approximately 500 net feet of oil pay in recent years. We plan to delineate this prospect during 2014.

The Copper exploration prospect, in which we have a 100 percent working interest, is located southeast of the Holstein field in 4,400 feet of water and is a subsea tie-back opportunity to the Holstein facility. The prospect is a

Holstein analog play with Pliocene objectives and has a proposed total depth of 14,500 feet.

Development of the Lucius field in Keathley Canyon, in which our subsidiary Plains Offshore has a 23.33 percent working interest, is progressing with first production anticipated in the second half of 2014. The geologic results from the six wells drilled since 2009 confirm a significant oil resource. Subsea infrastructure is currently being installed, and topside facilities are more than 90 percent complete and on schedule to be delivered and lifted into place during 2014. The sanctioned development of Lucius is a subsea development consisting of a truss spar hull located in 7,200 feet of water with a topside capacity of 80 thousand barrels (MBbls) of oil per day and 450 million cubic feet (MMcf) of gas per day.

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During 2014, Plains Offshore also plans to commence drilling at the Tara exploration prospect, in which we have a 100 percent working interest, located northwest of the Lucius discovery in Keathley Canyon in 8,700 feet of water. Tara is a Lucius analog prospect with Pliocene/Miocene objectives and has a proposed total depth of 23,000 feet.

Eagle Ford. We have an attractive position in an oil- and NGL-rich section of the Eagle Ford shale play in South Texas. Production from the field has grown significantly in recent years and sales averaged 46 MBOE per day for the seven-month period following the acquisition of our oil and gas operations in 2013. As part of our capital spending reduction initiatives, we have reduced drilling activity at Eagle Ford from eight rigs in mid-2013. At December 31, 2013, there were three drilling rigs operating, which we expect to reduce to two during 2014. At December 31, 2013, there were 36 wells that were drilling or were drilled and pending completion or connection to pipelines.

California. Development plans are principally focused on maintaining stable production levels in the long established producing fields onshore California through continued drilling.

Haynesville. We have rights to a substantial natural gas resource, located in the Haynesville shale play in north Louisiana. Drilling activities in recent years have been significantly reduced to maximize cash flows in a low natural gas price environment and to benefit from potentially higher future natural gas prices.

Inboard Lower Tertiary/Cretaceous. We have an industry leading position in the emerging shallow-water Inboard Lower Tertiary/Cretaceous natural gas trend, located on the Shelf of the GOM and onshore South Louisiana. We have a significant onshore and offshore lease acreage position with high-quality prospects and the potential to develop a significant long-term, low-cost source of natural gas. Data from eight wells drilled to date indicate the presence of geologic formations that are analogous to productive formations in the Deepwater GOM and onshore in the Gulf Coast region. The near-term focus is on defining the trend onshore. We are currently completing two Inboard Lower Tertiary/Cretaceous exploration prospects, including one onshore well, and plan to perform production tests on these two wells and a third well in 2014.

The Lomond North discovery well within the Highlander area, in which we are the operator and have a 72 percent working interest, located in St. Martin Parish, Louisiana, has encountered gas pay in several Wilcox and Cretaceous aged sands between 24,000 feet and 29,000 feet. The wireline log and core data obtained from the Wilcox and Cretaceous sand packages indicated favorable reservoir characteristics with approximately 150 feet of net pay. The Lomond North discovery well is currently in completion operations to test Lower Wilcox and Cretaceous objectives found below the salt weld. We have identified multiple exploratory prospects in the Highlander area where we control rights to approximately 56,000 gross acres.

During 2013, we commenced completion operations at Davy Jones No. 2, in which we have a 75 percent working interest, located on South Marsh Island Block 234. Flow testing is anticipated in the first half of 2014. During 2014, we also plan to complete the Blackbeard West No. 2 well, in which we have a 92 percent working interest, located on Ship Shoal Block 188. The Lineham Creek exploration well, in which we have a 36 percent working interest, located in Cameron Parish has been suspended while future plans are being developed.

Future production from certain specified Inboard Lower Tertiary/Cretaceous exploration prospects is subject to a five percent overriding royalty interest held by Gulf Coast Ultra Deep Royalty Trust. The overriding royalty interest is proportionately reduced based on our working interest in each prospect as provided in the trust documents. At December 31, 2013, we beneficially owned 27 percent of the royalty trust. Refer to Note 2 for further discussion of the royalty trust.

Morocco. We have a commitment to fund and drill two wells offshore the Kingdom of Morocco. We expect to commence drilling of the first exploration well in early 2015.

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Production and Sales Data

The following table presents summary production data, average realized prices and average production costs for our oil and gas operations for the seven-month period in 2013 following the acquisition dates.

	Seven-Month Period June 1, 2013, to December 31, 2013				
	GOM[a]	Eagle Ford	California	Haynesville/Madden/Other	Total[b]
Oil Sales (million barrels)	11.3	7.2	8.0	0.1	26.6
Natural Gas Sales (billion cubic feet)					
Production	17.3	8.8	2.1	26.8	55.0
Used as fuel in our operations	—	—	0.8	—	0.8
Sales	17.3	8.8	1.3	26.8	54.2
NGL Sales (million barrels)	1.1	1.3	—	—	2.4
MMBOE					
Production	15.3	9.9	8.4	4.6	38.2
Sales	15.3	9.9	8.3	4.6	38.1
Average Realized Price, excluding derivatives					
Oil (per barrel)					$99.67
Natural gas (per MMBtu)					$3.73
NGLs (per barrel)					$38.20
Average Cost per BOE					
Production costs[c]					$15.18
Production and ad valorem taxes					1.96
Cash production costs[d]					$17.14

a. Includes properties on the Shelf and in the Deepwater GOM.
b. At December 31, 2013, no individual fields represented 15 percent or more of our proved oil and gas reserves.
c. Reflects costs incurred to operate and maintain wells and related equipment and facilities.
d. Refer to MD&A for further discussion of cash production costs per BOE and for a reconciliation to production and delivery costs reported in our consolidated financial statements.

Oil and Natural Gas Reserves

Our reserve volumes have been determined in accordance with the current regulations and guidelines established by the SEC, which require the use of an average price, calculated as the twelve-month 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. Reference prices for reserve determination are the WTI spot price for crude oil and the Henry Hub spot price for natural gas. At December 31, 2013, our estimates were based on reference prices of $96.94 per barrel and $3.67 per MMBtu. All of our oil and natural gas reserves are located in the U.S.

Proved Reserves. All of our estimated proved oil and natural gas reserves at December 31, 2013, are based upon reserve reports prepared by the independent petroleum engineering firms of Netherland, Sewell & Associates, Inc. (NSAI) and Ryder Scott Company, L.P. (Ryder Scott). The scope and results of procedures employed by NSAI and

Ryder Scott are summarized in letters that are filed as exhibits to this annual report on Form 10-K. For purposes of reserve estimation, we and our independent petroleum engineers used 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 our independent petroleum engineers considered to be appropriate and necessary to categorize and estimate reserves in accordance with SEC definitions and regulations. A substantial portion of these reserves are for undeveloped locations; such reserves 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 natural gas that we ultimately recover.

