STRENGTH IN RESOURCES

2013 Annual Report

FREEPORT-MCMORAN

FREEPORT-MCMORAN

Freeport-McMoRan (FCX) is a leading international natural resources company with headquarters in Phoenix, Arizona. FCX operates large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold, molybdenum, cobalt, oil and natural gas. FCX has a dynamic portfolio of operating, expansion and growth projects in the copper industry. FCX is also the world's largest producer of molybdenum and a significant gold, oil and natural gas producer.

FCX's portfolio of metals assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold mines in terms of recoverable reserves; significant mining operations in the Americas, including the large-scale Morenci minerals district in North America and the Cerro Verde operation in South America; and the Tenke Fungurume minerals district in the Democratic Republic of Congo.

FCX's portfolio of oil and natural gas assets includes oil production facilities in California, an attractive position in the onshore Eagle Ford shale play in Texas, significant production facilities and growth potential in the Deepwater Gulf of Mexico, large onshore resources in the Haynesville natural gas shale play in Louisiana and natural gas production from the Madden area in Wyoming. In addition, FCX is an industry leader in the emerging Inboard Lower Tertiary/Cretaceous gas trend with sizeable potential, located offshore in the shallow waters of the Gulf of Mexico and onshore in South Louisiana.

Additional information about FCX is available on FCX's website at www.fcx.com.

SUMMARY FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31,	2013	2012	2011	2010	2009
(In Millions, Except Per Share Amounts)					
Revenues	**$ 20,921**	$ 18,010	$ 20,880	$ 18,982	$ 15,040
Operating income	**5,351**	5,814	9,140	9,068	6,503
Net income attributable to FCX common stockholders	**2,658**	3,041	4,560	4,273	2,527
Diluted net income per common share	**2.64**	3.19	4.78	4.57	2.93
Dividends declared per common share	**2.25**	1.25	1.50	1.125	0.075
Operating cash flows	**6,139**	3,774	6,620	6,273	4,397
Capital expenditures	**5,286**	3,494	2,534	1,412	1,587
At December 31:					
Cash and cash equivalents	**1,985**	3,705	4,822	3,738	2,656
Total assets	**63,473**	35,440	32,070	29,386	25,996
Total debt, including current portion	**20,706**	3,527	3,537	4,755	6,346
Total FCX stockholders' equity	**20,934**	17,543	15,642	12,504	9,119

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Copper (Cu)
Gold (Au)
Molybdenum (Mo)
Cobalt (Co)
Oil
Natural Gas

They are the metals and minerals that surround us in our daily lives, advancing technology, fueling growth and moving us forward. Copper, gold, molybdenum, cobalt, oil and natural gas build communities and strengthen economies. Our strength lies not only in our diverse portfolio of these vital natural resources, but also in the more than 36,000 employees of Freeport-McMoRan who bring them to the world.

OPERATIONS

	MINING				
	NORTH AMERICA	SOUTH AMERICA	INDONESIA	AFRICA	CONSOLIDATED TOTALS
RESERVES AT 12/31/13	Cu 36.2 billion lbs Au 0.4 million ozs Mo 2.6 billion lbs	Cu 37.0 billion lbs Au 1.1 million ozs Mo 0.7 billion lbs	Cu 30.0 billion lbs Au 29.8 million ozs	Cu 8.0 billion lbs Co 0.9 billion lbs	Cu 111.2 billion lbs Au 31.3 million ozs Mo 3.3 billion lbs Co 0.9 billion lbs
2013 SALES	Cu 1.42 billion lbs Mo 93 million lbs[a]	Cu 1.33 billion lbs Au 0.1 million ozs	Cu 0.89 billion lbs Au 1.1 million ozs	Cu 0.45 billion lbs Co 25 million lbs	Cu 4.09 billion lbs Au 1.2 million ozs Mo 93 million lbs Co 25 million lbs

[a] Includes sales of molybdenum produced at FCX's North America and South America copper mines

Note: lbs=pounds; ozs=ounces; MMBbls=million barrels; Bcf=billion cubic feet; MMBOE=million barrels of oil equivalents

TO OUR SHAREHOLDERS

We are pleased to present our 2013 Annual Report to showcase our assets, report our financial and operating results and share our company's enthusiasm for future profitable growth. The theme of this year's annual report, "Strength in Resources," highlights our portfolio of large-scale, geographically diverse natural resource assets in the mining and oil and gas sectors, which provide strong margins and cash flows and financially attractive growth opportunities.

Following the completion of our oil and gas acquisitions during 2013, our organization maintained a clear focus on executing a strategy firmly rooted in maximizing shareholder returns through effective management of our existing production base, executing on our return-driven growth plans, maintaining a strong balance sheet and providing cash returns to shareholders.

We reported strong operational performance globally and increased our copper production in each of the four geographic regions of our mining business. We also benefited from a significant contribution from oil and gas assets acquired during 2013, which provide a high-quality addition to our asset base with strong margins and cash flows, and a highly attractive and exciting new growth profile.

We faced volatile commodity market conditions during 2013 and into 2014. While copper and gold prices declined during the year, Brent crude oil prices remained firm and natural gas prices improved during 2013. We took steps to reduce costs and capital spending in response to market conditions and will continue to maintain financial flexibility in a dynamic global economic environment. As a significant producer of copper and oil, we are positive about the long-term outlook for these commodities given their important roles in the global economy and limited supplies.

During the year, we advanced several large projects in our minerals and oil and gas businesses that pave the way for future growth. Important milestones achieved during 2013, and continuing in 2014, provide confidence that these initiatives will enable us to grow our cash flows and resource base. We also continued active exploration activities and are enthusiastic about future reserve additions in our minerals and oil and gas businesses. We look forward to reporting on the progress of these activities in 2014.

OIL & GAS

UNITED STATES

Oil	350 MMBbls
Natural Gas	562 Bcf
Natural Gas Liquids	20 MMBbls
MMBOE	464

Oil	26.6 MMBbls
Natural Gas	54.2 Bcf
Natural Gas Liquids	2.4 MMBbls
MMBOE	38.1

Consistent with our Board's long-standing tradition of providing cash returns to shareholders, we paid more than $2 billion in common stock dividends during 2013 ($2.25 per share), including a $1 per share special dividend. Including dividends, our total shareholder return for 2013 was 17 percent.

During the year, we continued to build on our relationships and partnerships with governments and stakeholders in the communities where we operate. We are committed to sustainable development and to providing significant long-term benefits from our operations to local communities and governments. As we work to resolve our current challenge in Indonesia, we are positive about our long-term partnership with the country and the future prospects of the Grasberg minerals district.

As an organization, we continue to mourn the loss of 28 workers who were fatally injured during 2013 in an underground training facility near our Indonesian mining operations and seven others lost in separate tragic accidents. The safety of our people continues to be our highest priority and a critical focus of our entire management team and global organization.

We want to honor our co-founder B.M. "Mack" Rankin, who served as Vice Chairman and a member of our Board of Directors prior to his passing in August 2013. We are grateful for his long-term service and significant contributions to FCX's success.

During 2013, the independent directors of our Board appointed Gerald J. Ford to the newly created position of lead independent director. We also welcomed five new members to our Board during the year, including James C. Flores, Alan R. Buckwalter, III and Thomas A. Fry, III following the oil and gas acquisitions and Lydia H. Kennard and Frances Fragos Townsend in December 2013.

We remain focused on executing our strategy of delivering safe, strong and efficient operational and project development performance to provide cash flows to achieve our debt reduction targets, generate attractive returns through organic growth and continue our long-standing tradition of providing cash returns to shareholders.

In closing, we would like to thank our employees for their hard work, dedication and commitment to FCX's success and extend our sincerest gratitude to our Board for their wisdom, judgment and advice as we work to achieve continued success in the future.

Respectfully yours,

JAMES R. MOFFETT
Chairman of the Board

RICHARD C. ADKERSON
Vice Chairman of the Board
President and
Chief Executive Officer

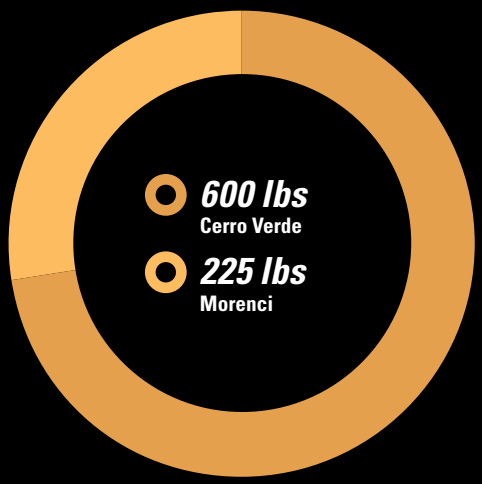
JAMES C. FLORES
Vice Chairman of the Board
President and Chief Executive Officer
Freeport-McMoRan Oil & Gas LLC

March 20, 2014

Photo: Mill/Concentrator expansion at Cerro Verde, Peru

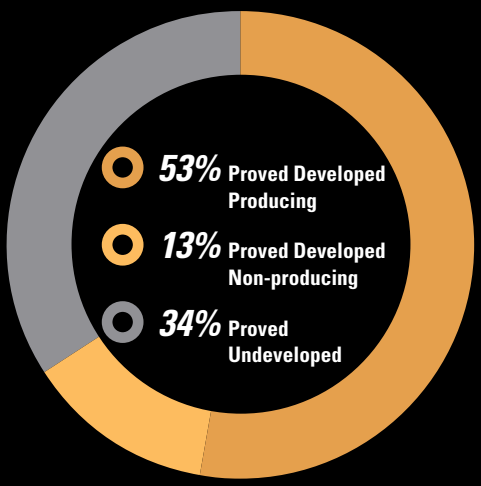
ESTIMATED INCREMENTAL COPPER FROM EXPANSION PROJECTS IN PROGRESS (in millions)

approximately 825 million lbs



OIL & GAS RESERVES

464 MMBOE



CONSOLIDATED UNIT CASH COSTS

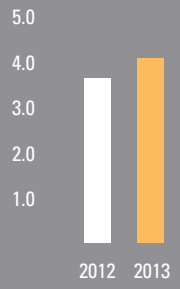
	2012	2013
Mining (per lb of copper)		
Site Production and Delivery	$ 2.00	$ 1.88
By-product Credits	(0.69)	(0.57)
Treatment Charges	0.14	0.15
Royalties	0.03	0.03
Unit Net Cash Costs*	$ 1.48	$ 1.49
Oil & Gas (per BOE)		
Cash Production Costs*		$17.14†

*For a reconciliation of unit net cash costs per pound of copper and cash production costs per BOE to production and delivery costs reported in FCX's consolidated financial statements, refer to "Product Revenues and Production Costs" in Management's Discussion and Analysis contained elsewhere in this Annual Report.

† For the seven-month period from June 1, 2013, to December 31, 2013.

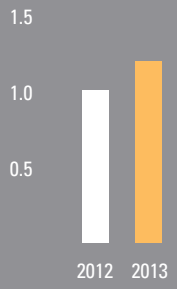
CONSOLIDATED COPPER SALES

in billion lbs



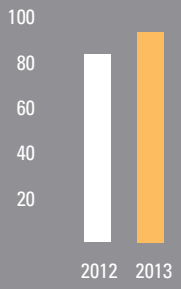
CONSOLIDATED GOLD SALES

in million ozs



CONSOLIDATED MOLYBDENUM SALES

in million lbs



CONSOLIDATED RESULTS

FCX's consolidated copper sales for 2013 of 4.09 billion pounds (at an average realized price of $3.30 per pound) were higher than 2012 sales of 3.65 billion pounds (at an average realized price of $3.60 per pound), reflecting improved volumes throughout our global mining operations. Consolidated copper sales volumes are expected to grow with the development of planned projects.

Consolidated gold sales for 2013 of 1.2 million ounces (at an average realized price of $1,315 per ounce) were higher than 2012 sales of 1.0 million ounces (at an average realized price of $1,665 per ounce), reflecting higher ore grades and improved operating performance in Indonesia.

Consolidated molybdenum sales for 2013 of 93 million pounds (at an average realized price of $11.85 per pound) were higher than 2012 sales of 83 million pounds (at an average realized price of $14.26 per pound), reflecting a full year of production from the Climax molybdenum mine.

Oil and gas sales volumes for the seven-month period in 2013 following the acquisitions totaled 38.1 MMBOE (at an average realized price of $76.87 per BOE) and averaged 178 thousand barrels of oil equivalents (MBOE) per day. Oil and gas volumes for 2014 are expected to grow with the development of Gulf of Mexico projects.

Photo: Marlin deepwater production platform in the Gulf of Mexico

NORTH AMERICA MINING

FCX leads the North America metals industry in the production of copper and molybdenum. In North America, FCX currently operates seven open-pit copper mines — Morenci, Bagdad, Sierrita, Safford and Miami in Arizona, and Chino and Tyrone in New Mexico, and two molybdenum mines — Henderson and Climax in Colorado. Certain of FCX's North America copper mines also produce molybdenum concentrates.

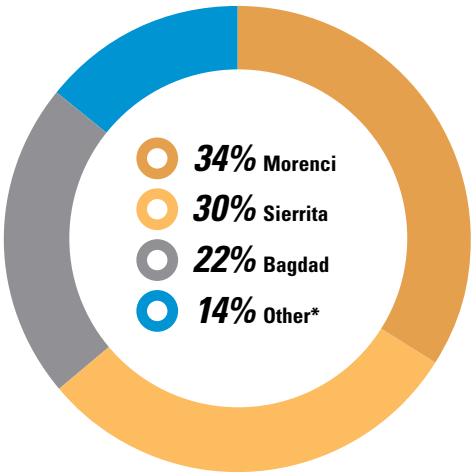
FCX has increased production from its North America copper mines in recent years and continues to evaluate opportunities to invest in additional production capacity following positive exploration results. At the Morenci mine, FCX is expanding mining and milling capacity to process additional sulfide ores identified through exploratory drilling. The project is targeting incremental annual production of approximately 225 million pounds of copper beginning in 2014. At full rates, Morenci's copper production is expected to approach one billion pounds in 2015.

North America's consolidated copper sales of 1.42 billion pounds (at an average realized price of $3.36 per pound) in 2013 were higher than sales of 1.35 billion pounds (at an average realized price of $3.64 per pound) in 2012, primarily reflecting higher mining and milling rates, ore grades and recovery rates.

Consolidated molybdenum sales of 93 million pounds in 2013 were higher than sales of 83 million pounds in 2012, primarily reflecting a full year of production from the Climax mine.

NORTH AMERICA COPPER RESERVES BY MINE

36.2 billion consolidated lbs



* Includes copper reserves from Chino, Safford, Tyrone, Miami and Cobre.

Photos: (Left) Copper cathodes, (Right) Open-pit production at Morenci, Arizona

At the Morenci mine in Arizona, expansion projects are expected to result in copper production of one billion pounds per year in 2015.

NORTH AMERICA UNIT CASH COSTS

per lb of copper

	2012	2013
UNIT CASH COSTS		
Site Production and Delivery	$ 1.91	$ 2.00
By-product Credits	(0.36)	(0.24)
Treatment Charges	0.12	0.11
Unit Net Cash Costs*	$ 1.67	$ 1.87

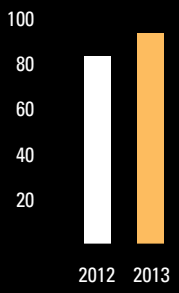
* For a reconciliation of unit net cash costs per pound of copper to production and delivery costs reported in FCX's consolidated financial statements, refer to "Product Revenues and Production Costs" in Management's Discussion and Analysis contained elsewhere in this Annual Report.

NORTH AMERICA COPPER SALES

in billion lbs

NORTH AMERICA MOLYBDENUM SALES*

in million lbs



* Includes sales of molybdenum produced at FCX's North America and South America copper mines.

SOUTH AMERICA MINING

FCX operates four copper mines in South America — 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.

Construction activities associated with the large-scale expansion project at Cerro Verde are in progress and 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.

FCX continues to evaluate a potential large-scale milling operation at El Abra to process additional sulfide material and to achieve higher recoveries. Exploration results at El Abra have identified a significant sulfide resource, which could potentially support a major mill project.

Consolidated copper sales from FCX's South America mines of 1.33 billion pounds (at an average realized price of $3.30 per pound) in 2013 were higher than 2012 sales of 1.25 billion pounds (at an average realized price of $3.58 per pound), primarily reflecting higher ore grades at Candelaria, partly offset by lower ore grades at Cerro Verde.

