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Immediate Release

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Governor Richardson, State Officials, Hammer Out Financial Assurance Amendment with Phelps Dodge; More Cash Provided for State

(Santa Fe, NM) — Governor Bill Richardson today announced that a recently signed amendment to the state's financial assurance agreement with Phelps Dodge Corp. will provide tens of millions of dollars more to the state for environmental clean up should the mining company hit economic hard times.

The amendment, negotiated with Phelps Dodge by New Mexico Environment Department (NMED) Secretary Ron Curry and Energy, Minerals and Natural Resources Department (EMNRD) Secretary Joanna Prukop, raises the cash component of the agreement from \$50 million to approximately \$82 million in the first year. The benchmark for the total cash component of the plan increases from \$75 million to \$109.8 million by December 31, 2008.

"I directed my agencies to work on increasing the cash in the financial assurance package while making sure that groundwater protections were not compromised," said Governor Richardson. "This is a better deal for the state, and for Grant County."

Financial assurance is required of mining companies by state law to ensure that environmental liabilities can be cleaned up in the event of bankruptcy.

The amendment does not change the overall outlines of the financial assurance deal reached in May. The total value of the required financial assurance remains \$484 million for the company's Chino, Tyrone and Cobre copper mines in Grant County. Initially, approximately 30 percent of this total will come in the form of cash trust funds and collateral; 70 percent will be in the form of a corporate guarantee from Phelps Dodge. The percentage covered by the corporate guarantee will decrease over time as reclamation projects are completed.

Financial assurance breaks down for the three mines as follows:

Chino: One third (\$64 million) in a cash trust with the remaining two-thirds in the form of corporate guarantee.

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Tyrone: A trust fund beginning at \$17 million with quarterly deposits of \$500,000 until the fund totals \$27 million or until the collective total of the three trust funds exceeds \$109.8 million. Thirty percent of the net present value of the financial assurance for Tyrone will be in the form of cash and collateral. The balance will be in the form of a corporate guarantee.

Cobre: A trust fund beginning at \$1 million with quarterly deposits of \$100,000 until the fund totals \$3 million or until the collective total of the three trust funds exceeds \$109.8 million. Thirty percent of the net present value of the financial assurance for Tyrone will be in the form of cash and collateral. The balance will be in the form of a corporate guarantee.

The amendment also formalizes a list of agreed to accelerated reclamation projects to be completed over the next 10 years. Phelps Dodge has agreed to spend at least \$30 million on this effort. If problems arise, however, the state reserves the right to require Phelps Dodge to take additional actions to address violations of state law, regulations or permits.

This amendment, and the financial assurance agreement, is subject to public review and comment.

For further information contact Jon Goldstein, Communications Director, NMED at (505) 827-0314.

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