Proved reserves represent quantities of oil and natural 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 natural gas actually recovered will equal or exceed the estimate. At December 31, 2013, our estimated proved oil and natural gas reserves totaled 464 MMBOE, of which 80 percent was comprised of oil (including NGLs).

	Proved Oil and Natural Gas Reserves Estimated at December 31, 2013		
	Oil[a] (MMBbls)	Natural Gas (Bcf)	Total (MMBOE)
Proved Developed:			
Gulf of Mexico	73	125	94
Eagle Ford	36	41	43
California	126	29	131
Haynesville/Madden/Other	1	228	39
	236	423	307
Proved Undeveloped:			
Gulf of Mexico	64	77	77
Eagle Ford	14	12	16
California	56	7	57
Haynesville/Madden/Other	—	43	7
	134	139	157
Total Proved Reserves	370	562	464

a. Includes 20 MMBbls of NGL proved reserves, consisting of 14 MMBbls of proved developed and 6 MMBbls of proved undeveloped.

At December 31, 2013, we have an estimated total proved reserve life of seven years and a proved developed reserve life of 4.6 years. At December 31, 2013, our proved undeveloped reserves are 34 percent of our total proved reserves; 93 percent of our proved undeveloped reserves are scheduled for development within five years and 91 percent, or $3.2 billion, of our estimated future proved undeveloped capital is associated with the development of those reserves. The only exceptions are related to four planned sidetrack development wells in certain Shelf and Deepwater GOM properties that cannot be executed until the current producing wells deplete. During the seven month period from June 1, 2013, to December 31, 2013, we invested $369 million and converted 19 MMBOE to proved developed.

During the seven month period from June 1, 2013, to December 31, 2013, we participated in 66 gross exploratory wells, of which 65 were successful, and 95 gross development wells, of which 94 were successful (refer to "Drilling Activities"). During this period, proved reserve additions from extensions and discoveries totaled 24 MMBOE.

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, 2013 (in millions):

Estimated undiscounted future net cash flows before income taxes	$19,647
Present value of estimated future net cash flows before income taxes (PV-10)[a,b]	$12,643
Discounted future income taxes	(3,226)
Standardized measure (refer to Note 21)	$9,417

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. Reference prices as of December 31, 2013, were $96.94 per barrel of oil

and $3.67 per MMBtu of natural gas. 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 price 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, 2013, were $99.67 per barrel of oil and $3.64 per Mcf of natural gas. Our reference prices are the WTI spot price for crude oil and the Henry Hub spot price for natural gas and are calculated as the twelve-month average of the first-day-of-the-month historical prices.

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 natural 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.

Probable Reserves. All of our estimated probable oil and natural gas reserves at December 31, 2013, are based upon reserve reports prepared by the independent petroleum engineering firms of NSAI and Ryder Scott. 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 qualities 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. At December 31, 2013, our estimated probable oil and natural gas reserves totaled 184 MMBOE, of which 83 percent was comprised of oil (including NGLs).

	Probable Oil and Natural Gas Reserves Estimated at December 31, 2013		
	Oil[a] (MMBbls)	Natural Gas (Bcf)	Total (MMBOE)
Probable Developed[b]:			
Gulf of Mexico	22	34	28
Eagle Ford	1	2	2
California	5	1	5
Haynesville/Madden/Other	—	14	2
	28	51	37
Probable Undeveloped:			
Gulf of Mexico	36	59	46
Eagle Ford	7	5	8
California	82	38	88
Haynesville/Madden/Other	—	32	5
	125	134	147
Total Probable Reserves	153	185	184

a. Includes 6 MMBbls of NGL probable reserves, consisting of 2 MMBbls of probable developed and 4 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.

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. Our internal reservoir engineering staff are led and overseen by our Vice President of Engineering, who has over 37 years of technical experience in petroleum engineering and reservoir evaluation and analysis. This individual directs the activities of our internal reservoir staff for the internal reserve estimation process and also to provide the appropriate data to NSAI and Ryder Scott for our year-end oil and natural gas reserves estimation process.

Drilling Activities

The following table provides the total number of wells that we drilled during the seven month period from June 1, 2013, to December 31, 2013:

	Gross	Net
Exploratory		
Productive:		
Oil	40	35
Gas	25	2
Dry	1	1
	66	38
Development		
Productive:		
Oil	71	66
Gas	23	8
Dry	1	1
	95	75
	161	113

At December 31, 2013, there were 36 gross exploratory and 60 gross development wells (23 net exploratory and 19 net development wells) in progress, including 50 gross wells (5 net wells) in progress in the Haynesville shale play and 36 gross wells (31 net wells) in progress in the Eagle Ford shale play.

Productive Wells

At December 31, 2013, we had working interests in 3,310 gross (3,153 net) active producing oil wells and 1,651 gross (238 net) active producing natural gas wells. 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, 2013, 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 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; exploration efforts and results; development and production activities and costs; liquidity; tax rates; the impact of copper, gold, molybdenum, cobalt and crude oil price changes; the impact of derivative positions; availability of power, water, labor and equipment; reclamation and closure costs and plans; litigation contingencies; political, economic and social conditions; the impact of deferred intercompany profits on earnings; reserve estimates; future dividend payments; debt reduction and share purchases. We undertake no obligation to update any forward-looking statements. Readers are cautioned 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 could 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/or oil could adversely affect our earnings, cash flows and asset values and, if sustained, could adversely affect our ability to repay debt. Fluctuations in the market prices of copper, gold or oil can cause significant volatility in our financial performance and adversely affect 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. For further information about the market prices of our primary commodities, refer to the discussion below and MD&A. A substantial or extended decline in the market prices of these commodities could 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 could depress the trading prices of our common stock and of our publicly traded debt securities.

Additionally, if the market prices for the commodities we produce decline for a sustained period of time, we may have to revise our operating plans, including curtailing production, halting or delaying expansion projects, 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, and may incur losses.

Fluctuations in commodities prices can occur because of varied and complex factors beyond our control, including:

- Global supply and demand balances and inventory levels;
- Global economic and geopolitical conditions;
- Government regulatory, trade and tax policies;
- Commodities investment activity and speculation;
- Price and availability of substitute products; and
- Changes in technology.

Copper prices may also be affected by demand from China, which has become the largest consumer of refined copper in the world, and by increases in demand for industrial products containing copper.

Factors particularly 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 demand for jewelry containing gold.

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Crude oil prices may also be affected by 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 potential changes in U.S. laws restricting oil exports.

Substantially all of our copper concentrate and cathode sales contracts provide final copper pricing in a specified future month (generally one to four months from the shipment date) based primarily on quoted London Metal Exchange (LME) monthly average spot copper prices. Accordingly, in times of rising copper prices, our revenues benefit from adjustments to the final pricing of provisionally priced sales pursuant to contracts entered into in prior periods; in times of falling copper prices, the opposite occurs.

A decline in the price of crude oil, and to a lesser extent natural gas, could also result in a "ceiling" write-down of the carrying value of our proved oil and natural gas properties and/or of goodwill recorded in connection with our oil and gas acquisitions. At December 31, 2013, the ceiling with respect to our oil and gas properties exceeded the net capitalized costs of those properties by approximately 4 percent, and we did not record an impairment. Given the volatility of crude oil and natural gas prices, it is likely that our estimate of discounted future net revenues from proved oil and natural gas reserves will change in the near term. If crude oil and natural gas prices decline in the future, even if only by a small amount, impairments of our oil and gas properties could occur.