SOUTH AMERICA COPPER RESERVES BY MINE

37.0 billion consolidated lbs

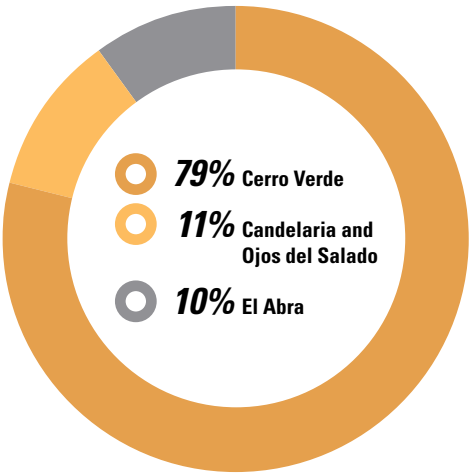


Photo: Expanded stacking and leaching facilities at El Abra, Chile

Our mines in South America produced 1.33 billion pounds of copper in 2013, with an expansion taking place at Cerro Verde, Peru, and potential new sulfide deposits at El Abra, Chile.

SOUTH AMERICA UNIT CASH COSTS

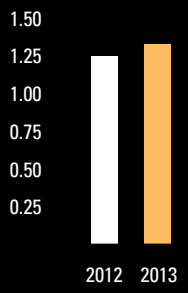
per lb of copper

	2012	2013
UNIT CASH COSTS		
Site Production and Delivery	$ 1.60	$ 1.53
By-product Credits	(0.26)	(0.27)
Treatment Charges	0.16	0.17
Unit Net Cash Costs*	$ 1.50	$ 1.43

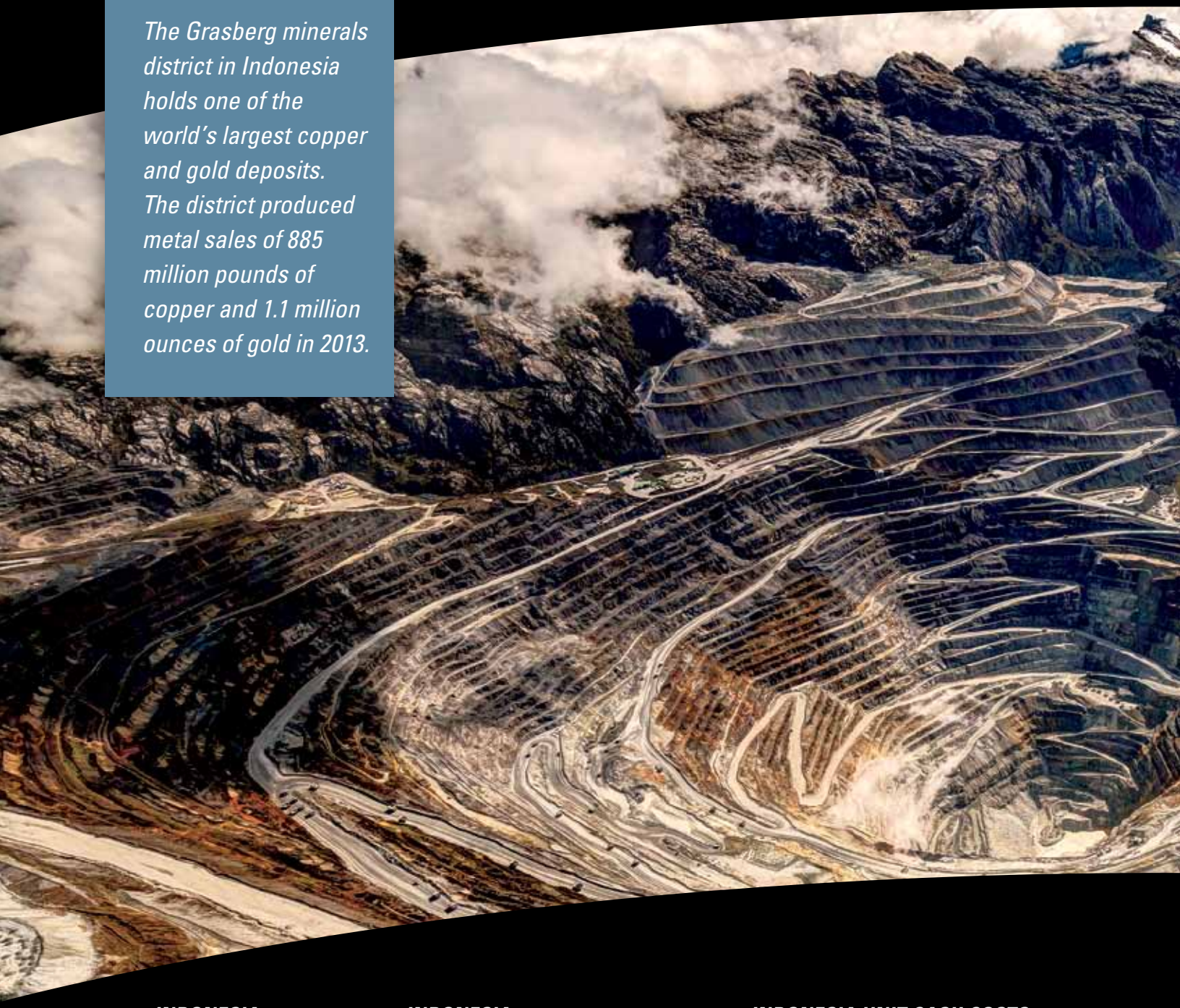
*For a reconciliation of unit net cash costs per pound of copper to production and delivery costs reported in FCX's consolidated financial statements, refer to "Product Revenues and Production Costs" in Management's Discussion and Analysis contained elsewhere in this Annual Report.

SOUTH AMERICA COPPER SALES

in billion lbs

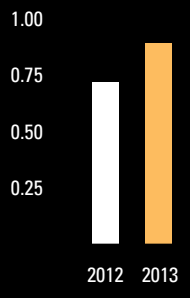


The Grasberg minerals district in Indonesia holds one of the world's largest copper and gold deposits. The district produced metal sales of 885 million pounds of copper and 1.1 million ounces of gold in 2013.



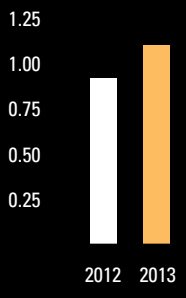
INDONESIA COPPER SALES

in billion lbs



INDONESIA GOLD SALES

in million ozs



INDONESIA UNIT CASH COSTS

per lb of copper

	2012	2013
UNIT CASH COSTS		
Site Production and Delivery	$ 3.12	$ 2.46
By-product Credits	(2.22)	(1.69)
Treatment Charges	0.21	0.23
Royalties	0.13	0.12
Unit Net Cash Costs*	$ 1.24	$ 1.12

*For a reconciliation of unit net cash costs per pound of copper to production and delivery costs reported in FCX's consolidated financial statements, refer to "Product Revenues and Production Costs" in Management's Discussion and Analysis contained elsewhere in this Annual Report.

INDONESIA MINING

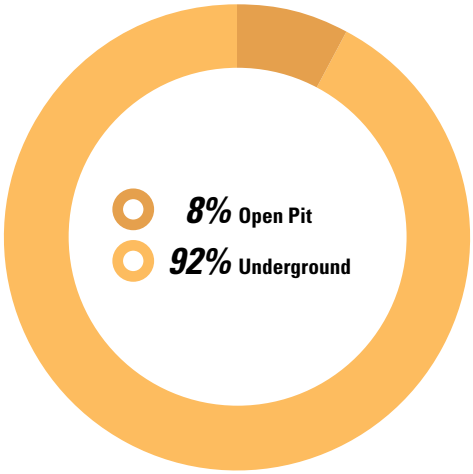
Through its subsidiary, PT Freeport Indonesia, FCX mines one of the world's largest copper and gold deposits in the Grasberg minerals district in Papua, Indonesia.

The Grasberg minerals district has three operating mines: the Grasberg open pit, the Deep Ore Zone underground mine and the Big Gossan underground mine. PT Freeport Indonesia also has several projects in progress in the Grasberg minerals district related to the development of large-scale, long-lived, high-grade underground ore bodies located beneath and nearby the Grasberg open pit, including development of the Common Infrastructure, the Grasberg Block Cave underground mine and the Deep Mill Level Zone ore body. In aggregate, these underground ore bodies are expected to ramp up over several years to approximately 240,000 metric tons of ore per day following the transition from the Grasberg open pit, currently anticipated to occur in 2017.

Consolidated sales from Indonesia mining of 885 million pounds of copper (at an average realized price of $3.28 per pound) and 1.1 million ounces of gold (at an average realized price of $1,312 per ounce) in 2013 were higher than 2012 sales of 716 million pounds of copper (at an average realized price of $3.58 per pound) and 0.9 million ounces of gold (at an average realized price of $1,664 per ounce), primarily reflecting higher ore grades and increased mill rates. To date in 2014, PT Freeport Indonesia has operated at a reduced rate because of export restrictions on international concentrate sales. FCX is working with Indonesian government officials to resolve this matter.

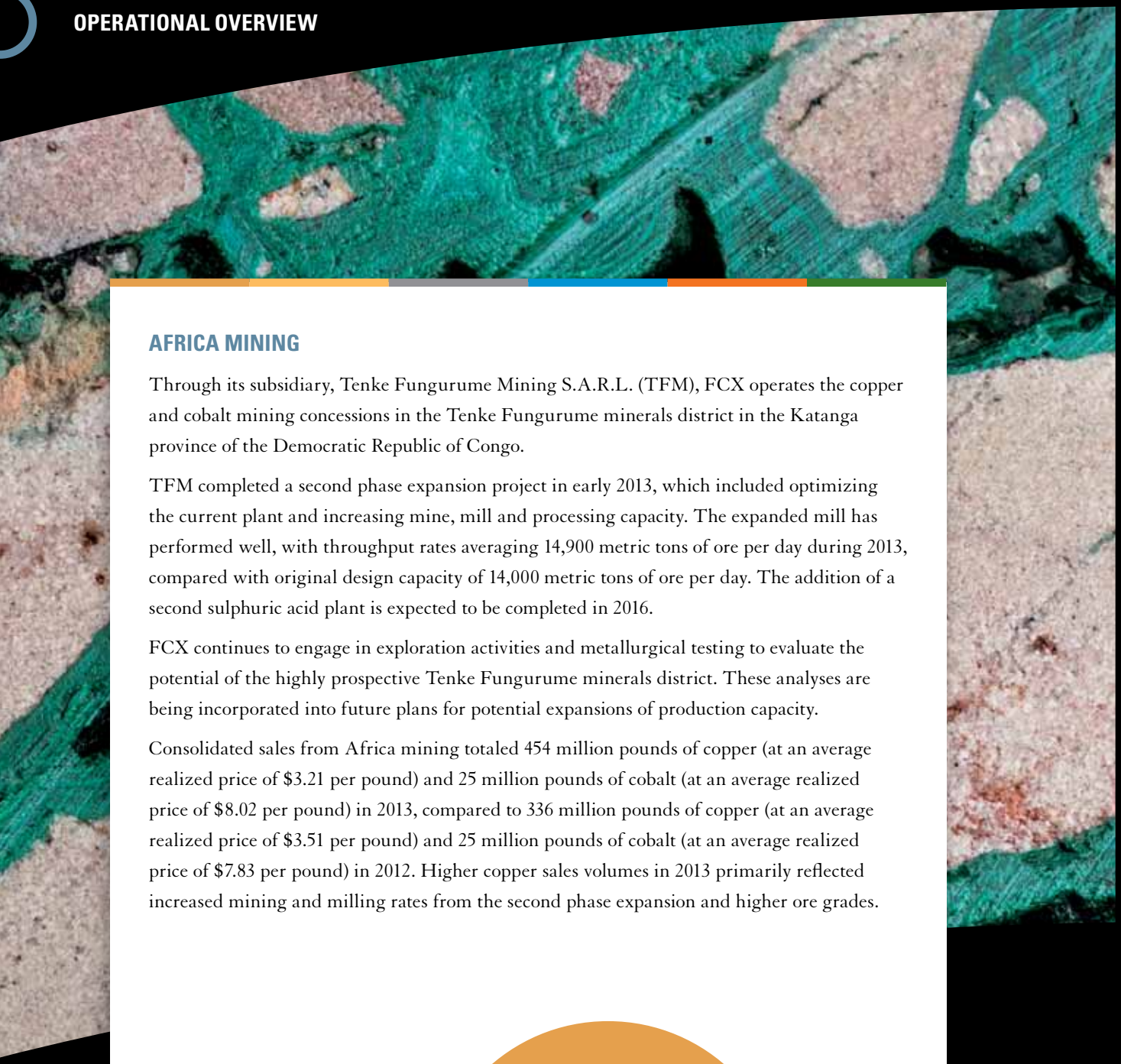
INDONESIA COPPER RESERVES BY MINE

30.0 billion consolidated lbs



Note: Underground and open-pit percentages calculated using 100% basis reserves.

Photo: Grasberg open-pit mine in Papua, Indonesia



AFRICA MINING

Through its subsidiary, Tenke Fungurume Mining S.A.R.L. (TFM), FCX operates the copper and cobalt mining concessions in the Tenke Fungurume minerals district in the Katanga province of the Democratic Republic of Congo.

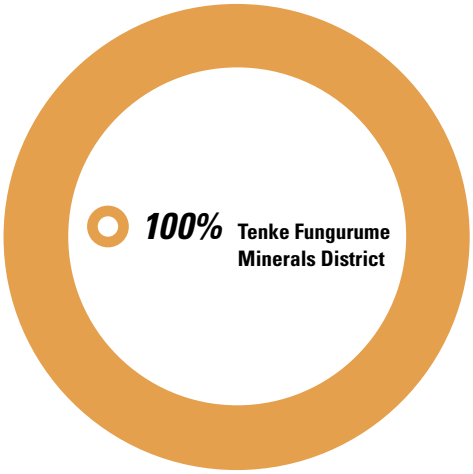
TFM completed a second phase expansion project in early 2013, which included optimizing the current plant and increasing mine, mill and processing capacity. The expanded mill has performed well, with throughput rates averaging 14,900 metric tons of ore per day during 2013, compared with original design capacity of 14,000 metric tons of ore per day. The addition of a second sulphuric acid plant is expected to be completed in 2016.

FCX continues to engage in exploration activities and metallurgical testing to evaluate the potential of the highly prospective Tenke Fungurume minerals district. These analyses are being incorporated into future plans for potential expansions of production capacity.

Consolidated sales from Africa mining totaled 454 million pounds of copper (at an average realized price of $3.21 per pound) and 25 million pounds of cobalt (at an average realized price of $8.02 per pound) in 2013, compared to 336 million pounds of copper (at an average realized price of $3.51 per pound) and 25 million pounds of cobalt (at an average realized price of $7.83 per pound) in 2012. Higher copper sales volumes in 2013 primarily reflected increased mining and milling rates from the second phase expansion and higher ore grades.

AFRICA COPPER RESERVES

8.0 billion consolidated lbs



Photos: (Left) Mineral sample from Tenke Fungurume minerals district,
(Right) TFM's Kwatebala mine and processing plant in the Democratic Republic of Congo

TFM's second phase expansion resulted in record sales of copper in 2013.

AFRICA UNIT CASH COSTS

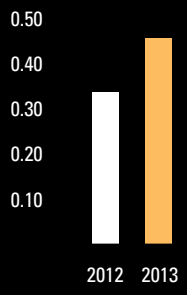
per lb of copper

	2012	2013
UNIT CASH COSTS		
Site Production and Delivery	$ 1.49	$ 1.43
By-product Credits	(0.33)	(0.29)
Royalties	0.07	0.07
Unit Net Cash Costs*	$ 1.23	$ 1.21

*For a reconciliation of unit net cash costs per pound of copper to production and delivery costs reported in FCX's consolidated financial statements, refer to "Product Revenues and Production Costs" in Management's Discussion and Analysis contained elsewhere in this Annual Report.

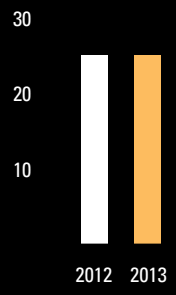
AFRICA COPPER SALES

in billion lbs

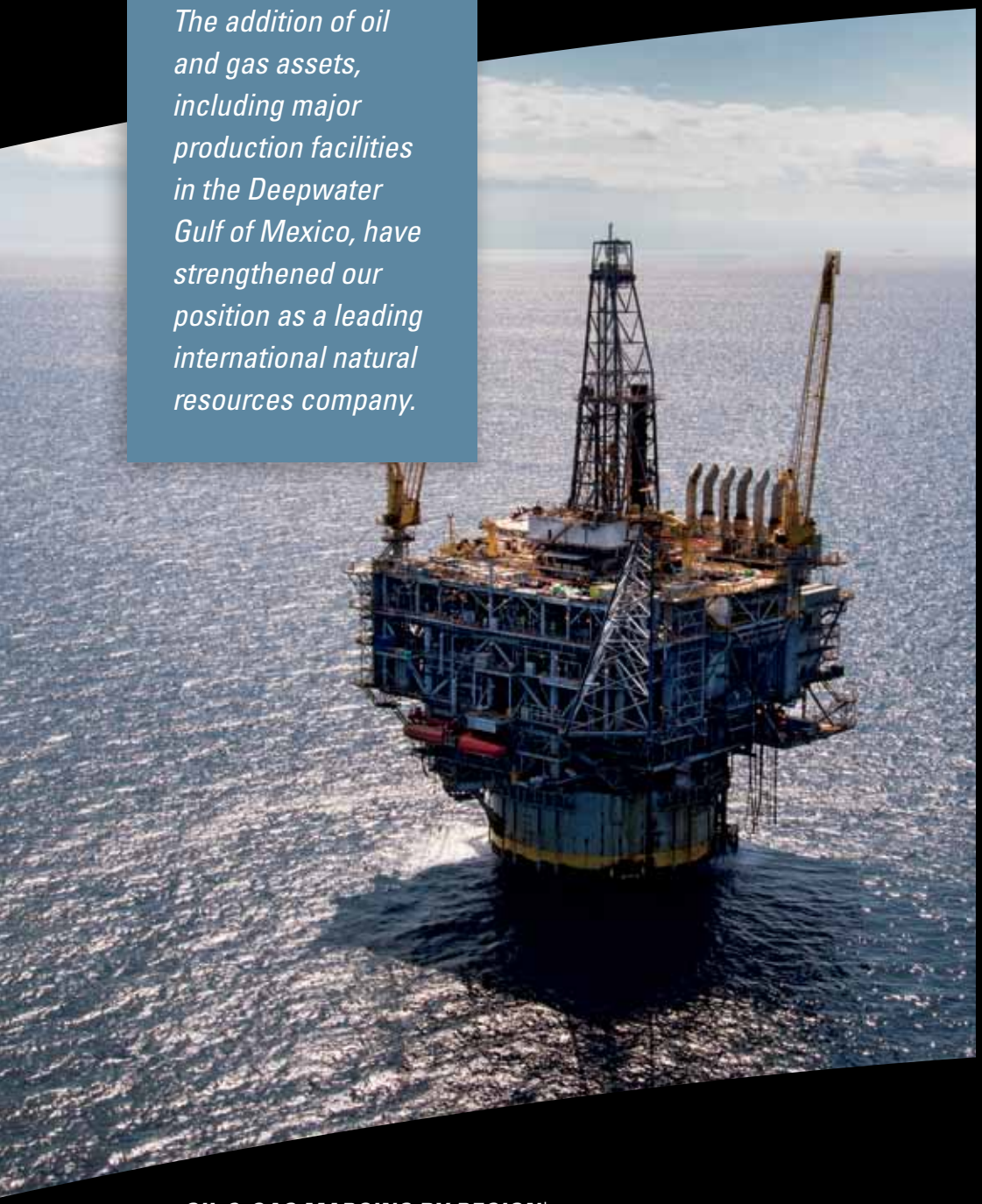


AFRICA COBALT SALES

in million lbs



The addition of oil and gas assets, including major production facilities in the Deepwater Gulf of Mexico, have strengthened our position as a leading international natural resources company.



OIL & GAS MARGINS BY REGION†

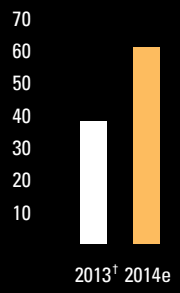
	CALIFORNIA	EAGLE FORD	HAYNESVILLE/ MADDEN/OTHER	GULF OF MEXICO	CONSOLIDATED
OPERATING MARGIN					
Realized Revenue per BOE*	$ 93.95	$ 78.87	$ 22.47	$ 84.00	$ 76.87
Cash Production Costs per BOE*	32.33	11.97	11.46	13.94	17.14
Cash Operating Margin per BOE	$ 61.62	$ 66.90	$ 11.01	$ 70.06	$ 59.73

† For the seven-month period from June 1, 2013, to December 31, 2013.

* For a reconciliation of realized revenues and cash production costs per BOE to revenues and production and delivery costs reported in FCX's consolidated financial statements, refer to "Product Revenues and Production Costs" in Management's Discussion and Analysis contained elsewhere in this Annual Report.

OIL & GAS SALES

in MMBOE



Note: e = estimate.

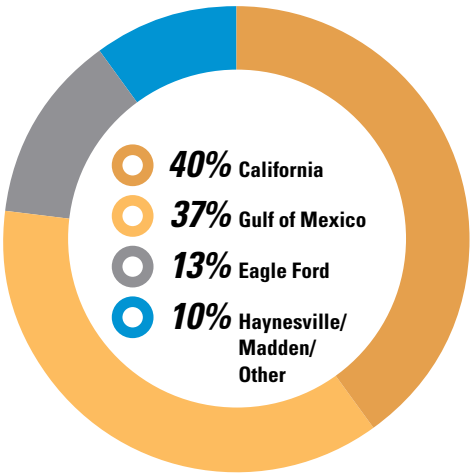
OIL & GAS OPERATIONS

During second-quarter 2013, FCX completed the acquisitions of Plains Exploration & Production Company (PXP) and McMoRan Exploration Co. (MMR). FCX's portfolio of oil and gas assets includes oil production facilities and growth potential in the Deepwater Gulf of Mexico, 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 Gulf of Mexico and onshore in South Louisiana.

FCX's oil and gas operations have 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 be required for FCX's oil and gas exploration and development activities, which are expected to be funded by oil and gas operating cash flows and proceeds of asset sales.

Sales volumes from FCX's oil and gas operations for the seven-month period in 2013 following the acquisitions totaled 38.1 MMBOE and averaged 178 MBOE per day. FCX expects 2014 sales volumes from its oil and gas operations to approximate 60.7 MMBOE and average 166 MBOE per day, comprised of approximately 70 percent oil, 24 percent natural gas and 6 percent natural gas liquids. Sales volumes for the year 2014 include the impacts of planned platform maintenance and subsea tie-back upgrades on the Marlin facility in the Gulf of Mexico.

OIL & GAS PROVED RESERVES BY REGION
464 MMBOE



Photos: (Left) The Holstein oil production and drilling platform in the Deepwater Gulf of Mexico, (Right) Production facilities at the onshore Eagle Ford oil-rich shale play in Texas

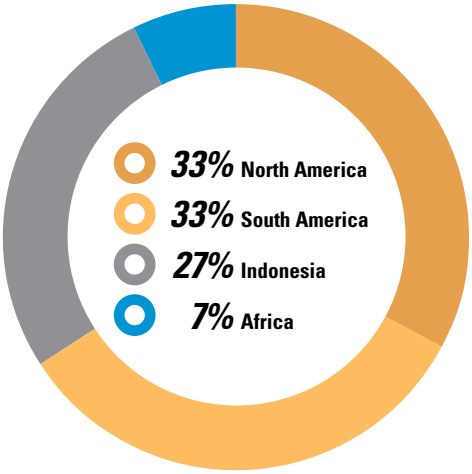
Our strength in resources is rooted in a long history of exploration success, and our future grows brighter as we focus on high-potential targets near our existing operations.

MINING RESERVES & MINERALIZED MATERIAL

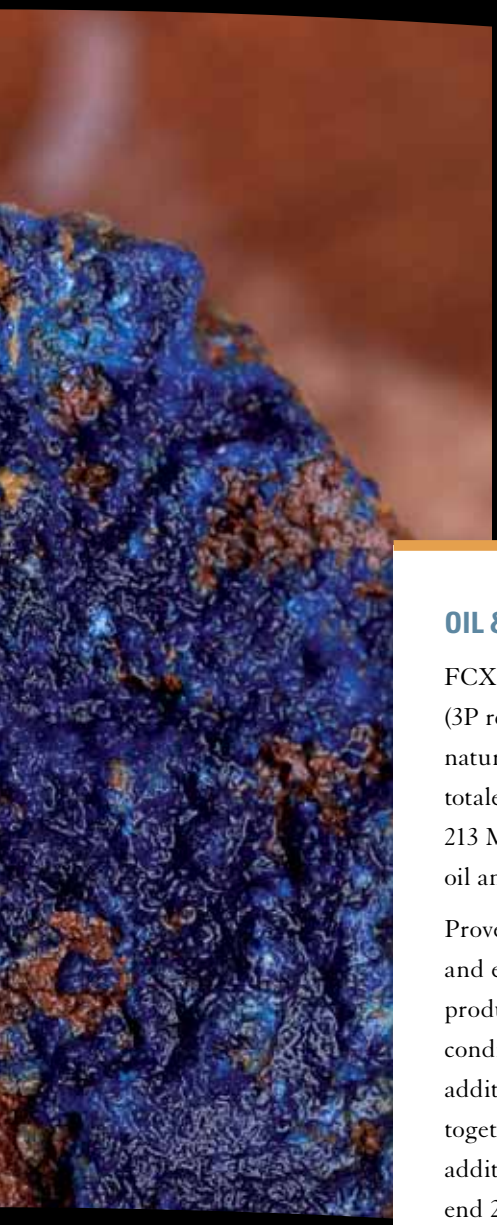
FCX has significant reserves, resources and future development opportunities within its portfolio of mining assets. Estimated consolidated recoverable proven and probable mineral reserves at December 31, 2013, included 111.2 billion pounds of copper, 31.3 million ounces of gold, 3.26 billion pounds of molybdenum, 308.5 million ounces of silver and 0.87 billion pounds of cobalt. These estimates were determined using long-term average prices of $2.00 per pound for copper, $1,000 per ounce for gold, $10 per pound for molybdenum, $15 per ounce for silver and $10 per pound for cobalt.

FCX's operating mines and other properties also contain mineralized material that it believes could be brought into production should market conditions warrant. At December 31, 2013, FCX identified estimated mineralized material totaling 115 billion pounds of incremental contained copper (assessed using a long-term average copper price of $2.20 per pound)*. FCX continues to pursue opportunities to convert this mineralized material into reserves, future production and cash flow.

CONSOLIDATED COPPER RESERVES BREAKDOWN*



* Mineralized material is not included in proven and probable mineral reserves. Mineralized material will not qualify as reserves until comprehensive engineering studies establish their economic feasibility. Accordingly, no assurance can be given that the estimated mineralized material not included in reserves will become proven and probable reserves.

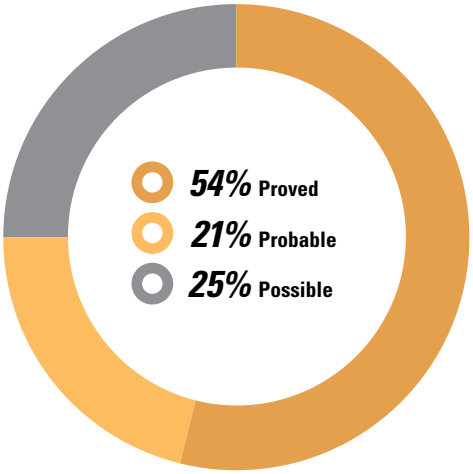


OIL & GAS RESERVES

FCX's oil and gas operations have significant proved, probable and possible reserves (3P reserves) with financially attractive organic growth opportunities. All of FCX's oil and natural gas reserves are located in the United States. At December 31, 2013, FCX's 3P reserves totaled 861 MMBOE, including 464 MMBOE of proved, 184 MMBOE of probable and 213 MMBOE of possible. Approximately 80 percent of these 3P reserves are associated with oil and natural gas liquids.

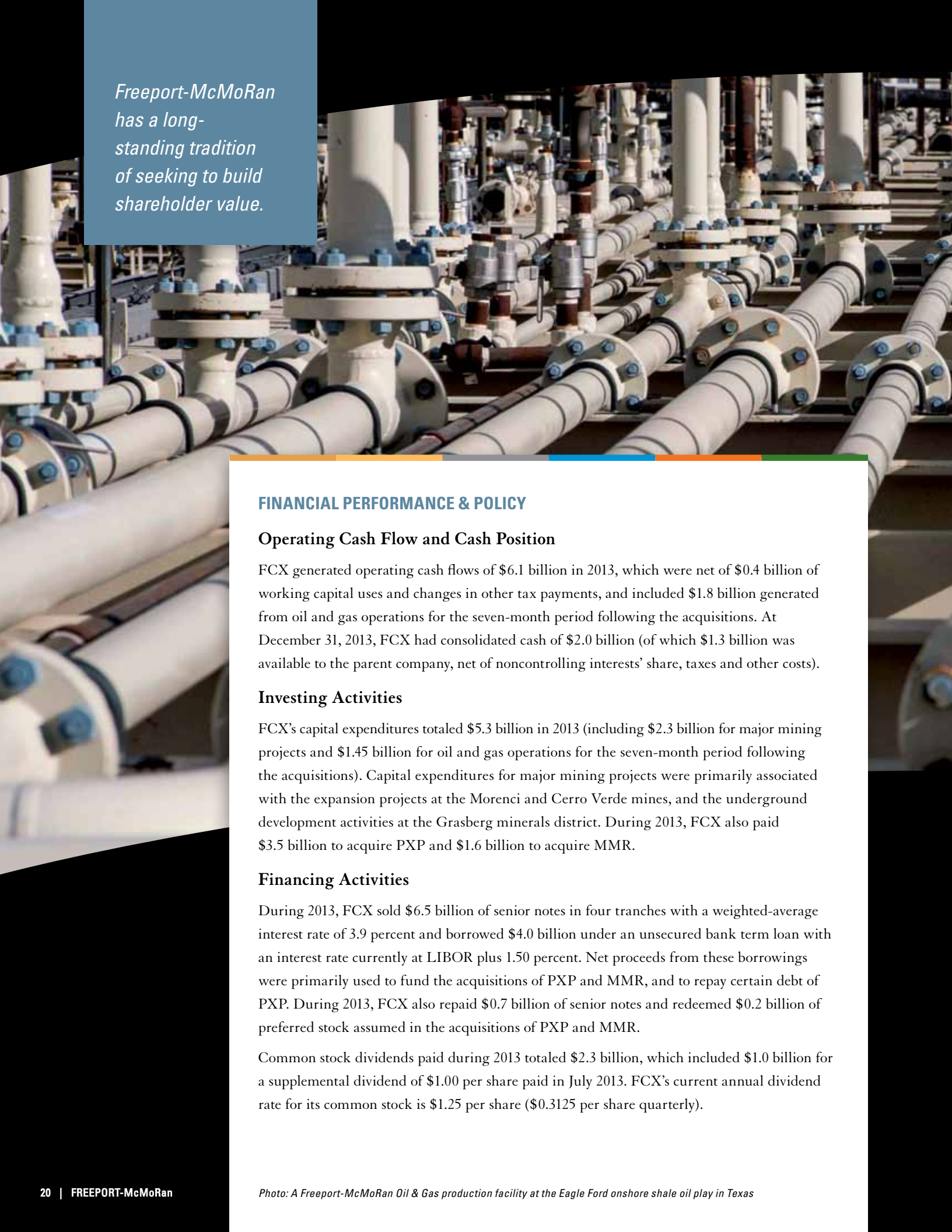
Proved reserves represent quantities of oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations. 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. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. FCX's year-end 2013 3P reserves were based on reference prices of $96.94 per barrel for crude oil and $3.67 per million British thermal units (MMBtu) for natural gas.

PROVED, PROBABLE AND POSSIBLE OIL & GAS RESERVES
861 MMBOE



Photos: (Left) Copper-bearing mineral sample from our TFM project,
(Right) Drill pipe on a platform in the shallow waters of the Gulf of Mexico

Freeport-McMoRan has a long-standing tradition of seeking to build shareholder value.



FINANCIAL PERFORMANCE & POLICY

Operating Cash Flow and Cash Position

FCX generated operating cash flows of $6.1 billion in 2013, which were net of $0.4 billion of working capital uses and changes in other tax payments, and included $1.8 billion generated from oil and gas operations for the seven-month period following the acquisitions. At December 31, 2013, FCX had consolidated cash of $2.0 billion (of which $1.3 billion was available to the parent company, net of noncontrolling interests' share, taxes and other costs).

Investing Activities

FCX's capital expenditures totaled $5.3 billion in 2013 (including $2.3 billion for major mining projects and $1.45 billion for oil and gas operations for the seven-month period following the acquisitions). Capital expenditures for major mining projects were primarily associated with the expansion projects at the Morenci and Cerro Verde mines, and the underground development activities at the Grasberg minerals district. During 2013, FCX also paid $3.5 billion to acquire PXP and $1.6 billion to acquire MMR.

Financing Activities

During 2013, FCX sold $6.5 billion of senior notes in four tranches with a weighted-average interest rate of 3.9 percent and borrowed $4.0 billion under an unsecured bank term loan with an interest rate currently at LIBOR plus 1.50 percent. Net proceeds from these borrowings were primarily used to fund the acquisitions of PXP and MMR, and to repay certain debt of PXP. During 2013, FCX also repaid $0.7 billion of senior notes and redeemed $0.2 billion of preferred stock assumed in the acquisitions of PXP and MMR.

Common stock dividends paid during 2013 totaled $2.3 billion, which included $1.0 billion for a supplemental dividend of $1.00 per share paid in July 2013. FCX's current annual dividend rate for its common stock is $1.25 per share ($0.3125 per share quarterly).