For further discussion of our accounting policies and estimates used in evaluating our oil and gas properties and goodwill for impairment, refer to Note 1 and MD&A. Any impairment charge related to our oil and gas properties or goodwill could have a material adverse effect on our results of operations and stockholders' equity, but would have no effect on cash flows.

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

At December 31, 2013, our total consolidated debt was $20.7 billion, including $17.2 billion incurred or assumed in connection with the acquisition of Plains Exploration & Production Company (PXP), and our total consolidated cash was $2.0 billion. Although we have been successful in repaying significant amounts of debt in the past, there can be no assurance that we can do so in the future. We also have various other financial commitments, including for reclamation and environmental obligations, take-or-pay contracts, derivative 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; or
- Placing us at a competitive disadvantage compared to our competitors that have less debt and/or fewer financial commitments.

In addition, a future downgrade in our credit rating could negatively affect our cost of and ability to access capital. At December 31, 2013, our senior unsecured debt was rated "BBB" with a negative outlook by Standard and Poor’s, "BBB" with a stable outlook by Fitch Ratings, and "Baa3" with a stable outlook by Moody’s Investors Service. We cannot be assured that our credit ratings will not be downgraded in the future. In addition, a downgrade could affect

our requirements to provide significant financial assurance of our performance under certain legal requirements and contractual arrangements. Refer to the following risk factor for more information.

Under U.S. federal and state laws that require closure and reclamation plans for our mines, we generally are required to provide financial assurance sufficient to allow a third party to implement those plans if we are unable to do so. We are also required to provide bonds or other forms of financial assurance in connection with our oil and gas operations. The failure to comply with these requirements could have a material adverse effect on us.

We are required by U.S. federal and state mining laws to provide financial assurance sufficient to allow a third party to implement approved closure and reclamation plans if we are unable to do so. The U.S. Environmental Protection

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Agency (EPA) and state agencies may also seek financial assurance for investigation and remediation actions that are required under settlements of enforcement actions under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or equivalent state regulations.

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 under CERCLA, but in July 2009, EPA published a notice identifying classes of facilities within the hardrock mining industry for which the agency will develop financial responsibility requirements under CERCLA. In EPA's semi-annual regulatory agenda issued in November 2013, EPA indicated that it intends to propose regulations regarding hardrock mining financial responsibility in August 2016. It is uncertain how the new requirements, if promulgated, will affect the amount and form of our existing and future financial assurance obligations.

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. Also, the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE) regulations applicable to lessees in federal waters require that lessees have substantial U.S. assets and net worth or post bonds or other acceptable financial assurance that the regulatory obligations will be met. Financial responsibility requirements are also required under the Oil Pollution Act of 1990 to cover containment and cleanup costs resulting from an oil spill.

BOEM has signaled its intention to redesign and implement revised financial assurance requirements associated with offshore plugging and abandonment obligations. BOEM has recently taken a stricter approach regarding the level of decommissioning liabilities to be included in its financial test for purposes of determining eligibility for exemption from financial assurance requirements. It is uncertain whether additional changes will be implemented by the BOEM and how these changes might affect the form and amount of our existing and future financial assurance obligations associated with our offshore activities in federal waters.

As of December 31, 2013, our financial assurance obligations associated with closure, reclamation and remediation in our mining and plugging and abandonment obligations in our oil and gas operations totaled approximately $2.4 billion, and a substantial portion of these obligations were satisfied by FCX guarantees and financial capability demonstrations. If our financial condition were to deteriorate substantially or our credit rating were downgraded, 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 mines or suspension of the affected oil and gas operations.

For additional information, refer to the environmental risk factor "Mine closure regulations impose substantial costs on our operations. We also have plugging and abandonment obligations relating to our oil and gas operations."

Movements in foreign currency exchange rates could negatively affect our operating results.

The functional currency for most of our operations is the U.S. dollar. All of our revenues and a significant portion of our costs are denominated in U.S. dollars; however, some costs and certain asset and liability accounts are denominated in local currencies, including the Indonesian rupiah, Australian dollar, Chilean peso, Peruvian nuevo sol and euro. Generally, our results are positively affected when the U.S. dollar strengthens in relation to those foreign currencies and adversely affected when the U.S. dollar weakens in relation to those foreign currencies. Refer to Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" for a summary of the estimated impact of changes in foreign currency rates on our annual operating costs.

From time to time, we may implement currency hedges intended to reduce our exposure to changes in foreign currency exchange rates; however, our hedging strategies may not be successful, and any of our unhedged foreign currency payments will continue to be subject to market fluctuations.

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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 resource company with substantial mining assets located outside of the U.S. (as of December 31, 2013, substantially all of our oil and gas operations were in 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 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
- 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. Although we have a compliance program in place designed to reduce the likelihood of violations of such laws, any violation 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 matters 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 minerals district is our most 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,

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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.

In 2009, Indonesia enacted a mining law (2009 Mining Law), which operates under a licensing system that is significantly less protective of licensees than the contract of work system that governs PT-FI. The 2009 Mining Law and the regulations issued pursuant to that law provide that contracts of work would continue to be honored until their expiration. However, the regulations, including those issued in January 2014, attempt to apply certain provisions of the 2009 Mining Law and regulations to existing contracts of work and seek to apply the licensing system to any extension periods of contracts of work.

In January 2012, the President of Indonesia issued a decree calling for the creation of a team of Ministers to evaluate contracts of work for adjustment to the 2009 Mining Law and to take steps to assess and determine the Indonesian government's position on reduction to the size of contract concessions, increasing government revenues and domestic processing of minerals. We have been engaged in discussions with officials of the Indonesian government to complete this evaluation process and obtain an extension of the PT-FI COW beyond its primary term ending in 2021 to 2041, as provided under the terms of the COW, which can only be modified by mutual agreement between PT-FI and the Indonesian government. We cannot predict the outcome of our engagement with the Indonesian government regarding the relationship between the 2009 Mining Law and related regulations and our COW, nor whether or on what terms we will be able to secure an extension of our COW, but the outcome of these discussions may result in revisions to certain terms of the COW.

In January 2014, the Indonesian government published regulations providing that holders of contracts of work with existing processing facilities in Indonesia may continue to export product through January 12, 2017, but established new requirements for the continued export of copper concentrates, including the imposition of a progressive export duty on copper concentrates in the amount of 25 percent in 2014, rising to 60 percent by mid-2016. PT-FI’s COW authorizes it to export concentrates and specifies the taxes and other fiscal terms available to its operations. The COW states that PT-FI shall not be subject to taxes, duties or fees subsequently imposed or approved by the Indonesian government except as expressly provided in the COW. Additionally, PT-FI complied with the requirements of its COW for local processing by arranging for the construction and commissioning of Indonesia’s only copper smelter and refinery, which is owned and operated by PT Smelting (PT-FI's 25 percent owned smelter).