Photo: A Freeport-McMoRan Oil & Gas production facility at the Eagle Ford onshore shale oil play in Texas

Financial Policy

FCX has a long-standing tradition of seeking to build shareholder value through investing in projects with attractive rates of return and returning cash to shareholders through common stock dividends. FCX intends to continue to maintain a strong financial position, with a focus on reducing debt while continuing to invest in attractive growth projects and providing cash returns to shareholders. The Board of Directors will continue to review FCX's financial policy on an ongoing basis.

VALUE CREATION FOCUS

SUSTAINABLE DEVELOPMENT

The natural resources that FCX produces are essential to the world's economies. As population growth and urbanization continue to accelerate, our products are critical to a rising standard of living on a global scale. To supply our products to current and future generations, FCX relies on its stated business objectives, principles and policies, and strives to continuously improve its sustainable development programs.

FCX reports the sustainability performance of its mining operations according to the Global Reporting Initiative, and its 2013 Working Toward Sustainable Development report will be available at www.fcx.com upon completion of third-party assurance.

Photo: Water treatment plant in Arequipa, Peru

Our Cerro Verde mine in Peru anchors a partnership that will ultimately provide clean water for 750,000 residents of Arequipa, an example of our commitment to maximize the contributions that mining can bring to local communities.

2013 COMMUNITY INVESTMENT

$173 million

- ***27%*** **Community Trust Funds**
- ***22%*** **Education and Training**
- ***18%*** **Economic Development and Infrastructure**
- ***11%*** **Safety, Health and Environment**
- ***10%*** **Administration**
- ***12%*** **Other***

* Includes arts, culture, heritage, resettlement and employee programs such as Matching Gifts and United Way.

BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

James R. Moffett
Chairman of the Board
Freeport-McMoRan Copper & Gold Inc.

Richard C. Adkerson
Vice Chairman of the Board
President and Chief Executive Officer
Freeport-McMoRan Copper & Gold Inc.

James C. Flores
Vice Chairman of the Board
Freeport-McMoRan Copper & Gold Inc.
President and Chief Executive Officer
Freeport-McMoRan Oil & Gas LLC

Gerald J. Ford (1, 3, 5)
Lead Independent Director
Freeport-McMoRan Copper & Gold Inc.
Chairman of the Board
Hilltop Holdings, Inc.

Robert J. Allison, Jr. (2, 3, 4, 5)
Retired Chairman and
Chief Executive Officer
Anadarko Petroleum Corporation

Alan R. Buckwalter, III (1)
Retired Chairman
JPMorgan Chase Bank, South Region

Robert A. Day (1, 3, 5)
Founder and Chairman
Trust Company of the West

Thomas A. Fry, III (4)
Retired President
National Ocean Industries Association

H. Devon Graham, Jr. (1, 2, 5)
President
R.E. Smith Interests

Lydia H. Kennard (4)
President and Chief Executive Officer
KDG Construction Consulting

General Charles C. Krulak (2, 4)
President
Birmingham-Southern College
Former Commandant
United States Marine Corps

Bobby Lee Lackey (2, 4)
Consultant

Jon C. Madonna (1)
Retired Chairman and
Chief Executive Officer
KPMG LLP

Dustan E. McCoy (2)
Chairman and Chief Executive Officer
Brunswick Corporation

Stephen H. Siegele (1, 4, 5)
Private Investor

Frances Fragos Townsend (2)
Executive Vice President of
Worldwide Government, Legal and
Business Affairs
MacAndrews & Forbes Holdings Inc.

DIRECTOR EMERITUS

Dr. Henry A. Kissinger
Chairman
Kissinger Associates, Inc.

BOARD COMMITTEES:

1) Audit Committee
2) Compensation Committee
3) Nominating and Corporate Governance Committee
4) Corporate Responsibility Committee
5) Executive Committee

EXECUTIVE OFFICERS

James R. Moffett*
Chairman of the Board

Richard C. Adkerson*
Vice Chairman of the Board
President and Chief Executive Officer

James C. Flores*
Vice Chairman of the Board
President and Chief Executive Officer
Freeport-McMoRan Oil & Gas LLC

Michael J. Arnold
Executive Vice President and
Chief Administrative Officer

Kathleen L. Quirk
Executive Vice President,
Chief Financial Officer and Treasurer

* Member, Office of the Chairman

MINING OPERATIONS

Richard E. Coleman
President – Freeport-McMoRan
Mining Company

Harry M. "Red" Conger
President – Freeport-McMoRan Americas

Stephen T. Higgins
President – Freeport-McMoRan
Sales Company Inc.
Vice President – FCX (Cathode and Rod)

Mark J. Johnson
President – Freeport-McMoRan Indonesia

Rozik B. Soetjipto
President Director – PT Freeport
Indonesia

Javier Targhetta
President – Atlantic Copper, S.L.U.
Senior Vice President – FCX
(Concentrates)

David H. Thornton
President – Climax Molybdenum Co.

EXECUTIVE MANAGEMENT OF FREEPORT-MCMORAN OIL & GAS

Doss R. Bourgeois
Executive Vice President –
Exploration & Production

Winston M. Talbert
Executive Vice President
and Chief Financial Officer

John F. Wombwell
Executive Vice President
and General Counsel

FINANCE AND ADMINISTRATION

W. Russell King
Senior Vice President –
International Relations and Federal
Government Affairs

L. Richards McMillan, II
Senior Vice President and
General Counsel

C. Donald Whitmire, Jr.
Vice President and
Controller – Financial Reporting

Internal Auditors
Deloitte & Touche LLP

In Memory of our Co-Founder B.M. "Mack" Rankin, Jr. (1930 – 2013)
Valued Board Member, Businessman, Partner, Mentor
With appreciation for your many contributions and service to
our organization over the years.

STRENGTH IN RESOURCES

FINANCIAL AND OPERATING INFORMATION

TABLE OF CONTENTS

SELECTED FINANCIAL AND OPERATING DATA

Years Ended December 31,	2013[a]	2012	2011	2010	2009
FCX CONSOLIDATED FINANCIAL DATA					
Revenues	$20,921[b]	$18,010	$20,880	$18,982	$15,040
Operating income	5,351[b,c,d,e]	5,814[c,d,e]	9,140[e]	9,068	6,503
Net income	3,441	3,980	5,747	5,544	3,534
Net income attributable to FCX common stockholders	2,658[b,c,d,e,f,g]	3,041[c,d,e,f,h]	4,560[e,f,h]	4,273[f]	2,527[f]
Basic net income per share attributable to FCX common stockholders	$ 2.65	$ 3.20	$ 4.81	$ 4.67	$ 3.05
Basic weighted-average common shares outstanding	1,002	949	947	915	829
Diluted net income per share attributable to FCX common stockholders	$ 2.64[b,c,d,e,f,g]	$ 3.19[c,d,e,f,h]	$ 4.78[e,f,h]	$ 4.57[f]	$ 2.93[f]
Diluted weighted-average common shares outstanding	1,006	954	955	949	938
Dividends declared per share of common stock	$ 2.25	$ 1.25	$ 1.50	$ 1.125	$ 0.075
Operating cash flows[i]	6,139	3,774	6,620	6,273	4,397
Capital expenditures	5,286	3,494	2,534	1,412	1,587
At December 31:					
Cash and cash equivalents	$ 1,985	$ 3,705	$ 4,822	$ 3,738	$ 2,656
Property, plant, equipment and mining development costs, net	24,042	20,999	18,449	16,785	16,195
Oil and gas properties, net	23,359	—	—	—	—
Goodwill	1,916	—	—	—	—
Total assets	63,473	35,440	32,070	29,386	25,996
Total debt, including current portion	20,706	3,527	3,537	4,755	6,346
Redeemable noncontrolling interest	716	—	—	—	—
Total FCX stockholders' equity	20,934	17,543	15,642	12,504	9,119

The selected consolidated financial data shown above is derived from our audited consolidated financial statements. These historical results are not necessarily indicative of results that you can expect for any future period. You should read this data in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and Notes thereto contained in this annual report.

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

b. Includes charges for net unrealized and noncash realized losses on crude oil and natural gas derivative contracts totaling $312 million ($194 million to net income attributable to common stockholders or $0.19 per share) for the seven-month period from June 1, 2013, to December 31, 2013.

c. Includes transaction and related costs principally associated with our oil and gas acquisitions totaling $80 million ($50 million to net income attributable to common stockholders or $0.05 per share) in 2013 and $9 million ($7 million to net income attributable to common stockholders or $0.01 per share) in 2012.

d. The year 2013 includes charges of (i) $76 million ($49 million to net income attributable to common stockholders or $0.05 per share) associated with updated mine plans at Morenci that resulted in a loss of recoverable copper in leach stockpiles and (ii) $37 million ($23 million to net income attributable to common stockholders or $0.02 per share) for restructuring an executive employment arrangement. The year 2012 includes a gain of $59 million ($31 million to net income attributable to common stockholders or $0.03 per share) for the settlement of the insurance claim for business interruption and property damage relating to the 2011 incidents affecting PT Freeport Indonesia's (PT-FI) concentrate pipelines.

e. Includes charges associated with labor agreements totaling $36 million ($13 million to net income attributable to common stockholders or $0.01 per share) at Cerro Verde in 2013, $16 million ($8 million to net income attributable to common stockholders or $0.01 per share) at Candelaria in 2012 and $116 million ($50 million to net income attributable to common stockholders or $0.05 per share) at PT-FI, Cerro Verde and El Abra in 2011.

f. Includes net losses on early extinguishment and conversion of debt totaling $28 million ($0.03 per share) in 2013, $149 million ($0.16 per share) in 2012, $60 million ($0.06 per share) in 2011, $71 million ($0.07 per share) in 2010 and $43 million ($0.04 per share) in 2009.

g. Includes gains associated with our oil and gas acquisitions, including (i) $128 million ($0.13 per share) primarily related to our preferred stock investments in and the subsequent acquisition of McMoRan Exploration Co., and (ii) a net tax credit of $199 million ($0.20 per share) associated with net reductions in our deferred tax liabilities and deferred tax asset valuation allowances.

h. Includes a net tax credit of $98 million, net of noncontrolling interests, ($0.11 per share) in 2012 associated with adjustments to Cerro Verde's deferred income taxes, and a tax charge of $49 million, net of noncontrolling interests, ($0.05 per share) in 2013 for additional taxes associated with Cerro Verde's election to pay a special mining burden during the remaining term of its 1998 stability agreement.

i. Net of working capital uses and changes in other tax payments totaling $377 million in 2013, $1.4 billion in 2012, $461 million in 2011, $834 million in 2010 and $770 million in 2009.

Years Ended December 31,	2013	2012	2011	2010	2009
FCX CONSOLIDATED MINING OPERATIONS DATA					
Copper (recoverable)					
Production (millions of pounds)	4,131	3,663	3,691	3,908	4,103
Production (thousands of metric tons)	1,874	1,662	1,674	1,773	1,861
Sales, excluding purchases (millions of pounds)	4,086	3,648	3,698	3,896	4,111
Sales, excluding purchases (thousands of metric tons)	1,853	1,655	1,678	1,767	1,865
Average realized price per pound	$ 3.30	$ 3.60	$ 3.86	$ 3.59	$ 2.60
Gold (thousands of recoverable ounces)					
Production	1,250	958	1,383	1,886	2,664
Sales, excluding purchases	1,204	1,010	1,378	1,863	2,639
Average realized price per ounce	$ 1,315	$ 1,665	$ 1,583	$ 1,271	$ 993
Molybdenum (millions of recoverable pounds)					
Production	94	85	83	72	54
Sales, excluding purchases	93	83	79	67	58
Average realized price per pound	$ 11.85	$ 14.26	$ 16.98	$ 16.47	$ 12.36
NORTH AMERICA COPPER MINES					
Operating Data, Net of Joint Venture Interest					
Copper (recoverable)					
Production (millions of pounds)	1,431	1,363	1,258	1,067	1,147
Production (thousands of metric tons)	649	618	571	484	520
Sales, excluding purchases (millions of pounds)	1,422	1,351	1,247	1,085	1,187
Sales, excluding purchases (thousands of metric tons)	645	613	566	492	538
Average realized price per pound	$ 3.36	$ 3.64	$ 3.99	$ 3.42	$ 2.38
Molybdenum (millions of recoverable pounds)					
Production	32	36	35	25	25
100% Operating Data					
Solution extraction/electrowinning (SX/EW) operations					
Leach ore placed in stockpiles (metric tons per day)	1,003,500	998,600	888,300	648,800	589,400
Average copper ore grade (percent)	0.22	0.22	0.24	0.24	0.29
Copper production (millions of recoverable pounds)	889	866	801	746	859
Mill operations					
Ore milled (metric tons per day)	246,500	239,600	222,800	189,200	169,900
Average ore grade (percent):					
Copper	0.39	0.37	0.38	0.32	0.33
Molybdenum	0.03	0.03	0.03	0.03	0.02
Copper recovery rate (percent)	85.3	83.9	83.1	83.0	86.0
Copper production (millions of recoverable pounds)	642	592	549	398	364
SOUTH AMERICA MINING					
Copper (recoverable)					
Production (millions of pounds)	1,323	1,257	1,306	1,354	1,390
Production (thousands of metric tons)	600	570	592	614	631
Sales (millions of pounds)	1,325	1,245	1,322	1,335	1,394
Sales (thousands of metric tons)	601	565	600	606	632
Average realized price per pound	$ 3.30	$ 3.58	$ 3.77	$ 3.68	$ 2.70
Gold (thousands of recoverable ounces)					
Production	101	83	101	93	92
Sales	102	82	101	93	90
Average realized price per ounce	$ 1,350	$ 1,673	$ 1,580	$ 1,263	$ 982
Molybdenum (millions of recoverable pounds)					
Production	13	8	10	7	2
SX/EW operations					
Leach ore placed in stockpiles (metric tons per day)	274,600	229,300	245,200	268,800	258,200
Average copper ore grade (percent)	0.50	0.55	0.50	0.41	0.45
Copper production (millions of recoverable pounds)	448	457	439	504	565

Years Ended December 31,	2013	2012	2011	2010	2009
SOUTH AMERICA MINING *(continued)*					
Mill operations					
Ore milled (metric tons per day)	192,600	191,400	189,200	188,800	181,300
Average ore grade:					
Copper (percent)	0.65	0.60	0.66	0.65	0.66
Gold (grams per metric ton)	0.12	0.10	0.12	0.10	0.10
Molybdenum (percent)	0.02	0.02	0.02	0.02	0.02
Copper recovery rate (percent)	90.9	90.1	89.6	90.0	88.9
Copper production (millions of recoverable pounds)	875	800	867	850	825
INDONESIA MINING					
Operating Data, Net of Joint Venture Interest					
Copper (recoverable)					
Production (millions of pounds)	915	695	846	1,222	1,412
Production (thousands of metric tons)	415	315	384	554	640
Sales (millions of pounds)	885	716	846	1,214	1,400
Sales (thousands of metric tons)	401	325	384	551	635
Average realized price per pound	$ 3.28	$ 3.58	$ 3.85	$ 3.69	$ 2.65
Gold (thousands of recoverable ounces)					
Production	1,142	862	1,272	1,786	2,568
Sales	1,096	915	1,270	1,765	2,543
Average realized price per ounce	$ 1,312	$ 1,664	$ 1,583	$ 1,271	$ 994
100% Operating Data					
Ore milled (metric tons per day):[a]					
Grasberg open pit	127,700	118,800	112,900	149,800	166,300
Deep Ore Zone underground mine	49,400	44,600	51,700	79,600	72,000
Big Gossan underground mine	2,100	1,600	1,500	800	—
Total	179,200	165,000	166,100	230,200	238,300
Average ore grade:					
Copper (percent)	0.76	0.62	0.79	0.85	0.98
Gold (grams per metric ton)	0.69	0.59	0.93	0.90	1.30
Recovery rates (percent):					
Copper	90.0	88.7	88.3	88.9	90.6
Gold	80.0	75.7	81.2	81.7	83.7
Production (recoverable):					
Copper (millions of pounds)	928	695	882	1,330	1,641
Gold (thousands of ounces)	1,142	862	1,444	1,964	2,984
AFRICA MINING					
Copper (recoverable)					
Production (millions of pounds)	462	348	281	265	154[b]
Production (thousands of metric tons)	210	158	127	120	70[b]
Sales (millions of pounds)	454	336	283	262	130[b]
Sales (thousands of metric tons)	206	152	128	119	59[b]
Average realized price per pound	$ 3.21	$ 3.51	$ 3.74	$ 3.45	$ 2.85[b]
Cobalt (millions of contained pounds)					
Production	28	26	25	20	—
Sales	25	25	25	20	—
Average realized price per pound	$ 8.02	$ 7.83	$ 9.99	$ 10.95	—
Ore milled (metric tons per day)	14,900	13,000	11,100	10,300	7,300[b]
Average ore grade (percent):					
Copper	4.22	3.62	3.41	3.51	3.69[b]
Cobalt	0.37	0.37	0.40	0.40	—
Copper recovery rate (percent)	91.4	92.4	92.5	91.4	92.1[b]

Years Ended December 31,	2013	2012	2011	2010	2009
MOLYBDENUM MINES					
Molybdenum production (millions of recoverable pounds)	49[c]	41[c]	38	40	27
Ore milled (metric tons per day)[d]	35,700	20,800	22,300	22,900	14,900
Average molybdenum ore grade (percent)[d]	0.19	0.23	0.24	0.25	0.25
OIL AND GAS OPERATIONS[e]					
Sales volumes:					
Oil (million barrels)	26.6	—	—	—	—
Natural gas (billion cubic feet)	54.2	—	—	—	—
Natural gas liquids (NGLs) (million barrels)	2.4	—	—	—	—
Million barrels of oil equivalents (MMBOE)	38.1	—	—	—	—
Average realizations:					
Oil (per barrel)	$ 98.32	—	—	—	—
Natural gas (per million British thermal units)	$ 3.99	—	—	—	—
NGLs (per barrel)	$ 38.20	—	—	—	—

a. Represents the approximate average daily throughput processed at PT-FI's mill facilities from each producing mine.

b. Copper production began in March 2009.

c. Includes production from the Climax molybdenum mine, which began commercial operations in May 2012.

d. The 2013 period reflects operating data for the Henderson and Climax mines; the prior periods reflect operating data of only the Henderson mine.

e. Represents the results of FM O&G beginning June 1, 2013.

In Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk, "we," "us" and "our" refer to Freeport-McMoRan Copper & Gold Inc. (FCX) and its consolidated subsidiaries. The results of operations reported and summarized below are not necessarily indicative of future operating results (refer to "Cautionary Statement" for further discussion). In particular, the financial results for the year ended 2013 include the results of FCX Oil & Gas Inc. (FM O&G) only since June 1, 2013. References to "Notes" are Notes included in our Notes to Consolidated Financial Statements. Throughout Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk, all references to earnings or losses per share are on a diluted basis, unless otherwise noted.

OVERVIEW

In 2013, we completed the acquisitions of Plains Exploration & Production Company (PXP) and McMoRan Exploration Co. (MMR). Refer to Note 2 for further discussion of these acquisitions, including a summary of the preliminary purchase price allocations. With these acquisitions, we are a premier United States-based natural resources company with an industry-leading global portfolio of mineral assets, significant oil and natural gas resources, and a growing production profile. We are the world's largest publicly traded copper producer. Our portfolio of assets includes the Grasberg minerals district in Indonesia, one of the world's largest copper and gold deposits, significant mining operations in North and South America, the Tenke Fungurume (Tenke) minerals district in the Democratic Republic of Congo (DRC) in Africa and significant oil and natural gas assets in North America, including reserves in the Deepwater Gulf of Mexico (GOM), onshore and offshore California, in the Eagle Ford shale play in Texas, in the Haynesville shale play in Louisiana, in 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 (previously referred to as the ultra-deep gas trend).

We have significant mineral reserves, resources and future development opportunities within our portfolio of mining assets. At December 31, 2013, our estimated consolidated recoverable proven and probable mineral reserves totaled 111.2 billion pounds of copper, 31.3 million ounces of gold and 3.26 billion pounds of molybdenum, which were determined using long-term average prices of $2.00 per pound for copper, $1,000 per ounce for gold and $10 per pound for molybdenum. Refer to "Critical Accounting Estimates — Mineral Reserves" for further discussion.

A summary of the sources of our consolidated copper, gold and molybdenum production for the year 2013 by geographic location follows:

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

a. For 2013, 60 percent of our consolidated molybdenum production in North America was from the Henderson and Climax primary molybdenum mines.

Copper production from the Grasberg, Morenci and Cerro Verde mines totaled 49 percent of our consolidated copper production in 2013. During 2013, we completed our second phase expansion project at Tenke. We also advanced construction on the Morenci mill expansion, with startup expected in the first half of 2014, and commenced construction on the Cerro Verde mill expansion, with completion expected in 2016. These projects are expected to significantly increase our minerals production in future periods. Refer to "Operations" for further discussion of our mining operations.

Our oil and gas business has significant proved, probable and possible reserves with financially attractive organic growth opportunities. Our estimated proved oil and natural gas reserves at December 31, 2013, totaled 464 million barrels of oil equivalents (MMBOE), with 80 percent comprised of oil (including natural gas liquids, or NGLs). Our portfolio includes a broad range of development opportunities and high-potential exploration prospects. For the seven-month period following the acquisition date, our oil and gas sales volumes totaled 38.1 MMBOE, including 26.6 million barrels (MMBbls) of crude oil, 54.2 billion cubic feet (Bcf) of natural gas and 2.4 MMBbls of NGLs. Refer to "Operations" for further discussion of our oil and gas operations and to "Critical Accounting Estimates — Oil and Natural Gas Reserves" for further discussion of our reserves.

Our results for 2013, compared with 2012, primarily benefited from higher copper and gold sales volumes, partly offset by lower metals price realizations, and include the results of FM O&G beginning June 1, 2013. Refer to "Consolidated Results" for discussion of items impacting our consolidated results for the three years ended December 31, 2013.

At December 31, 2013, we had $2.0 billion in consolidated cash and cash equivalents and $20.7 billion in total debt, including $10.5 billion of acquisition-related debt and $6.7 billion of debt assumed in connection with the oil and gas acquisitions. Refer to Note 8 and "Capital Resources and Liquidity" for further discussion.

At current copper and crude oil prices, we expect to produce significant operating cash flows, and to use our cash to invest in our development projects, reduce debt and return cash to shareholders through dividends on our common stock.

OUTLOOK

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

Sales Volumes. Following are our projected consolidated sales volumes for 2014 and actual consolidated sales volumes for 2013:

	2014 (Projected)	2013 (Actual)
Copper (millions of recoverable pounds):		
North America copper mines	1,725	1,422
South America mining	1,190	1,325
Indonesia mining	1,070	885
Africa mining	445	454
	4,430	4,086
Gold (thousands of recoverable ounces):		
Indonesia mining	1,650	1,096
North and South America mining	100	108
	1,750	1,204
Molybdenum (millions of recoverable pounds)	95[a]	93
Oil Equivalents (MMBOE)	60.7	38.1[b]

a. Projected molybdenum sales include 48 million pounds produced at our molybdenum mines and 47 million pounds produced at our North and South America copper mines.
b. Reflects sales of oil and gas for the seven-month period June 1, 2013, to December 31, 2013.

Projected sales volumes are dependent on a number of factors, including operational performance and other factors.

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. The January 2014 regulations conflict with PT Freeport Indonesia's (PT-FI) contractual rights under the Contract of Work (COW). We are working with the Indonesian government to clarify the situation and to defend PT-FI's rights under the COW. Refer to "Operations — Indonesia Mining" for further discussion.

Our 2014 copper and gold sales estimates, mining unit net cash costs and operating cash flow projections assume no changes to PT-FI's planned 2014 concentrate shipments. As of February 21, 2014, PT-FI has not obtained administrative approvals for 2014 exports. PT-FI has implemented near-term changes to its operations to coordinate its concentrate production with PT Smelting's (PT-FI's 25 percent owned smelter in Indonesia) operating plans. These changes will result in the deferral of an estimated 40 million pounds of copper and 80 thousand ounces of gold per month pending resolution of these matters. 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.

Mining Unit Net Cash Costs. Assuming average prices of $1,200 per ounce of gold and $9.50 per pound of molybdenum, and achievement of current sales volume and cost estimates, consolidated unit net cash costs (net of by-product credits) for our copper mining operations are expected to average $1.45 per pound in 2014. Quarterly unit net cash costs vary with fluctuations in sales volumes and average realized prices (primarily gold and molybdenum prices). Unit net cash costs are expected to decline in 2014, compared to the 2013 average, as we gain access to higher grade ore in Indonesia. The impact of price changes in 2014 on consolidated unit net cash costs would approximate $0.02 per pound for each $50 per ounce change in the average price of gold and $0.02 per pound for each $2 per pound change in the average price of molybdenum. Refer to "Consolidated Results — Production and Delivery Costs" for further discussion of consolidated production and delivery costs for our mining operations.

Oil and Gas Cash Production Costs per BOE. Based on current sales volume and cost estimates, cash production costs are expected to approximate $20 per BOE for 2014, which is higher than 2013 costs per BOE, primarily reflecting the impact of lower estimated volumes from planned downtime associated with platform maintenance and subsea tie-back upgrades on the Marlin facility in the GOM during third-quarter 2014. Refer to "Operations — Oil and Gas Operations" for further discussion of oil and gas production and delivery costs.

Consolidated Operating Cash Flow. Our consolidated operating cash flows vary with prices realized from copper, gold, molybdenum and oil sales, our sales volumes, production costs, income taxes and other working capital changes and other factors. Based on current sales volume and cost estimates and assuming average prices of $3.25 per pound of copper, $1,200 per ounce of gold, $9.50 per pound of molybdenum and $105 per barrel of Brent crude oil in 2014, consolidated operating cash flows are estimated to approximate $9 billion (including $0.8 billion of net working capital sources and changes in other tax payments) in 2014. Projected consolidated operating cash flows for the year 2014 also reflect estimated taxes of $2.1 billion (refer to "Consolidated Results — Provision for Income Taxes" for discussion of our projected annual consolidated effective tax rate for 2014). The impact of price changes in 2014 on consolidated operating cash flows would approximate $370 million for each $0.10 per pound change in the average price of copper, $85 million

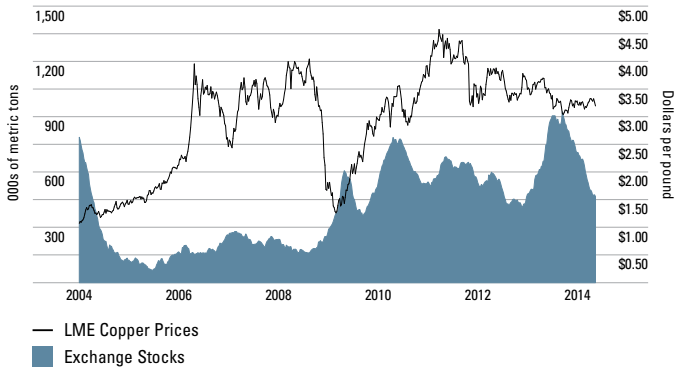
for each $50 per ounce change in the average price of gold, $120 million for each $2 per pound change in the average price of molybdenum and $125 million for each $5 per barrel change in the price of Brent crude oil above $100 per barrel.

MARKETS

Metals. World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2004 through January 2014, the London Metal Exchange (LME) spot copper price varied from a low of $1.06 per pound in 2004 to a record high of $4.60 per pound in February 2011; the London Bullion Market Association (London) PM gold price fluctuated from a low of $375 per ounce in 2004 to a record high of $1,895 per ounce in September 2011, and the *Metals Week* Molybdenum Dealer Oxide weekly average price ranged from a low of $7.35 per pound in 2004 to a high of $39.25 per pound in 2005. Copper, gold and molybdenum prices are affected by numerous factors beyond our control as described further in our "Risk Factors" contained in Part I, Item 1A of our Form 10-K for the year ended December 31, 2013.

Historical LME Copper Prices

Through January 31, 2014



This graph presents LME spot copper prices and combined reported stocks of copper at the LME, Commodity Exchange Inc. (COMEX), a division of the New York Mercantile Exchange (NYMEX), and the Shanghai Futures Exchange from January 2004 through January 2014. From 2006 through most of 2008, limited supplies, combined with growing demand from China and other emerging economies, resulted in high copper prices and low levels of inventories. In late 2008, slowing consumption, turmoil in the United States (U.S.) financial markets and concerns about the global economy led to a sharp decline in copper prices, which reached a low of $1.26 per pound in December 2008. Higher copper prices since that time are attributable to a combination of continuing demand from developing economies and an improving global economic environment. During 2013, LME spot copper prices ranged from a low of $3.01 per pound to a high of $3.74 per pound, averaged $3.31 per pound and closed at $3.35 per pound on December 31, 2013.

We believe the underlying long-term fundamentals of the copper business remain positive, supported by the significant role of copper in the global economy and a challenging supply environment. Future copper prices are expected to be volatile and are likely to be influenced by demand from China and emerging markets, as well as economic activity in the U.S. and other industrialized countries, the timing of the development of new supplies of copper and production levels of mines and copper smelters. The LME spot copper price closed at $3.25 per pound on February 14, 2014.

London Gold Prices

Through January 31, 2014

This graph presents London PM gold prices from January 2004 through January 2014. An improving economic outlook and positive global equity performance contributed to lower demand for gold in 2013. During 2013, gold prices ranged from a low of $1,192 per ounce to a high of $1,694 per ounce, averaged $1,405 per ounce and closed at $1,205 per ounce on December 31, 2013. Gold prices closed at $1,320 per ounce on February 14, 2014.

Metals Week Molybdenum Dealer Oxide Prices

Through January 31, 2014

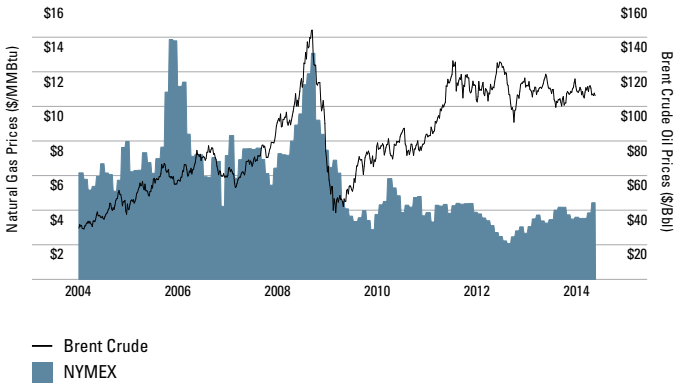
This graph presents the *Metals Week* Molybdenum Dealer Oxide weekly average price from January 2004 through January 2014. Market conditions for molybdenum declined in 2013 because

of weak demand in the metallurgical sector and increased supply. During 2013, the weekly average price of molybdenum ranged from a low of $9.18 per pound to a high of $11.95 per pound, averaged $10.32 per pound and was $9.70 per pound on December 31, 2013. The *Metals Week* Molybdenum Dealer Oxide weekly average price was $9.83 per pound on February 14, 2014.

Oil and Gas. Market prices for crude oil and natural gas can fluctuate significantly. During the period from January 2004 through January 2014, the Brent crude oil price ranged from a low of $28.83 per barrel in 2004 to a high of $146.08 per barrel in 2008, and the NYMEX natural gas price fluctuated from a low of $2.04 per million British thermal units (MMBtu) in 2012 to a high of $13.91 per MMBtu in 2005. Crude oil and natural gas prices are affected by numerous factors beyond our control as described further in our "Risk Factors" contained in Part I, Item 1A of our Form 10-K for the year ended December 31, 2013.

Crude Oil and Natural Gas Prices

Through January 31, 2014



This graph presents Brent crude oil prices and NYMEX natural gas contract prices from January 2004 through January 2014. Crude oil prices reached a record high in July 2008 as economic growth in emerging economies and the U.S. created high global demand for oil and lower inventories. By the end of 2008, financial turmoil in the U.S. contributed to a global economic slowdown and a decline in many commodity prices, including crude oil which reached a low of $36.61 per barrel in December 2008. Crude oil prices have rebounded since 2008, supported by a gradually improving global economy and demand outlook. Additionally, increased North American oil supplies led by U.S. shale production have negatively impacted U.S. Gulf Coast crude oil prices relative to Brent pricing. During 2013, the Brent crude oil price ranged from a low of $97.69 per barrel to a high of $118.90 per barrel, averaged $108.68 per barrel and was $110.80 per barrel on December 31, 2013. The Brent crude oil price was $109.08 per barrel on February 14, 2014.

CRITICAL ACCOUNTING ESTIMATES

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

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

At December 31, 2013, our consolidated estimated recoverable proven and probable reserves 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.

The following table summarizes changes in our estimated consolidated recoverable proven and probable copper, gold and molybdenum reserves during 2013 and 2012:

	Copper[a] (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
Consolidated reserves at December 31, 2011	119.7	33.9	3.42
Net additions/revisions	0.5	(0.4)	0.08
Production	(3.7)	(1.0)	(0.08)
Consolidated reserves at December 31, 2012	116.5	32.5	3.42
Net additions/revisions	(1.2)	—	(0.07)
Production	(4.1)	(1.2)	(0.09)
Consolidated reserves at December 31, 2013	111.2	31.3	3.26

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

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

As discussed in Note 1, we depreciate our life-of-mine mining and milling assets and values assigned to proven and probable mineral reserves using the unit-of-production (UOP) method based on our estimated recoverable proven and probable mineral reserves. Because the economic assumptions used to estimate mineral reserves change from period to period and additional geological data is generated during the course of operations, estimates of reserves may change, which could have a significant impact on our results of operations, including changes to prospective depreciation rates and impairments of asset carrying values. Excluding impacts associated with changes in the levels of finished goods inventories and based on projected copper sales volumes for 2014, if estimated copper reserves at our mines were 10 percent higher at December 31, 2013, we estimate that our annual depreciation, depletion and amortization expense for 2014 would decrease by $59 million ($30 million to net income attributable to common stockholders), and a 10 percent decrease in copper reserves would increase depreciation, depletion and amortization expense by $72 million ($37 million to net income attributable to common stockholders). We perform annual assessments of our existing assets in connection with the review of mine operating and development plans. If it is determined that assigned asset lives do not reflect the expected remaining period of benefit, any change could affect prospective depreciation rates.