The January 2014 regulations conflict with PT-FI’s contractual rights under its COW. We are working with the Indonesian government to clarify the situation and to defend PT-FI’s rights under its COW. PT-FI is also seeking to obtain the required administrative permits for 2014 exports, which have been delayed as a result of the new regulations.

As of February 21, 2014, PT-FI has not obtained administrative approval for 2014 exports. PT-FI has implemented near-term changes to its operations to coordinate its concentrate production with PT Smelting’s operating plans. Since mid-January 2014, PT-FI’s milling rate has averaged approximately 112,000 metric tons of ore per day, which is approximately half of normal rates. PT-FI is engaging with the government of Indonesia to reach a resolution that would enable PT-FI to resume normal operations as soon as possible. In the event that PT-FI is unable to resume normal operations for an extended period, we plan to consider further actions, including constraining operating costs, deferring capital expenditures and implementing workforce reductions. PT-FI may also be required to declare force majeure under its concentrate sales agreements.

In April 2014, Indonesia will hold elections for legislators at the national, provincial and district levels. The presidential election will be held in July 2014, with a run-off in September 2014, if required. The outcome of these elections could affect the country’s policies pertaining to foreign investment.

Indonesia has also faced separatist movements and civil and religious strife in a number of provinces. Several separatist groups have sought political independence for the province of Papua, where our Grasberg minerals district is located. In response, Indonesia enacted regional autonomy laws, which became effective January 1, 2001. The manner in which those laws are being implemented and the degree of political and economic autonomy they may bring to individual provinces, including Papua, remain uncertain and continue to be ongoing issues in Indonesian politics. In Papua, there have been sporadic attacks on civilians by separatists and sporadic but highly publicized conflicts between separatists and the Indonesian military. 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 Indonesian operations.

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Since July 2009 there have been 51 incidents in and around the Grasberg minerals district, including along the road leading to our mining and milling operations, which have resulted in 17 fatalities and 59 injuries. 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. Any additional prolonged limitations on access to the road could adversely affect our Indonesian operations.

Large numbers of illegal miners continue to operate along the river used to transport the tailings from the mill to PT-FI's government-approved tailings management area in the lowlands. The illegal miners have periodically clashed with police who have attempted unsuccessfully for years to move them away from our facilities. In 2006, the illegal miners temporarily blocked the road leading to the Grasberg mine and mill in protest, and PT-FI temporarily suspended mining and milling operations as a precautionary measure.

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 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."

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 26 percent of aggregate proven and probable recoverable ore at December 31, 2013, representing 32 percent of PT-FI's share of recoverable copper reserves and 45 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 our most 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.

Certain Indonesian laws and regulations may 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 may seek to impose additional restrictions on PT-FI that could affect exploration and operating requirements. For discussion of the regulations published in January 2014 by the Indonesian government, which conflict with our COW, refer to the risk factor "Because our Grasberg minerals district is our most 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

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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 adversely affected while resolution of a dispute is pending.

The Tenke Fungurume (Tenke) minerals district is located in the Katanga province 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. 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.R.L.'s (TFM) mining contracts. In October 2010, the DRC government concluded its review of TFM's existing mining contracts and confirmed that they are 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.

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; exposure to an environment of governmental corruption and bribery; attempts to increase taxes or claims for fees and penalties by governmental officials, including retroactive claims; administrative disputes; security risks resulting from political instability in the DRC; 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 Katanga province 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, which could 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.

Mining. Mines by their nature are subject to many 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 adversely affect our business, operating results and cash flow, include the following:

- Earthquakes, floods and other natural disasters;
- The occurrence of unexpected weather or operating conditions and other force majeure events;
- The failure of equipment or processes to operate in accordance with specifications, design or expectations;

- Accidents;
- Wall failures and rock slides in our open-pit mines, and structural collapses in our underground mines;
- Interruption of energy supply;
- Lower than expected ore grades or recovery rates;

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- Metallurgical and other processing problems;
- Unanticipated ground and water conditions;
- Adverse claims to water rights, adverse outcomes of pending water adjudications and physical shortages of water to which we have legal rights;
- Adjacent land ownership or usage that results in constraints on current or future mine operations;
- Delays in the receipt of or failure to receive necessary government authorizations, approvals or permits;
- Delays in transportation and disruptions of supply routes; and
- The inability to obtain satisfactory insurance coverage.

Managing the volume of waste rock, leach material and tailings produced in our mining operations also presents significant environmental, safety and engineering challenges and risks. We maintain large leach pads and tailings impoundments containing viscous material, which are monitored for structural stability and leakages; 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. In Indonesia, we use a river transport system for tailings management, which presents other risks, as discussed elsewhere in these risk factors. The failure to adequately manage these risks could result in significant personal injury, loss of life, property damage and damage to the environment, both in and around our areas of operations, as well as damage to production facilities and delays in or curtailments of production.

Oil and gas. 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. Further, drilling, completing, and operating wells may also be delayed or canceled as a result of a variety of factors, including unexpected geologic conditions, increases in the cost of or shortages or delays in the availability of drilling rigs and equipment, and delays in the issuance of required permits by governmental agencies.

Increased production costs could reduce our profitability and cash flows.

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. For the year 2013, energy represented approximately 20 percent of our consolidated copper production costs. An inability to procure sufficient fuel and energy at reasonable prices could adversely affect our financial condition and results of operations. Our consolidated copper production costs are also affected by the prices of commodities we use in our operations, such as sulphuric acid, grinding media, steel, reagents, liners, tires and explosives. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside our control, and such prices are at times subject to volatile movements. Increases in the costs of commodities that we consume or use may also

significantly affect the capital costs of new projects.

In our oil and gas operations, increased costs or unavailability of drilling rigs, workboats, experienced personnel, or other equipment, supplies or oil field services, which may occur particularly during times of increased industry activity, may adversely affect our ability to execute our exploration and development plans on a timely basis and within our budget, and could have a material adverse effect on the financial performance of our oil and gas operations.

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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 further described in Part I, Items 1 and 2 "Business and Properties" we are party to labor agreements with various unions that represent employees at certain of our mining operations (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 the risk exists that labor agreements may not be renewed on reasonably satisfactory terms to us or at all. Issues that may be raised by the collective bargaining units representing our employees are unpredictable and, if raised, negotiations concerning those issues may not be concluded successfully. Our production and sales volumes could be significantly reduced and our business, financial condition and results of operations adversely affected by significant reductions in productivity or protracted work stoppages at one or more of our 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.

During 2011, PT-FI was adversely affected by labor disruptions, including an eight-day work stoppage in July 2011 and an approximate three-month strike that concluded in December 2011. The strike involved civil unrest, transportation blockades, sabotage of important operating facilities and violence. Additionally, during first-quarter 2012, PT-FI experienced work interruptions in connection with its efforts to resume normal operations and temporarily suspended operations. In October 2013, PT-FI entered into a new biennial labor agreement.

In fourth-quarter 2011, there was an approximate two-month labor strike at Cerro Verde during the negotiation of a new labor agreement. The strike did not have a significant impact on production, and a new three-year agreement with the union was reached in late December 2011. In November 2013, Cerro Verde entered into a new four-year labor agreement with its union, which is effective upon the expiration of the current agreement, beginning September 1, 2014.

As of December 31, 2013, 49 percent of our labor force was covered by collective bargaining agreements, and one percent of our labor force is covered by agreements that will expire during 2014. 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.

Our mining production depends on the availability of sufficient water supplies.

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

At our North America mining operations, certain of our water supplies are supported by surface water rights, which allow us to use public waters for a statutorily defined beneficial use at a designated location. In Arizona, we are a participant in two active general stream adjudications in which the Arizona courts have been attempting, for over 30 years, to quantify and prioritize surface water claims for two of the state's largest river systems, which affect four of our operating mines (Morenci, Safford, Sierrita and Miami). The legal precedent set in these proceedings may also affect our Bagdad mine. Groundwater has historically been treated differently from surface water under Arizona law, which has generally allowed land owners to pump at will, subject to the doctrine of reasonable use. However, court decisions in one of the adjudications have concluded that groundwater pumping may affect surface water, thereby bringing the pumping within the jurisdiction of the general stream adjudications. The effort to define the boundaries between groundwater and surface water remains contested, however, and is currently a primary focus of one of those

adjudications. Because groundwater accounts for approximately 40 percent of Arizona's water supplies, the re-characterization of any significant portion of that water as surface water could jeopardize 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 significant user of groundwater in Arizona, we are an active participant in the adjudication proceedings.

In Colorado, our surface water and groundwater rights are subject to adjudication and we are involved in legal proceedings to resolve disputes regarding priority and administration of rights, including priority of some of our rights for the Climax molybdenum mine. In New Mexico, our surface water and groundwater rights are fully licensed or have been fully adjudicated.

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Water for our Cerro Verde mining operation in Peru comes from renewable sources through a series of storage reservoirs on the Rio Chili watershed that collect water primarily from seasonal precipitation. Due to occasional drought conditions and the possibility that climate change will reduce precipitation levels, temporary supply shortages are possible that could affect our current and planned Cerro Verde operations. Cerro Verde completed studies to assess opportunities for additional water supplies to support current operations and potential future expansion projects. Cerro Verde has reached agreements with the Regional Government of Arequipa, the National Government, the local water utility Servicio de Agua Potable y Alcantarillado de Arequipa S.A. (SEDAPAR), and other local institutions to allow it to finance, engineer and construct a wastewater treatment plant for the city of Arequipa. Cerro Verde has obtained authorization to reuse an annual average of one cubic meter per second of the treated water, which is expected to supplement existing water supplies to support the concentrator expansion.

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, subject to certain conditions, for the continued pumping of groundwater from the Salar de Ascotán aquifer for its sulfide processing plant, which began operations in 2011. El Abra has sufficient water rights to support current operations; however, a change to the sulfide ore project, such as increased production or mill processing, would require additional water beyond our allowable groundwater pumping, which is permitted through 2021. 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 or mill processing.

Water for our Candelaria and Ojos del Salado mining operations in Chile comes from a nearby wastewater treatment facility and our desalination plant and pipeline that were completed in 2013. Both of these sources will supply Candelaria's and Ojos del Salado’s long-term water needs.

Although each of our mining operations currently has access to sufficient water supplies to support current operational demands, some supplies are subject to unresolved claims by others, and additional supplies that may be needed to support expanded operations are expensive, in short supply, and can be difficult to access because of logistical and legal obstacles. Moreover, we cannot predict the potential outcome of pending or future legal proceedings on our water rights, claims and uses. Loss of a water right, loss of continued use of a currently available water supply, or inability to expand our water resources could materially and adversely affect our mining operations, by significantly increasing the cost of water, forcing us to curtail operations, preventing us from expanding operations or forcing 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 operations involve additional risks because they are located on unusually difficult terrain in a very remote area.

The Grasberg minerals district is located in steep mountainous terrain in a remote area of Indonesia. These conditions require 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.

In May 2013, a tragic accident, which resulted in 28 fatalities and 10 injuries, occurred at PT-FI when the rock structure above an underground ceiling for a training facility collapsed. While the accident occurred outside the area of mining operations, PT-FI temporarily suspended mining and processing activities at the Grasberg complex to conduct inspections of its facilities in coordination with Indonesian government authorities. Following approval from Indonesia's Department of Energy and Mineral Resources, PT-FI resumed open-pit mining and concentrating

activities at its Grasberg operations on June 24, 2013, and resumed underground operations on July 9, 2013.

In April 2011, two PT-FI employees died in an accident when a portion of the DOZ underground mine experienced an uncontrolled muck flow. The area was temporarily shut down during the investigation of the accident. We have experienced mud/topsoil slides and slippages of material in and near our open-pit operations in the past, which have since October 2003 resulted in 11 fatalities and some production delays.

No assurance can be given that similar events will not occur in the future.

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In addition to the usual risks encountered in the mining industry, our Africa mining operations involve additional risks because it is located in a remote area of the DRC.

The Tenke minerals district is located in a remote area of the DRC and is subject to additional challenges, including 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; challenges in obtaining 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 mines 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 their contribution to our operating results and increase the cost of future development.

Our reserves are estimates, and actual recoveries may vary significantly.

There are numerous uncertainties and assumptions inherent in estimating mineral and oil and natural gas reserves, and geological, technical and economic assumptions that are valid at the time of estimation may change significantly when new information becomes available. Assumptions and estimates include the geology of the ore body or reservoir, development methods to be used and projected operating costs. Fluctuations in these variables and in commodities prices may result in lower grade reserves or resources being deemed uneconomic, and could lead to a reduction in reserves or resources. Our actual recoveries may vary significantly from our estimated reserves. Decreases in estimated reserves could result in prospective increases in our depreciation, depletion and amortization expense, which could have a significant negative impact on our results of operations, and could also result in impairment charges. Refer to Notes 1, 20 and 21 and MD&A for further discussion.

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.

There are many risks and uncertainties inherent in all development projects (refer to MD&A for further discussion of our current 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. Key factors that may affect the timing, costs and outcome of such projects include the following:

- Geologic, geotechnical, hydrogeologic and weather conditions;

- Hiring and training of personnel;

- Issuance of necessary permits and licenses by governmental agencies;

- Civil and political environment of the country or region in which the project is located; and

- Access to or development of supporting infrastructure and availability of critical equipment.

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.

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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 area presents significant challenges because of risks associated with geological complexity, water depth and higher drilling and development costs, any of which can cause substantial cost overruns. 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 Inboard Lower Tertiary/Cretaceous exploration prospects target formations below the salt weld on the GOM Shelf and onshore in South Louisiana. These targets have not traditionally been the subject of exploratory activity in these regions, so that little direct comparative data is available. To date, there has been no production of hydrocarbons from Inboard Lower Tertiary/Cretaceous reservoirs in these areas. The lack of comparative data and the limitations of diagnostic tools operating in the extreme temperatures and pressures encountered at these depths make it difficult to predict reservoir quality and well performance of these formations. Wells drilled in these formations are also significantly more expensive to drill and complete than wells drilled to more conventional depths. Major contributors to such increased costs include far higher temperatures and pressures encountered down hole, longer drilling times and the cost and extended procurement time related to the specialized equipment required to drill and complete these types of wells.