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

Recoverable Copper in Stockpiles. We record, as inventory, applicable costs for copper contained in mill and leach stockpiles that are expected to be processed in the future based on proven processing technologies. Mill and leach stockpiles are evaluated periodically to ensure that they are stated at the lower of cost or market. Accounting for recoverable copper from mill and leach stockpiles represents a critical accounting estimate because (i) it is impracticable to determine copper contained in mill and leach stockpiles by physical count, thus requiring management to employ reasonable estimation methods and (ii) recovery rates from leach stockpiles can vary significantly. 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 grade contained in the material delivered to the 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.

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 total copper recovery may be extracted during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates for mill and leach stockpiles are monitored regularly, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes. Adjustments to recovery rates will typically result in a future impact to the value of the material removed from the stockpiles at a revised weighted-average cost per pound of recoverable copper. At December 31, 2013, estimated consolidated recoverable copper was 3.3 billion pounds in leach stockpiles (with a carrying value of $3.3 billion) and 1.4 billion pounds in mill stockpiles (with a carrying value of $789 million), compared with 2.9 billion pounds in leach stockpiles (with a carrying value of $2.9 billion) and 1.4 billion pounds in mill stockpiles (with a carrying value of $719 million) at December 31, 2012.

Oil and Natural Gas Reserves. Proved reserves are those 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. Engineering estimates of proved oil and natural gas reserves directly impact financial accounting estimates, including depreciation, depletion and amortization, and the ceiling limitation under the full cost method. Estimates of total proved reserves are determined using methods prescribed by the U.S. Securities and Exchange Commission (SEC), which require the use of an average reference price calculated as the twelve-month average of the first-day-of-the-month historical market prices for crude oil and natural gas. At December 31, 2013, our estimates were based on reference prices of $96.94 per barrel (West Texas Intermediate) and $3.67 per million British thermal units (MMBtu) (Henry Hub spot natural gas) as adjusted for location and quality differentials, which are held constant throughout the lives of the oil and gas properties, except where such guidelines permit alternate treatment, including the use of fixed and determinable contractual price escalations. Actual future prices and costs may be materially higher or lower than the average prices and costs as of the date of the estimate.

There are numerous uncertainties inherent in estimating quantities and values of proved oil and natural gas reserves and in projecting future rates of production and the amount and timing of development expenditures, including many factors beyond our control. Future development and abandonment costs are determined annually for each of our properties based upon its geographic location, type of production structure, water depth, reservoir depth and characteristics, currently available procedures and consultations with engineering consultants. Because these costs typically extend many years into the future, estimating these future costs is difficult and requires management to make judgments that are subject to future revisions based upon numerous factors, including changing technology and the political and regulatory environment. Reserve engineering is a subjective process of estimating the recovery from underground accumulations of oil and natural gas that cannot be measured in an exact manner and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Because all reserve estimates are subjective, the quantities of oil and natural gas that are ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas sales prices may all differ from those assumed in our estimates.

The following table summarizes our changes in estimated proved oil and natural gas reserves during 2013 based upon reserve reports prepared by the independent petroleum engineers of Netherland, Sewell & Associates, Inc. and Ryder Scott Company, L.P.:

	Oil and Natural Gas (MMBOE)
Acquisitions of PXP and MMR	472
Extensions and discoveries	24
Revisions of previous estimates	7
Sales of reserves in-place	(1)
Production	(38)
Estimated proved reserves at December 31, 2013	464

Refer to Note 21 for further information regarding estimated proved oil and natural gas reserves.

Changes to estimates of proved reserves could result in changes to the prospective UOP amortization rate for our oil and gas properties, which could have a significant impact on our results of operations. Based on our estimated proved reserves and our net oil and gas properties subject to amortization at December 31, 2013, a 10 percent increase in our costs subject to amortization would increase our amortization rate by approximately $3.79 per BOE, and a 10 percent reduction to proved reserves would increase our amortization rate by approximately $4.21 per BOE. Changes in estimates of proved oil and natural gas reserves may also affect our ceiling test calculation (refer to Note 1).

Impairment of Long-Lived Mining Assets. As discussed in Note 1, we evaluate our long-lived mining assets for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable. In evaluating our long-lived assets for recoverability, estimates of after-tax undiscounted future cash flows of our individual mining operations are used, with impairment losses measured by reference to fair value. As quoted market prices are unavailable for our individual mining operations, fair value is determined through the use of discounted estimated future cash flows. The estimated cash flows used to assess recoverability of our long-lived assets and measure fair value of our mining operations are derived from current business plans, which are developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices. In addition to near- and long-term metal price assumptions, other key assumptions include commodity-based and other input costs; proven and probable reserves, including the timing and cost to develop and produce the reserves; and the use of appropriate escalation and discount rates. We believe our estimates and models used to determine fair value are similar to what a market participant would use.

Because the cash flows used to assess recoverability of our long-lived assets and measure fair value of our mining operations require us to make several estimates and assumptions that are subject to risk and uncertainty, changes in these estimates and assumptions could result in the impairment of our long-lived asset values. Events that could result in impairment of our

long-lived assets include, but are not limited to, decreases in future metal prices, decreases in estimated recoverable proven and probable mineral reserves and any event that might otherwise have a material adverse effect on mine site production levels or costs.

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

In evaluating our oil and gas properties for impairment, estimates of future cash flows are used (refer to Note 1 for further discussion of the ceiling test calculation). Additionally, SEC rules require that we price our future oil and gas production at the twelve-month average of the first-day-of-the-month historical reference prices adjusted for location and quality differentials. Such prices are utilized except where different prices are fixed and determinable from applicable contracts for the remaining term of those contracts excluding derivatives. The pricing in ceiling test impairment calculations required by full cost accounting may cause results that do not reflect current market conditions that exist at the end of an accounting period. For example, in periods of increasing oil and gas prices, the use of a twelve-month historical average price in the ceiling test calculation may result in an impairment. Conversely, in times of declining prices, ceiling test calculations may not result in an impairment.

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.

At December 31, 2013, we also had $10.9 billion of costs for unproved oil and gas properties, which are excluded from amortization. These costs will be transferred into the amortization base as the properties are evaluated and proved reserves are established or if impairment is determined. We assess our unproved properties at least annually, and if impairment is indicated, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and subject to amortization. Accordingly, an impairment of unproved properties does not immediately result in the recognition of a charge to the consolidated statements of income, but rather increases the costs subject to amortization. The transfer of costs into the amortization base involves a significant amount of judgment and may be subject to changes over time based on our drilling plans and results, geological and geophysical evaluations, the assignment of proved reserves, availability of capital and other factors.

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

Impairment of Goodwill. We account for business combinations using the acquisition method of accounting, which requires us to allocate the purchase price to the assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. Determining the fair values of assets acquired and liabilities assumed requires management's judgment, the utilization of independent valuation experts, and often involves the use of significant estimates and assumptions, including future cash flows, discount rates and forward prices. The excess of acquisition consideration over the fair values of assets acquired and liabilities assumed is recorded as goodwill. As of December 31, 2013, our consolidated balance sheet included $1.9 billion of goodwill, all of which had been assigned to our U.S. oil and gas reporting unit. As described in Note 2, the final valuation of assets acquired, liabilities assumed and noncontrolling interests in the 2013 oil and gas acquisitions is not complete, and any adjustments to these values could impact the amount of goodwill recorded.

Goodwill is required to be evaluated for impairment on at least an annual basis, or at any other time if events or circumstances indicate that its carrying amount may no longer be recoverable. We conduct a qualitative or quantitative goodwill impairment assessment during the fourth quarter of each year. A qualitative assessment involves examining relevant events and circumstances that could have a negative impact on our goodwill, such as macroeconomic conditions, industry and market conditions, cost factors that have a negative effect on earnings and cash flows, overall financial performance, dispositions and acquisitions, and any other relevant events or circumstances. After assessing the relevant events and circumstances for the qualitative impairment assessment during fourth-quarter 2013, we determined that performing a quantitative goodwill impairment test was unnecessary, and no goodwill impairment was recognized.

Crude oil and natural gas prices and our estimated oil and natural gas reserves represent the most significant assumptions used in our assessment to evaluate goodwill for impairment.

Accordingly, we believe events negatively affecting crude oil and natural gas prices or our estimates of oil and natural gas reserves may indicate impairment of goodwill assigned to our U.S. oil and gas reporting unit, and we could have an impairment of goodwill in the future.

Environmental Obligations. Our current and historical operating activities are subject to various national, state and local environmental laws and regulations that govern the protection of the environment, and compliance with those laws requires significant expenditures. Environmental expenditures are expensed or capitalized, depending upon their future economic benefits. The guidance provided by U.S. GAAP requires that liabilities for contingencies be recorded when it is probable that obligations have been incurred and the cost can be reasonably estimated. At December 31, 2013, environmental obligations recorded in our consolidated balance sheet totaled $1.2 billion, which reflect obligations for environmental liabilities attributed to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) or analogous state programs and for estimated future costs associated with environmental matters. Refer to Notes 1 and 12 for further discussion of environmental obligations, including a summary of changes in our estimated environmental obligations for the three years ending December 31, 2013.

Accounting for environmental obligations represents a critical accounting estimate because changes to environmental laws and regulations and/or circumstances affecting our operations could result in significant changes to our estimates, which could have a significant impact on our results of operations. We perform a comprehensive annual review of our environmental obligations and also review changes in facts and circumstances associated with these obligations at least quarterly. Judgments and estimates are based upon available facts, existing technology, presently enacted laws and regulations, remediation experience, whether or not we are a potentially responsible party (PRP), the ability of other PRPs to pay their allocated portions and take into consideration reasonably possible outcomes. Our cost estimates can change substantially as additional information becomes available regarding the nature or extent of site contamination, updated cost assumptions (including increases and decreases to cost estimates), changes in the anticipated scope and timing of remediation activities, the settlement of environmental matters, required remediation methods and actions by or against governmental agencies or private parties.

Asset Retirement Obligations. We record the fair value of our estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Fair value is measured as the present value of cash flow estimates after considering inflation and a market risk premium. Our cost estimates are reflected on a third-party cost basis and comply with our legal obligation to retire tangible long-lived assets in the period incurred. These cost estimates may differ from financial assurance cost estimates for reclamation activities because of a variety of factors, including obtaining updated cost estimates for reclamation activities, the timing of reclamation activities, changes in scope and the exclusion of certain costs not considered reclamation and closure costs. At least annually, we review our ARO estimates for changes in the projected timing of certain reclamation and closure/restoration costs, changes in cost estimates and additional AROs incurred during the period. At December 31, 2013, AROs recorded in our consolidated balance sheet totaled $2.3 billion, including $1.1 billion associated with our oil and gas operations. Refer to Notes 1 and 12 for further discussion of reclamation and closure costs, including a summary of changes in our AROs for the three years ended December 31, 2013.

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

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

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

Our valuation allowances totaled $2.5 billion at December 31, 2013, and $2.4 billion at December 31, 2012, and covered all of our U.S. foreign tax credit carryforwards, and a portion of our foreign net operating loss carryforwards, U.S. state net operating loss carryforwards, U.S. state deferred tax assets and U.S. capital loss carryforwards. In addition, the valuation allowance at December 31, 2012, covered a portion of U.S. minimum tax credit carryforwards. Refer to Note 11 for further discussion.

CONSOLIDATED RESULTS

Years Ended December 31,	2013[a]	2012	2011
SUMMARY FINANCIAL DATA (in millions, except per share amounts)			
Revenues[b,c]	$20,921[d]	$18,010	$20,880
Operating income[b,c]	$ 5,351[d,e,f,g,h]	$ 5,814[e,f,g,h]	$ 9,140[e,g]
Net income attributable to FCX common stockholders[c,l]	$ 2,658[d,e,f,g,h,i,j]	$ 3,041[e,f,g,h,j,k]	$ 4,560[e,g,j,k]
Diluted net income per share attributable to FCX common stockholders[c,l]	$ 2.64[d,e,f,g,h,i,j]	$ 3.19[e,f,g,h,j,k]	$ 4.78[e,g,j,k]
Diluted weighted-average common shares outstanding	1,006	954	955
Operating cash flows[m]	$ 6,139	$ 3,774	$ 6,620
Capital expenditures	$ 5,286	$ 3,494	$ 2,534
At December 31:			
Cash and cash equivalents	$ 1,985	$ 3,705	$ 4,822
Total debt, including current portion	$20,706	$ 3,527	$ 3,537

a. Includes the results of FM O&G beginning June 1, 2013.
b. Following is a summary of revenues and operating income by operating division (in millions):

Years Ended December 31,	2013	2012	2011
Revenues			
North America copper mines	$ 5,183	$ 5,486	$ 5,629
South America mining	4,485	4,728	5,258
Indonesia mining	4,087	3,921	5,046
Africa mining	1,637	1,359	1,289
Molybdenum mines	522	529	595
Rod & Refining	5,022	5,016	5,549
Atlantic Copper Smelting & Refining	2,041	2,709	2,984
U.S. oil & gas operations	2,616	—	—
Other mining, corporate, other & eliminations	(4,672)	(5,738)	(5,470)
Total FCX revenues	$20,921	$18,010	$20,880
Operating income (loss)			
North America copper mines	$ 1,506	$ 2,204	$ 2,771
South America mining	2,063	2,321	3,088
Indonesia mining	1,420	1,298	2,916
Africa mining	625	562	550
Molybdenum mines	123	150	291
Rod & Refining	23	14	13
Atlantic Copper Smelting & Refining	(75)	8	(69)
U.S. oil & gas operations	450	—	—
Other mining, corporate, other & eliminations	(784)	(743)	(420)
Total FCX operating income	$5,351	$ 5,814	$ 9,140

Refer to Note 16 for further discussion of operating divisions and business segments.

c. Includes adjustments to provisionally priced concentrate and cathode sales recognized in prior periods totaling $(26) million ($(12) million to net income attributable to common stockholders or $(0.01) per share) for the year 2013, $101 million ($43 million to net income attributable to common stockholders or $0.05 per share) for the year 2012 and $(12) million ($(5) million to net income attributable to common stockholders or $(0.01) per share) for the year 2011. Refer to "Revenues" for further discussion.
d. Includes charges for net unrealized and noncash realized losses on crude oil and natural gas derivative contracts totaling $312 million ($194 million to net income attributable to common stockholders or $0.19 per share) for the seven-month period from June 1, 2013, to December 31, 2013.
e. Includes net charges (credits) for adjustments to environmental obligations and related litigation reserves totaling $19 million ($17 million to net income attributable to common stockholders or $0.02 per share) in 2013, $(62) million ($(40) million to net income attributable to common stockholders or $(0.04) per share) in 2012 and $107 million ($86 million to net income attributable to common stockholders or $0.09 per share) in 2011.
f. Includes transaction and related costs principally associated with the oil and gas acquisitions totaling $80 million ($50 million to net income attributable to common stockholders or $0.05 per share) in 2013 and $9 million ($7 million to net income attributable to common stockholders or $0.01 per share) in 2012.
g. Includes charges associated with new labor agreements totaling $36 million ($13 million to net income attributable to common stockholders or $0.01 per share) at Cerro Verde in 2013, $16 million ($8 million to net income attributable to common stockholders or $0.01 per share) at Candelaria in 2012 and $116 million ($50 million to net income attributable to common stockholders or $0.05 per share) at PT-FI, Cerro Verde and El Abra in 2011.
h. The year 2013 includes charges of (i) $76 million ($49 million to net income attributable to common stockholders or $0.05 per share) associated with updated mine plans at Morenci that resulted in a loss of recoverable copper in leach stockpiles and (ii) $37 million ($23 million to net income attributable to common stockholders or $0.02 per share) for restructuring an executive employment arrangement. The year 2012 includes a gain of $59 million ($31 million to net income attributable to common stockholders or $0.03 per share) for the settlement of the insurance claim for business interruption and property damage relating to the 2011 incidents affecting PT-FI's concentrate pipelines.
i. The year 2013 includes gains associated with our oil and gas acquisitions, including (i) $128 million ($0.13 per share) primarily related to FCX's preferred stock investment in and the subsequent acquisition of MMR, and (ii) a tax benefit of $199 million ($0.20 per share) associated with net reductions in FCX's deferred tax liabilities and deferred tax asset valuation allowances. Refer to Note 11 and "Provision for Income Taxes" below for further discussion.
j. Includes net losses on early extinguishment of debt totaling $28 million ($0.03 per share) in 2013, $149 million ($0.16 per share) in 2012 and $60 million ($0.06 per share) in 2011. Refer to Note 8 for further discussion.
k. The year 2012 includes a tax benefit of $98 million, net of noncontrolling interests, ($0.11 per share) associated with adjustments to Cerro Verde's deferred income taxes. The year 2011 includes a tax charge of $49 million, net of noncontrolling interests, ($0.05 per share) for additional taxes associated with Cerro Verde's election to pay a special mining burden during the remaining term of its 1998 stability agreement. Refer to Note 11 and "Provision for Income Taxes" below for further discussion.
l. We defer recognizing profits on intercompany sales until final sales to third parties occur. Refer to "Operations — Smelting & Refining" for a summary of net impacts from changes in these deferrals.
m. Includes net working capital uses and changes in other tax payments of $377 million for the year 2013, $1.4 billion for the year 2012 and $461 million for the year 2011.