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. federal 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.

Certain of our undeveloped oil and gas leasehold acreage is subject to leases that will expire over the next several years unless production is established on units containing the acreage.

Approximately 41 percent of our total U.S. net undeveloped acres are covered by leases that expire from 2014 to 2016. With respect to our undeveloped oil and gas leaseholds, unless production in paying quantities is established on units during the term of the leases, the leases will expire. If leases expire and we are unable to renew or obtain new leases, we will lose our right to develop those properties. Our drilling plans are subject to change based upon various factors, including drilling results, oil and natural gas prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, gathering system and pipeline transportation constraints, and regulatory approvals. Refer to Items 1. and 2. "Business and Properties" for further discussion of our oil and gas operations' acreage.

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We have limited control over the development of oil and gas properties in which we have an interest but do not operate.

Certain of our oil and gas properties, including Lucius, Ram Powell, Lineham Creek, Haynesville and portions of our Eagle Ford acreage, are operated by other companies and involve third party working interest owners. As a result, we have limited ability to influence or control the operation or future development of such properties, including compliance with environmental, safety and other regulations, or the amount of capital expenditures that we will be required to fund with respect to such properties. Additionally, we are dependent on the other working interest owners of such projects to fund their contractual share of the operating costs and capital expenditures of such projects. These limitations and our dependence on the operator and other working interest owners for their operation and/or funding of these projects could cause us to incur unexpected future costs, result in lower production and materially and adversely affect our results of operations and financial condition.

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 corruption of data. We have experienced cybersecurity incidents in the past and may experience them in the future. We believe that 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 and evolving environmental laws and regulations. Compliance with environmental regulatory requirements involves significant costs and may constrain our expansion opportunities.

Our operations, both in the U.S. and internationally, are subject to extensive environmental laws and regulations governing the generation, transportation and disposal of hazardous substances, waste disposal, air emissions, water discharges, remediation, restoration and reclamation of environmental contamination, including oil spill cleanup, mine closure and well plug and abandonment requirements, protection of endangered and protected species, and other related matters. In addition, we must obtain regulatory permits and approvals to start, continue and expand operations. Laws such as CERCLA and similar state laws may subject 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-McMoRan 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 current or future legal requirements may impose 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.

For example, under the Clean Air Act, EPA recently lowered the National Ambient Air Quality Standards (NAAQS) for sulfur dioxide. The area around our smelter in Miami, Arizona, has sulfur dioxide levels in excess of the new

standard, and the smelter is the primary contributor to those levels. As a result, we are required to install pollution control equipment as part of an expansion that will allow the smelter to operate and comply with the new sulfur dioxide standard, but will increase our operating cost.

In addition, in response to the 2010 Deepwater Horizon incident in the GOM, the BOEM/BSEE issued new guidelines and regulations regarding, among other things, environmental matters and decommissioning applicable to oil and gas drilling in the GOM. These regulations require, among other things, independent third-party inspections, certification of well design and well control equipment and emergency response plans in the event of a blowout.

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We also believe there has generally been more aggressive application of the Endangered Species Act, resulting in increases in the number of protected species and expansive designations of their critical habitat, which may make obtaining federal permits and securing additional water resources more time-consuming, unpredictable and expensive.

New or revised environmental legal requirements are frequently proposed, many of which result in substantially increased costs for our business. For example, EPA has proposed rules that, if effective, would reclassify some mineral processing materials as "hazardous waste" under the Federal Resource Conservation and Recovery Act, which would reverse long-standing EPA regulatory determinations and subject the industry to significant new and costly waste management requirements.

Other regulation under consideration by environmental regulatory agencies include provisions that would impose additional restrictions on waterway discharges and land use, and regulate environmental impacts of radioactive materials associated with mining operations and expand regulation of solid wastes, among other things. Adoption of these or similar new environmental regulations or more stringent application of existing regulations may materially increase our costs and constrain our expansion opportunities.

During 2013, 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 $595 million, compared with $612 million in 2012 and $387 million in 2011. For 2014, we expect to incur approximately $475 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 as actual spending occurs.

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 the clean up of hazardous substances released into the environment from properties owned or operated by them, including damages to natural resources, irrespective of when the damage to the environment occurred or who caused it. That liability is often shared on a joint and several basis with all other prior and subsequent owners and operators, meaning that each owner or operator of the property is fully responsible for the clean-up, although in many cases some or all of the other historical owners or operators 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 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, 2013, we had more than 100 active remediation projects (including damaged natural resource claims) in 28 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, 2013, we had $1.2 billion recorded in our consolidated balance sheet for environmental obligations attributed 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 involve events that occurred many decades ago;

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- 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.

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 for environmental media imposed by EPA and state environmental agencies have generally become more stringent over time and may become more stringent in the future. Imposition of more stringent remediation standards poses a risk that additional remediation work could be required 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.

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.

In connection with obtaining our environmental approvals from the Indonesian government, we committed to perform a one-time environmental risk assessment on the impacts of our tailings management plan. We completed this extensive environmental risk assessment with more than 90 scientific studies conducted over four years and submitted it to the Indonesian government in December 2002. We developed the risk assessment study using internationally

recognized methods with input from an independent review panel, which included representatives from the Indonesian government, academia and non-governmental organizations. The risks identified during this process were consistent with our impact projections of the tailings management program contained in our environmental approval documents.

Since 2005, PT-FI has participated in the Indonesian government's PROPER (Program for Pollution Control, Evaluation and Rating) program. PT-FI received a Blue rating for the last PROPER audit by the Indonesian Ministry of Environment. That audit was conducted in 2010, and the Blue rating indicated that PT-FI's environmental management practices were in compliance with the laws and regulations of Indonesia. Since then, as allowed under Environmental Law 4/2009, the Indonesian Ministry of Environment has continued to audit PT-FI but not using the

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PROPER protocol, which has proven to be impractical for the size of the PT-FI operation. There have been no compliance issues, and the latest audit was in fourth-quarter 2013.

Mine closure regulations impose substantial costs on our operations. We also have plugging and abandonment obligations relating to our oil and gas operations.

Our U.S. mining operations are subject to various federal and state permitting requirements that include mine closure and mined-land reclamation obligations. These requirements are complex and vary depending upon the jurisdiction. The laws govern the determination of the scope and cost of the closure and reclamation obligations and the amount and forms of financial assurance sufficient to allow a third party to meet the obligations of those plans if we are unable to do so. In general, our U.S. mines are required to review estimated closure and reclamation costs on either a periodic basis or at the time of significant permit modifications and to post increasing amounts of financial assurance as required by state regulators. It is uncertain how potential EPA requirements for financial assurance will affect the timing of periodic closure cost reviews or the scope of closure activities.

In July 2011, the Chilean senate passed legislation regulating mine closure, which established new requirements for closure plans and became effective in November 2012. Our Chilean operations are required to update closure plans and provide financial assurance for these obligations. Revised closure plans for the Chilean mine sites are due in November 2014.

Cerro Verde is subject to regulation under the Mine Closure Law administered by the Peruvian Ministry of Energy and Mines. Under the closure regulations, mines must submit a closure plan that includes the reclamation methods, closure cost estimates, methods of control and verification, closure and post-closure plans and financial assurance. An updated closure plan for the Cerro Verde mine expansion was submitted to the Peruvian Ministry of Energy and Mines in November 2013.

In December 2009, PT-FI submitted its revised mine closure plan to the Department of Energy and Mineral Resources for review and has addressed comments received during the course of this review process. In December 2010, the President of Indonesia issued a regulation regarding mine reclamation and closure, which requires a company to provide a mine closure guarantee in the form of a time deposit placed in a state-owned bank in Indonesia. In accordance with its COW, PT-FI is working with the Department of Energy and Mineral Resources to review these requirements, including discussions of other options for the mine closure guarantee.

We cannot predict at this time the cost of these mine closure plans or the levels or forms of financial assurance that may be required, which amounts could be substantial.

Additionally, substantially all of our oil and gas leases require that, upon termination of economic production, the working interest owners plug and abandon non-producing wellbores, remove equipment and facilities from leased acreage and restore land in accordance with applicable local, state and federal laws.

At December 31, 2013, we had asset retirement obligations (AROs) of $2.3 billion recorded in our consolidated balance sheet, which included $1.1 billion for our oil and gas operations. ARO cost estimates may increase or decrease significantly in the future as a result of changes in closure regulations, changes in engineering designs and technology, permit modifications or updates, changes in mine plans, inflation or other factors and as actual reclamation spending occurs. Refer to Note 12 for further discussion.

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

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 significant sales of oil, NGLs and gas, and other carbon-based energy products.

A number of governments have introduced or are contemplating regulatory initiatives designed to control and reduce greenhouse gas emissions. Many U.S. states have taken legal measures to reduce emissions of greenhouse gases. For example, in California, the California Air Resources Board (CARB) has developed "cap and trade" regulations pursuant to the California Global Warming Solutions Act of 2006 intended to achieve an overall reduction in greenhouse gas emissions to 1990 levels, a 15 percent reduction by 2020. Some of our operations in California are subject to these regulations, which require us to purchase offsets and allowance instruments (i.e.,

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equivalent units equal to one metric ton of emissions under the California Global Warming Solutions Act of 2006). The total amount of instruments we must purchase will vary annually. While we do not expect these costs to be material, similar or more onerous state regulations could substantially increase our costs.

In June 2010, the EPA issued final regulations under the Clean Air Act for the control of greenhouse gases from new large stationary sources and major modifications to existing large stationary sources. This and other federal greenhouse gas regulations have been challenged in judicial proceedings. Certain of our operations, including the Miami smelter, could be materially affected by these regulations if plant emissions exceed applicable thresholds. In addition, anticipated future EPA regulations covering large fossil fuel fired power plants may materially increase energy costs at our operations. The U.S. may also become a party to international agreements to reduce greenhouse gas emissions, which could lead to new regulations affecting our U.S. operations.

From a medium and long-term perspective, we may experience increased costs relating to our greenhouse gas emissions as a result of regulatory initiatives in the U.S. and other countries in which we operate. In addition, the cost of electricity that we purchase from others may increase if our suppliers incur increased costs from the regulation of their greenhouse gas emissions. Although we have modeled different scenarios, we cannot predict the magnitude of increased costs with any certainty given the wide scope of potential regulatory changes in the many countries in which we operate. Increased regulation of greenhouse gas emissions may also reduce demand for the oil and gas we produce.

The potential physical impacts of climate change on our operations are highly uncertain, and would vary by operation based on particular geographic circumstances. These may include changes in rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities, and changing temperatures. These effects may adversely affect the cost, production and financial performance of our operations.

Proposed federal, state or local regulations regarding hydraulic fracturing could increase our oil and gas operating and capital costs.

Our oil and gas operations utilize hydraulic fracturing and other types of well stimulation. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into rock formations to stimulate the flow of oil and gas. Hydraulic fracturing is necessary to produce commercial quantities of oil and gas from many reservoirs, especially shale formations such as the Haynesville and Eagle Ford shale plays.

The process is typically regulated by state oil and gas commissions and agencies, and continues to receive significant regulatory and legislative attention at the federal, state, and local levels. Several proposals are before the U.S. Congress that, if implemented, would either prohibit or restrict the practice of hydraulic fracturing or subject the process to more extensive regulations. Several states have adopted or are considering legislation to regulate hydraulic fracturing practices that could impose more stringent permitting, transparency, and well construction requirements on hydraulic-fracturing operations or otherwise seek to ban fracturing activities altogether. In addition, some municipalities have significantly limited or prohibited drilling activities and/or hydraulic fracturing, or are considering doing so.

Although it is not possible to predict the final outcome of any legislation regarding hydraulic fracturing, any new federal, state or local restrictions on hydraulic fracturing, including those related to use of land and water, that are enacted in areas where we conduct our oil and gas operations could result in increased compliance costs or additional operating restrictions.

Other risks

Unanticipated litigation or negative developments in pending litigation or with respect to other contingencies could have a material adverse effect on our results of operations and financial condition.

We are a party to the litigation and subject to other contingencies, including those described in Note 12 and in Item 3. "Legal Proceedings" involving such matters as asbestos exposure cases, disputes over the allocation of environmental remediation obligations at Superfund and other sites, claims of personal injury and property damage arising from environmental contamination, disputes over water rights, disputes over taxes and other disputes with regulatory authorities. The outcome of litigation is inherently uncertain and adverse developments or outcomes can result in significant monetary damages, penalties or injunctive relief against us, limitations on our property rights, or regulatory interpretations that increase our operating costs. If any of these disputes results in a substantial

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monetary judgment against us or is settled on unfavorable terms, or otherwise affects our operations, it could have a material adverse effect on our results of operations and financial condition. A negative outcome in any of these matters could have a material adverse effect on our results of operations and financial condition.

We depend on our senior management team and other key employees, and the loss of any of these employees could adversely affect our business.

Our success depends in part on our ability to attract, retain and motivate senior management and other key employees. Achieving this objective may be difficult because of many factors, including fluctuations in global economic and industry conditions, competitors' hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be very intense. We must continue to recruit, retain and motivate senior management and other key employees to maintain our current business and support our future projects. A loss of such personnel could prevent us from capitalizing on business opportunities, and our operating results could be adversely affected.

Our holding company structure may impact 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 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 enable us to repay our indebtedness or pay dividends. Each of our subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. 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 our Board of Directors (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 removal of directors for cause only;
- 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.

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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.