Years Ended December 31,	2013[a]	2012	2011
SUMMARY OPERATING DATA			
Copper (recoverable)			
Production (millions of pounds)	4,131	3,663	3,691
Sales, excluding purchases (millions of pounds)	4,086	3,648	3,698
Average realized price per pound	$ 3.30	$ 3.60	$ 3.86
Site production and delivery costs per pound[b]	$ 1.88	$ 2.00	$ 1.72
Unit net cash costs per pound[b]	$ 1.49	$ 1.48	$ 1.01
Gold (recoverable)			
Production (thousands of ounces)	1,250	958	1,383
Sales, excluding purchases (thousands of ounces)	1,204	1,010	1,378
Average realized price per ounce	$1,315	$1,665	$1,583
Molybdenum (recoverable)			
Production (millions of pounds)	94	85	83
Sales, excluding purchases (millions of pounds)	93	83	79
Average realized price per pound	$11.85	$14.26	$16.98
Oil Equivalents			
Sales volumes:			
MMBOE	38.1	—	—
Thousand BOE (MBOE) per day	178	—	—
Cash operating margin per BOE:[c]			
Realized revenues	$76.87	—	—
Cash production costs	17.14	—	—
Cash operating margin	$59.73	—	—

a. Includes the results of FM O&G beginning June 1, 2013.
b. Reflects per pound weighted-average production and delivery costs and unit net cash costs (net of by-product credits) for all copper mines, excluding net noncash and other costs. For reconciliations of the per pound unit costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements, refer to "Product Revenues and Production Costs."
c. Cash operating margin for our oil and gas operations reflects realized revenues less cash production costs. Realized revenues exclude net unrealized and noncash realized losses on derivative contracts and cash production costs exclude accretion and other costs. For reconciliations of realized revenues and cash production costs per BOE to revenues and production and delivery costs reported in our consolidated financial statements, refer to "Product Revenues and Production Costs."

Revenues

Consolidated revenues totaled $20.9 billion in 2013, $18.0 billion in 2012 and $20.9 billion in 2011, and included the sale of copper concentrates, copper cathodes, copper rod, gold, molybdenum and other metals by our North and South America copper mines; the sale of copper concentrates (which also contain significant quantities of gold and silver) by our Indonesia mining operations; the sale of copper cathodes and cobalt hydroxide by our Africa mining operations; the sale of molybdenum in various forms by our Molybdenum operations; the sale of copper cathodes, copper anodes, and gold in anodes and slimes by Atlantic Copper; and beginning June 1, 2013, the sale of oil, natural gas and NGLs by our oil and gas operations. Our consolidated revenues for 2013 included sales of copper (69 percent), oil (11 percent), gold (8 percent) and molybdenum (5 percent). Following is a summary of year-to-year changes in our consolidated revenues (in millions):

	2013	2012
Consolidated revenues – prior year	$18,010	$20,880
Mining operations:		
Higher (lower) sales volumes from mining operations:		
Copper	1,576	(194)
Gold	323	(583)
Molybdenum	151	61
Silver	53	(38)
Cobalt	6	(6)
(Lower) higher price realizations from mining operations:		
Copper	(1,226)	(948)
Gold	(421)	82
Molybdenum	(225)	(225)
Silver	(70)	(44)
Cobalt	5	(54)
(Unfavorable) favorable impact of net adjustments for prior year provisionally priced sales	(133)	132
Higher (lower) revenues from purchased copper	313	(469)
Lower Atlantic Copper revenues	(668)	(275)
Other, including intercompany eliminations	611	(309)
Oil and gas operations:		
Oil and gas revenues, including net realized losses on derivative contracts	2,928	—
Net unrealized and noncash realized losses on crude oil and natural gas derivative contracts	(312)	—
Consolidated revenues – current year	$20,921	$18,010

Mining Sales Volumes

Consolidated sales volumes totaled 4.1 billion pounds of copper, 1.2 million ounces of gold and 93 million pounds of molybdenum in 2013, compared with 3.65 billion pounds of copper, 1.0 million ounces of gold and 83 million pounds of molybdenum in 2012 and 3.7 billion pounds of copper, 1.4 million ounces of gold and 79 million pounds of molybdenum in 2011. Higher consolidated copper and gold sales volumes in 2013, compared with 2012, primarily reflected improved volumes throughout our global mining operations. Lower consolidated copper and gold sales volumes in 2012, compared with 2011, primarily reflected lower volumes in Indonesia and South America, partly offset by increased copper production in North America and Africa. Refer to "Operations" for further discussion of sales volumes at our operating divisions.

Metal Price Realizations

Our consolidated revenues can vary significantly as a result of fluctuations in the market prices of copper, gold, molybdenum, silver and cobalt. Following is a summary of our average price realizations for the years ended December 31:

	2013	2012	2011
Copper (per pound)	$ 3.30	$ 3.60	$ 3.86
Gold (per ounce)	$1,315	$1,665	$1,583
Molybdenum (per pound)	$11.85	$14.26	$16.98
Silver (per ounce)	$22.13	$30.06	$36.24
Cobalt (per pound)	$ 8.02	$ 7.83	$ 9.99

We generally recognized lower price realizations from our mining operations in 2013, compared with 2012, and also in 2012, compared with 2011. Refer to "Markets" for further discussion.

Provisionally Priced Sales

Impacts of net adjustments for prior year provisionally priced sales primarily relates to copper sales. 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 LME monthly average spot copper prices (refer to "Disclosures About Market Risks — Commodity Price Risk" for further discussion). Revenues included (unfavorable) favorable net adjustments to prior years' provisionally priced copper sales totaling $(26) million in 2013, $101 million in 2012 and $(12) million in 2011.

Purchased Copper

From time to time, we purchase copper cathode for processing by our Rod & Refining segment when production from our North America copper mines does not meet customer demand.

Atlantic Copper Revenues

The decrease in Atlantic Copper's revenues in 2013, compared with 2012, primarily reflected the impact of a major maintenance turnaround in 2013. The decrease in Atlantic Copper's revenues in 2012, compared with 2011, primarily reflected lower gold volumes. Refer to "Operations" for further discussion.

Oil & Gas Revenues

Consolidated sales of 38.1 MMBOE for the seven-month period following the acquisition date, included 26.6 MMBbls of crude oil, 54.2 Bcf of natural gas and 2.4 MMBbls of NGLs. Our average realized prices, for the seven-month period following the acquisition date, were $98.32 per barrel for crude oil, $3.99 per MMBtu for natural gas and $38.20 per barrel for NGLs. Refer to "Operations" for further discussion of sales volumes at our oil and gas operations.

Our oil and gas operations use various derivative contracts to manage exposure to commodity price risk for a substantial portion of our oil and gas production through 2015. In connection with the acquisition of PXP, we assumed derivative contracts for 2013, 2014 and 2015 that consisted of crude oil options, and crude oil and natural gas swaps. These crude oil and natural gas derivative contracts are not designated as hedging instruments; accordingly, they are recorded at fair value with the mark-to-market gains and losses recorded in revenues each period. Net charges to revenues for unrealized and noncash realized losses on crude oil and natural gas derivative contracts totaled $312 million for the seven-month period following the acquisition date. Refer to Note 14 and "Disclosure About Market Risks — Commodity Price Risk" for further discussion of crude oil and natural gas derivative contracts.

Production and Delivery Costs

2013 compared with 2012. Consolidated production and delivery costs totaled $11.8 billion in 2013, compared with $10.4 billion in 2012. Excluding production and delivery costs associated with oil and gas operations of $682 million for the seven-month period following the acquisition date, higher production and delivery costs for our mining operations primarily reflected higher copper purchases.

Consolidated unit site production and delivery costs, before net noncash and other costs, for our copper mining operations averaged $1.88 per pound of copper in 2013, compared with $2.00 per pound of copper in 2012. Lower consolidated unit site production and delivery costs in 2013 primarily reflect higher copper volumes in Indonesia and South America. Assuming achievement of current 2014 volume and cost estimates, consolidated site production and delivery costs are expected to average $1.87 per pound of copper for 2014. Refer to "Operations — Indonesia Mining" for discussion of a regulatory matter impacting projected unit net cash costs, "Operations — Unit Net Cash Costs" for further discussion of unit net cash costs associated with our operating divisions, and "Product Revenues and Production Costs" for reconciliations of per pound costs by operating division to production and delivery costs applicable to sales reported in our consolidated financial statements.

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 approximated 20 percent of our consolidated copper production costs in 2013 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 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.

2012 compared with 2011. Consolidated production and delivery costs totaled $10.4 billion in 2012, compared with $9.9 billion in 2011. Higher production and delivery costs for 2012 primarily reflected higher costs at our mining operations, partly offset by lower costs of concentrate purchases at Atlantic Copper associated with lower copper prices and lower volumes and lower costs of cathode purchases in North America.

Depreciation, Depletion and Amortization

Consolidated depreciation, depletion and amortization expense totaled $2.8 billion in 2013 (which included $1.4 billion for the seven-month period following the acquisition date for our oil and gas operations), $1.2 billion in 2012 and $1.0 billion in 2011. Depreciation will vary under the UOP method as a result of changes in sales volumes and the related UOP rates at our mining and oil and gas operations. Excluding oil and gas operations, higher depreciation, depletion and amortization expense in 2013 primarily reflected asset additions and higher production at our mining operations.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses totaled $657 million in 2013, $431 million in 2012 and $415 million in 2011. Excluding selling, general and administrative expenses associated with oil and gas operations of $120 million for the seven-month period following the acquisition date, higher expense in 2013, compared with 2012, primarily reflected transaction and related costs associated with acquisitions ($80 million in 2013, compared with $9 million in 2012) and a $37 million charge in 2013 for restructuring an executive employment arrangement.

Mining Exploration and Research Expenses

Consolidated exploration and research expenses for our mining operations totaled $210 million in 2013, $285 million in 2012 and $271 million in 2011. In 2013, we took steps to reduce or defer operating, exploration and other costs in response to market conditions and our debt reduction objectives. We are actively conducting exploration activities near our existing mines with a focus on opportunities to expand reserves that will support additional future production capacity in the large mineral districts where we currently operate. Exploration results indicate opportunities for what we believe could be significant future reserve additions in North and South America and in the Tenke minerals district. The drilling data in North America continues to indicate the potential for expanded sulfide production.

For 2014, exploration and research expenditures for our mining operations are expected to total approximately $150 million, including approximately $120 million for exploration.

As further discussed in Note 1, under the full cost method of accounting, exploration costs for our oil and gas operations are capitalized to oil and gas properties.

Environmental Obligations and Shutdown Costs

Environmental obligation costs (credits) reflect net revisions to our long-term environmental obligations, which will vary from period to period because of changes to environmental laws and regulations, the settlement of environmental matters and/or circumstances affecting our operations that could result in significant changes in our estimates (refer to "Critical Accounting Estimates — Environmental Obligations" for further discussion). Shutdown costs include care and maintenance costs and any litigation, remediation or related expenditures associated with closed facilities or operations. Net charges (credits) for environmental obligations and shutdown costs totaled $66 million in 2013, $(22) million in 2012 and $134 million in 2011. Refer to Note 12 for further discussion of environmental obligations and litigation matters.

Interest Expense, Net

Consolidated interest expense (excluding capitalized interest) totaled $692 million in 2013, $267 million in 2012 and $421 million in 2011. The increase in interest expense in 2013 primarily reflects additional interest expense associated with acquisition-related debt (refer to Note 8 for discussion).

Capitalized interest is primarily related to the level of expenditures for our development projects and average interest rates on our borrowings, and totaled $174 million in 2013, $81 million in 2012 and $109 million in 2011. The increase in 2013, compared with 2012, primarily reflects the addition of capitalized interest associated with expenditures for our oil and gas properties totaling $69 million for the seven-month period following the acquisition date. Refer to "Capital Resources and Liquidity — Investing Activities" for further discussion of current development projects.

Losses on Early Extinguishment of Debt

During 2013, we recorded net losses on early extinguishment of debt totaling $35 million primarily associated with the termination of the bridge loan facilities for the PXP and MMR acquisitions, partly offset by a gain on the redemption of MMR's remaining outstanding 11.875% Senior Notes. During 2012, we recorded losses on early extinguishment of debt totaling $168 million associated with the redemption of our remaining 8.375% Senior Notes. During 2011, we recorded losses on early extinguishment of debt totaling $68 million associated with the redemption of our 8.25% Senior Notes, the revolving credit facilities that were replaced in March 2011 and open-market purchases of our 9.50% Senior Notes. Refer to Note 8 for further discussion of these transactions.

Provision for Income Taxes

Following is a summary of the approximate amounts used in the calculation of our consolidated provision for income taxes for the years ended December 31 (in millions, except percentages):

	2013			2012		
	Income[a]	Effective Tax Rate	Income Tax (Provision) Benefit	Income[a]	Effective Tax Rate	Income Tax (Provision) Benefit
U.S.	$1,080	23%	$ (243)	$1,571	23%	$ (357)
South America	2,021	36%	(720)	2,211	36%	(791)[b]
Indonesia	1,370	44%	(603)	1,287	39%	(497)
Africa	425	31%	(131)	357	31%	(112)
Eliminations and other	17	N/A	23	61	N/A	13
	4,913	34%	(1,674)	5,487	32%	(1,744)
Adjustments	—	N/A	199[c]	—	N/A	234[d]
Consolidated FCX	$ 4,913	30%	$ (1,475)	$5,487	28%	$(1,510)

a. Represents income by geographic location before income taxes and equity in affiliated companies' net earnings.
b. In 2012, Cerro Verde signed a new 15-year mining stability agreement with the Peruvian government, which became effective January 1, 2014. In connection with the new mining stability agreement, Cerro Verde's income tax rate increased from 30 percent to 32 percent, and we recognized additional deferred tax expense of $29 million ($25 million net of noncontrolling interests).
c. Reflects net reductions in our deferred tax liabilities and deferred tax asset valuation allowances resulting from the oil and gas acquisitions (see Note 11).
d. Reflects the reversal of a net deferred tax liability totaling $234 million ($123 million net of noncontrolling interests) related to reinvested profits at Cerro Verde that were not expected to be distributed prior to expiration of its 1998 stability agreement on December 31, 2013.

Following is a summary of the approximate amounts used in the calculation of our consolidated provision for income taxes for the year ended December 31 (in millions, except percentages):

	2011		
	Income[a]	Effective Tax Rate	Income Tax Provision
U.S.	$ 2,109	23%	$ (477)
South America	3,017	36%	(1,075)[b]
Indonesia	2,923	43%	(1,256)
Africa	357	34%	(120)
Eliminations and other	412	N/A	(159)
Consolidated FCX	$ 8,818	35%	$(3,087)

a. Represents income by geographic location before income taxes and equity in affiliated companies' net earnings.
b. In September 2011, Peru enacted a new mining tax and royalty regime and also created a special mining burden that companies with stability agreements could elect to pay. Cerro Verde elected to pay this special mining burden during the remaining term of its 1998 stability agreement, which expired on December 31, 2013. As a result, Cerro Verde recognized additional tax expense of $53 million ($49 million net of noncontrolling interests) in 2011.

Our consolidated effective income tax rate is a function of the combined effective tax rates for the jurisdictions in which we operate. Accordingly, variations in the relative proportions of jurisdictional income result in fluctuations to our consolidated effective income tax rate. Assuming average prices of $3.25 per pound for copper, $1,200 per ounce for gold, $9.50 per pound for molybdenum and Brent crude oil of $105 per barrel, and achievement of current sales volume and cost estimates, we estimate our annual consolidated effective tax rate for the year 2014 will approximate 35 percent.

Refer to Note 11 for further discussion of income taxes.

OPERATIONS

North America Copper Mines

We operate seven open-pit copper mines in North America — Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and Chino and Tyrone in New Mexico. All of the North America mining operations are wholly owned, except for Morenci. We record our 85 percent joint venture interest in Morenci using the proportionate consolidation method.