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-McMoRan 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

Our operations in the western United States (U.S.) require significant quantities of water for mining, ore processing and related support facilities. Continuous operation of our mines is dependent on our ability to maintain our water rights and claims and the continuing physical availability of the water supplies. In the arid western U.S., 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, loss of continued use of a currently available water supply, or inability to expand our water resources could materially and adversely affect our mining operations by significantly increasing the cost of water, forcing us to curtail operations, preventing us from expanding operations or forcing premature closures, thereby increasing and/or accelerating costs and 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, we are a participant in two active general stream adjudications in which, for over 30 years, the Arizona courts have been attempting to quantify and prioritize surface water claims for two of the state's largest river systems, which affect four of our operating mines (Morenci, Safford, Sierrita and Miami). The legal precedent set in these proceedings may also affect our Bagdad mine. Groundwater has historically been treated differently from surface water under Arizona law, which has generally allowed land owners to pump at will, subject to the doctrine of reasonable use. However, court decisions in one of the adjudications have concluded that groundwater pumping may affect surface water, thereby bringing the pumping within the jurisdiction of the general stream adjudications. The effort to define the boundaries between groundwater and surface water remains contested, however, and is currently the principal focus of one of those adjudications. Because groundwater accounts for approximately 40 percent of Arizona's water supplies, the re-characterization of any significant portion of that water as surface water could jeopardize 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 significant user of groundwater 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 watershed.

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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.

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 been stayed pending the Arizona Superior Court adjudications.

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. 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, and those recommendations were objected to by numerous parties on both sides of the issue. ADWR responded to those objections in January 2011. Following a three-day hearing held in late January 2012, at which various parties provided testimony and oral argument regarding the strengths and weaknesses of ADWR's technical approach to characterizing underground flows as groundwater or surface water, the court directed ADWR to submit a further report detailing the additional work it deemed necessary to properly delineate the San Pedro River basin subflow zone. On October 12, 2012, the court issued an order instructing ADWR to conduct additional technical work and issue revised subflow zone maps for the San Pedro River basin. On October 17, 2012, the Arizona Supreme Court announced the appointment of a replacement for the judge who had presided over the case for more than 10 years as a result of his appointment to the federal bankruptcy court. The new presiding judge is the fourth judge to preside over the case since its inception almost 40 years ago. On January 10, 2013, the new presiding judge heard oral arguments regarding the additional work to be performed by ADWR in order to develop revised subflow zone maps for the San Pedro River basin and issued an order instructing ADWR to complete additional technical work and submit a new report by April 1, 2014. Given the legal and technical complexity of this adjudication, its long history, and its long-term legal, economic and political implications, it is difficult to predict the timing or the outcome of this issue or of the overall adjudication. If we are unable to satisfactorily resolve the issues being addressed in this adjudication, our ability to pump groundwater could be diminished or curtailed, and our operations at Morenci, Safford, Sierrita, Miami and Bagdad could be adversely affected.

As part of the Gila River adjudication, the U.S. has asserted numerous claims for federal non-Indian reserved water rights throughout Arizona. These claims are based on 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 not based on a history of beneficial use of specific amounts of water. Instead, these 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. As a result, these water rights can be very disruptive to existing state law-based water rights and uses, particularly

groundwater uses, which are not assigned a priority date under state law.

Because federal reserved water rights are not 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 are currently pending in the adjudication. In multiple instances, the U.S. asserts a right to all water in a particular watershed that was not appropriated prior to the reservation. This creates risks for both surface water users and groundwater users because such claims can severely impede current and future uses of water within the same watershed.

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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. This means that the existence of a federal reserved right may threaten a groundwater user's ability to continue pumping groundwater under circumstances in which a state law-based right may pose no risk.

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, Sierrita in the Santa Cruz watershed, and Bagdad in the Bill Williams River watershed. Although the Bill Williams watershed is not part of the Gila River adjudication, decisions made in the Gila River adjudication may be asserted as precedents for similar federal claims in the Bill Williams 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.

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). During 2013, our TRIR (including contractors) was 0.74 per 200,000 man-hours worked, compared to the preliminary metal mining sector industry average reported by the U.S. Mine Safety and Health Administration (MSHA) for 2013 of 2.35 per 200,000 man-hours worked. Our TRIR (including contractors) was 0.58 per 200,000 man-hours worked in 2012 and 0.61 per 200,000 man-hours worked in 2011, compared to MSHA's metal mining sector industry average of 2.25 per 200,000 man-hours worked in 2012 and 2.29 per 200,000 man-hours worked in 2011.

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 14, 2014, about our executive officers is set forth in the following table and accompanying text:

Name	Age	Position or Office
James R. Moffett	75	Chairman of the Board
Richard C. Adkerson	67	Director, Vice Chairman, and FCX President and Chief Executive Officer
James C. Flores	54	Director, Vice Chairman, and FM O&G President and Chief Executive Officer
Michael J. Arnold	61	Executive Vice President and Chief Administrative Officer
Kathleen L. Quirk	50	Executive Vice President, Chief Financial Officer and Treasurer

James R. Moffett has served as Chairman of the Board since May 1992. Mr. Moffett previously served as the Chief Executive Officer from July 1995 until December 2003. He served as Co-Chairman of the Board of McMoRan Exploration Co. (MMR) from September 1998, and President and Chief Executive Officer from May 2010 until FCX's acquisition of MMR in 2013.

Richard C. Adkerson has served as Vice Chairman 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 MMR from September 1998 until FCX's acquisition of MMR in 2013.

James C. Flores has served as Vice Chairman, and FM O&G President and Chief Executive Officer since June 2013. Mr. Flores previously served as 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.

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

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.

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 2013 and 2012:

	2013		2012	
	High	Low	High	Low
First Quarter	$36.26	$30.72	$48.96	$36.76
Second Quarter	$34.00	$26.37	$39.43	$31.16
Third Quarter	$34.99	$26.95	$43.65	$31.08
Fourth Quarter	$38.00	$32.34	$42.89	$30.54

At February 14, 2014, there were 15,753 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 the current annual rate of $1.25 per share ($0.3125 per share quarterly). The Board also authorized a supplemental common stock dividend of $1.00 per share that was paid in July 2013. Below is a summary of dividends on FCX common stock for 2013 and 2012:

	2013 Per Share Amount	Record Date	Payment Date
First Quarter	$0.3125	01/15/2013	02/01/2013
Second Quarter	$0.3125	04/15/2013	05/01/2013
Supplemental Dividend	$1.0000	06/14/2013	07/01/2013
Third Quarter	$0.3125	07/15/2013	08/01/2013
Fourth Quarter	$0.3125	10/15/2013	11/01/2013
	2012		

	Per Share Amount	Record Date	Payment Date
First Quarter	$0.2500	01/13/2012	02/01/2012
Second Quarter	$0.3125	04/13/2012	05/01/2012
Third Quarter	$0.3125	07/13/2012	08/01/2012
Fourth Quarter	$0.3125	10/15/2012	11/01/2012

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On December 20, 2013, the Board declared a regular quarterly dividend of $0.3125 per share, which was paid on February 3, 2014, to common stockholders of record at the close of business on January 15, 2014.

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, 2013:

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, 2013	—	$—	—	23,685,500
November 1-30, 2013	—	—	—	23,685,500
December 1-31, 2013	—	—	—	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.

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Item 6. Selected Financial Data.

FREEPORT-McMoRan COPPER & GOLD INC.
SELECTED FINANCIAL AND OPERATING DATA

	Years Ended December 31,				
	2013[a]	2012	2011	2010	2009
FCX CONSOLIDATED FINANCIAL DATA	(In millions, except per share amounts)				
Revenues	$20,921 [b]	$18,010	$20,880	$18,982	$15,040
Operating income	5,351 [b,c,d,e]	5,814			