The North America copper mines include open-pit mining, sulfide ore concentrating, leaching and solution extraction/electrowinning (SX/EW) operations. A majority of the copper produced at our North America copper mines is cast into copper rod by our Rod & Refining segment. The remainder of our North America copper sales is in the form of copper cathode or copper concentrate, a portion of which is shipped to Atlantic Copper (our wholly owned smelter). Molybdenum concentrate is also produced by certain of our North America copper mines (Sierrita, Bagdad, Morenci and Chino).

Operating and Development Activities. We have increased production from our North America copper mines in recent years and we continue to evaluate opportunities to invest in additional production capacity following positive exploration results. Future investments will be undertaken based on the results of economic and technical feasibility studies and market conditions.

Morenci Mill Expansion. We are expanding mining and milling capacity 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. As of December 31, 2013, construction was more than 60 percent complete, and the project is on track for first copper production in the first half of 2014. At December 31, 2013, project costs of $1.0 billion had been incurred ($0.7 billion during 2013), with approximately $0.6 billion remaining to be incurred.

Operating Data. Following is summary operating data for the North America copper mines for the years ended December 31:

	2013	2012	2011
Operating Data, Net of Joint Venture Interest			
Copper (millions of recoverable pounds)			
Production	1,431	1,363	1,258
Sales, excluding purchases	1,422	1,351	1,247
Average realized price per pound	$ 3.36	$ 3.64	$ 3.99
Molybdenum (millions of recoverable pounds)			
Production[a]	32	36	35
100% Operating Data			
SX/EW operations			
Leach ore placed in stockpiles (metric tons per day)	1,003,500	998,600	888,300
Average copper ore grade (percent)	0.22	0.22	0.24
Copper production (millions of recoverable pounds)	889	866	801
Mill operations			
Ore milled (metric tons per day)	246,500	239,600	222,800
Average ore grade (percent):			
Copper	0.39	0.37	0.38
Molybdenum	0.03	0.03	0.03
Copper recovery rate (percent)	85.3	83.9	83.1
Copper production (millions of recoverable pounds)	642	592	549

a. Refer to "Consolidated Results" for our consolidated molybdenum sales volumes, which include sales of molybdenum produced at the North America copper mines.

2013 compared with 2012. Copper sales volumes from our North America copper mines increased to 1.42 billion pounds in 2013, compared with 1.35 billion pounds in 2012, primarily because of higher mining and milling rates, higher copper ore grades and higher recovery rates.

North America copper production is expected to continue to improve in 2014 following the completion of the Morenci mill expansion. Copper sales volumes from our North America copper mines are expected to approximate 1.73 billion pounds in 2014. Refer to "Outlook" for projected molybdenum sales volumes.

2012 compared with 2011. Copper sales volumes from our North America copper mines increased to 1.35 billion pounds in 2012, compared with 1.25 billion pounds in 2011, primarily reflecting increased production at the Chino mine.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper and Molybdenum. The following tables summarize unit net cash costs and gross profit per pound at our North America copper mines for the years ended December 31. Refer to "Product Revenues and Production Costs" for an explanation of the "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2013			2012		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molybdenum[a]		Copper	Molybdenum[a]
Revenues, excluding adjustments	$ 3.36	$ 3.36	$10.79	$ 3.64	$ 3.64	$13.00
Site production and delivery, before net noncash and other costs shown below	2.00	1.94	3.79	1.91	1.75	6.32
By-product credits	(0.24)	—	—	(0.36)	—	—
Treatment charges	0.11	0.11	—	0.12	0.11	—
Unit net cash costs	1.87	2.05	3.79	1.67	1.86	6.32
Depreciation, depletion and amortization	0.28	0.27	0.22	0.26	0.24	0.48
Noncash and other costs, net	0.14[b]	0.14	0.04	0.10	0.10	0.09
Total unit costs	2.29	2.46	4.05	2.03	2.20	6.89
Revenue adjustments, primarily for pricing on prior period open sales	—	—	—	0.01	0.01	—
Gross profit per pound	$ 1.07	$ 0.90	$ 6.74	$ 1.62	$ 1.45	$ 6.11
Copper sales (millions of recoverable pounds)	1,416	1,416		1,347	1,347	
Molybdenum sales (millions of recoverable pounds)[a]			32			36

a. Reflects sales of molybdenum produced by certain of the North America copper mines to our molybdenum sales company at market-based pricing.
b. Includes $76 million ($0.05 per pound) associated with updated mine plans at Morenci that resulted in a loss in recoverable copper in leach stockpiles.

Our North America copper mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-product credits and other factors. During 2013, average unit net cash costs (net of by-product credits) for the North America copper mines ranged from $1.55 per pound to $2.28 per pound at the individual mines and averaged $1.87 per pound. Higher average unit net cash costs (net of by-product credits) in 2013, compared with $1.67 per pound in 2012, primarily reflected lower molybdenum credits and increased mining and milling activities, partly offset by higher copper sales volumes.

Because certain assets are depreciated on a straight-line basis, North America's average unit depreciation rate may vary with asset additions and the level of copper production and sales.

Assuming achievement of current sales volume and cost estimates and an average price of $9.50 per pound of molybdenum for 2014, average unit net cash costs (net of by-product credits) for our North America copper mines are expected to approximate $1.76 per pound of copper in 2014. North America's average unit net cash costs for 2014 would change by approximately $0.04 per pound for each $2 per pound change in the average price of molybdenum during 2014.

	2012			2011		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Molybdenum[a]		Copper	Molybdenum[a]
Revenues, excluding adjustments	$ 3.64	$ 3.64	$13.00	$ 3.99	$ 3.99	$15.72
Site production and delivery, before net noncash and other costs shown below	1.91	1.75	6.32	1.78	1.60	6.86
By-product credits	(0.36)	—	—	(0.48)	—	—
Treatment charges	0.12	0.11	—	0.11	0.10	—
Unit net cash costs	1.67	1.86	6.32	1.41	1.70	6.86
Depreciation, depletion and amortization	0.26	0.24	0.48	0.21	0.20	0.39
Noncash and other costs, net	0.10	0.10	0.09	0.13	0.13	0.09
Total unit costs	2.03	2.20	6.89	1.75	2.03	7.34
Revenue adjustments, primarily for pricing on prior period open sales	0.01	0.01	—	—	—	—
Gross profit per pound	$ 1.62	$ 1.45	$ 6.11	$ 2.24	$ 1.96	$ 8.38
Copper sales (millions of recoverable pounds)	1,347	1,347		1,244	1,244	
Molybdenum sales (millions of recoverable pounds)[a]			36			35

a. Reflects sales of molybdenum produced by certain of the North America copper mines to our molybdenum sales company at market-based pricing.

Unit net cash costs (net of by-product credits) for our North America copper mines increased to $1.67 per pound of copper in 2012, compared with $1.41 per pound in 2011, primarily reflecting increased mining and milling activities and lower molybdenum credits, partly offset by higher copper sales volumes.

South America Mining

We operate four copper mines in South America — Cerro Verde in Peru, and El Abra, Candelaria and Ojos del Salado in Chile. We own a 53.56 percent interest in Cerro Verde, a 51 percent interest in El Abra, and an 80 percent interest in the Candelaria and Ojos del Salado mining complex. All operations in South America are consolidated in our financial statements.

South America mining includes open-pit and underground mining, sulfide ore concentrating, leaching and SX/EW operations. Production from our South America mines is sold as copper concentrate or copper cathode under long-term contracts. Our South America mines ship a portion of their copper concentrate inventories to Atlantic Copper. In addition to copper, the Candelaria and Ojos del Salado mines produce gold and silver, and the Cerro Verde mine produces molybdenum concentrates.

Operating and Development Activities. *Cerro Verde Expansion.* 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. At December 31, 2013, $1.5 billion had been incurred for this project (approximately $1.0 billion during 2013), with approximately $3.1 billion remaining to be incurred. Considering the long-term nature and large size of the project, actual costs could vary from these estimates.

El Abra Sulfide. 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 at El Abra have identified a significant sulfide resource, which could potentially support a major mill project. Future investments will be dependent on technical studies, economic factors and global market conditions.

Operating Data. Following is summary operating data for our South America mining operations for the years ended December 31.

	2013	2012	2011
Copper (millions of recoverable pounds)			
Production	1,323	1,257	1,306
Sales	1,325	1,245	1,322
Average realized price per pound	$ 3.30	$ 3.58	$ 3.77
Gold (thousands of recoverable ounces)			
Production	101	83	101
Sales	102	82	101
Average realized price per ounce	$ 1,350	$ 1,673	$ 1,580
Molybdenum (millions of recoverable pounds)			
Production[a]	13	8	10
SX/EW operations			
Leach ore placed in stockpiles (metric tons per day)	274,600	229,300	245,200
Average copper ore grade (percent)	0.50	0.55	0.50
Copper production (millions of recoverable pounds)	448	457	439
Mill operations			
Ore milled (metric tons per day)	192,600	191,400	189,200
Average ore grade:			
Copper (percent)	0.65	0.60	0.66
Gold (grams per metric ton)	0.12	0.10	0.12
Molybdenum (percent)	0.02	0.02	0.02
Copper recovery rate (percent)	90.9	90.1	89.6
Copper production (millions of recoverable pounds)	875	800	867

a. Refer to "Consolidated Results" for our consolidated molybdenum sales volumes, which include sales of molybdenum produced at Cerro Verde.

2013 compared with 2012. Consolidated copper sales volumes from South America totaled 1.33 billion pounds in 2013, compared with 1.25 billion in 2012, primarily reflecting higher ore grades at Candelaria, partly offset by lower ore grades at Cerro Verde.

For the year 2014, consolidated sales volumes from South America mines are expected to approximate 1.2 billion pounds of copper, which are lower than 2013 volumes, primarily reflecting lower ore grades at Candelaria and Cerro Verde. Refer to "Outlook" for projected gold and molybdenum sales volumes.

2012 compared with 2011. Copper sales volumes from our South America mining operations totaled 1.25 billion pounds in 2012, compared with 1.32 billion pounds in 2011, primarily reflecting lower ore grades at Candelaria and Cerro Verde, partially offset by higher mining rates and ore grades at El Abra.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper. The following tables summarize unit net cash costs and gross profit per pound at our South America mining operations for the years ended December 31. Unit net cash costs per pound of copper are reflected under the by-product and co-product methods as the South America mining operations also had small amounts of molybdenum, gold and silver sales. Refer to "Product Revenues and Production Costs" for an explanation of the "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2013		2012	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments	$ 3.30	$ 3.30	$ 3.58	$ 3.58
Site production and delivery, before net noncash and other costs shown below	1.53[a]	1.42	1.60[a]	1.49
By-product credits	(0.27)	—	(0.26)	—
Treatment charges	0.17	0.17	0.16	0.16
Unit net cash costs	1.43	1.59	1.50	1.65
Depreciation, depletion and amortization	0.26	0.24	0.23	0.22
Noncash and other costs, net	0.04	0.03	0.09	0.06
Total unit costs	1.73	1.86	1.82	1.93
Revenue adjustments, primarily for pricing on prior period open sales	(0.03)	(0.03)	0.09	0.09
Gross profit per pound	$ 1.54	$ 1.41	$ 1.85	$ 1.74
Copper sales (millions of recoverable pounds)	1,325	1,325	1,245	1,245

a. Includes labor agreement costs totaling $36 million ($0.03 per pound) at Cerro Verde in 2013 and $16 million ($0.01 per pound) at Candelaria in 2012.

Our South America mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-products and other factors. During 2013, unit net cash costs (net of by-product credits) for the South America mines ranged from $1.24 per pound to $2.02 per pound at the individual mines and averaged $1.43 per pound. Average unit net cash costs (net of by-product credits) for our South America mining operations decreased to $1.43 per pound of copper in 2013, compared with $1.50 per pound in 2012, primarily reflecting higher volumes.

Because certain assets are depreciated on a straight-line basis, South America's unit depreciation rate may vary with asset additions and the level of copper production and sales.

Revenue adjustments primarily result from changes in prices on provisionally priced copper sales recognized in prior periods. Refer to "Consolidated Results — Revenues" for further discussion of adjustments to prior period provisionally priced copper sales.

Assuming achievement of current sales volume and cost estimates and average prices of $1,200 per ounce of gold and $9.50 per pound of molybdenum in 2014, we estimate that average unit net cash costs (net of by-product credits) for our South America mining operations would approximate $1.61 per pound of copper in 2014, which are higher than 2013 average unit net cash costs primarily because of lower volumes.

	2012		2011	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments	$ 3.58	$ 3.58	$ 3.77	$ 3.77
Site production and delivery, before net noncash and other costs shown below	1.60[a]	1.49	1.38[a]	1.27
By-product credits	(0.26)	—	(0.35)	—
Treatment charges	0.16	0.16	0.17	0.17
Unit net cash costs	1.50	1.65	1.20	1.44
Depreciation, depletion and amortization	0.23	0.22	0.20	0.18
Noncash and other costs, net	0.09	0.06	0.06	0.05
Total unit costs	1.82	1.93	1.46	1.67
Revenue adjustments, primarily for pricing on prior period open sales	0.09	0.09	0.01	—
Gross profit per pound	$ 1.85	$ 1.74	$ 2.32	$ 2.10
Copper sales (millions of recoverable pounds)	1,245	1,245	1,322	1,322

a. Includes labor agreement costs totaling $16 million ($0.01 per pound) at Candelaria in 2012 and $50 million ($0.04 per pound) at Cerro Verde and El Abra in 2011.

Unit net cash costs (net of by-product credits) for our South America mining operations increased to $1.50 per pound of copper in 2012, compared with $1.20 per pound in 2011, primarily reflecting higher mining and input costs, lower by-product credits and lower sales volumes.

Indonesia Mining

Indonesia mining includes PT-FI's Grasberg minerals district. We own 90.64 percent of PT-FI, including 9.36 percent owned through our wholly owned subsidiary, PT Indocopper Investama (refer to Notes 3 and 13).

PT-FI produces copper concentrates, which contain significant quantities of gold and silver. Substantially all of PT-FI's copper concentrates are sold under long-term contracts, of which approximately one-half is sold to Atlantic Copper and PT Smelting, and the remainder to other third-party customers.

PT-FI proportionately consolidates 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. Refer to "Regulatory Matters" below and Note 13 for further discussion of PT-FI's COW with the Indonesian government. Refer to "Risk Factors" contained in Part I, Item 1A of our annual report on Form 10-K for the year ended December 31, 2013, for discussion of risks associated with operations in Indonesia.

Regulatory Matters. 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, which has a primary term through 2021 and allows for two 10-year extensions through 2041 (subject to approval by the Indonesian government, which cannot be withheld or delayed unreasonably), 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 by PT Smelting. During 2014, approximately 40 percent of PT-FI's production is expected to be shipped to PT Smelting, with the balance of its concentrates expected to be sold pursuant to long-term contracts with other international smelters.

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.

PT-FI's 2014 copper and gold sales estimates discussed below assume no changes to planned 2014 concentrate shipments. 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. These changes will reduce PT-FI's monthly copper and gold production by an estimated 40 million pounds of copper and 80 thousand ounces of gold pending resolution of these matters. 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.

PT-FI is also engaged in discussions with officials of the Indonesian government on its operations, future plans and COW. We are working with the government in its review of PT-FI's COW and to obtain an extension of our COW beyond 2021, as provided under the terms of the COW. Refer to Note 13 for further discussion.

Operating and Development Activities. We 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. 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. Over the next five years, estimated aggregate capital spending on these projects is currently expected to average $0.9 billion per year ($0.7 billion per year net to PT-FI). Considering the long-term nature and large size of these projects, actual costs could vary from these estimates.

The following provides additional information on the continued development of the Common Infrastructure project, the Grasberg Block Cave underground mine and development of the Deep Mill Level Zone (DMLZ) ore body that lies below the Deep Ore Zone (DOZ) underground mine.

Common Infrastructure and Grasberg Block Cave Mine. In 2004, PT-FI commenced its Common Infrastructure project to provide access to its large undeveloped underground ore bodies located in the Grasberg minerals district through a tunnel system located approximately 400 meters deeper than its existing underground tunnel system. In addition to providing access to our underground ore bodies, the tunnel system will enable PT-FI to conduct future exploration in prospective areas associated with currently identified ore bodies. The tunnel system was completed to the Big Gossan terminal, and the Big Gossan mine was brought into production in 2010. Development of the DMLZ and Grasberg Block Cave underground mines is advancing using the Common Infrastructure project tunnels as access.

The Grasberg Block Cave underground mine accounts for more than 40 percent of our recoverable proven and probable reserves in Indonesia. Production at the Grasberg Block Cave mine is expected to commence in 2017, at the end of mining the Grasberg open pit. Targeted production rates once the Grasberg Block Cave mining operation reaches full capacity are expected to approximate 160,000 metric tons of ore per day.

Aggregate mine development capital for the Grasberg Block Cave mine and associated Common Infrastructure is expected to approximate $5.2 billion (incurred from 2008 to 2021), with PT-FI's share totaling approximately $4.6 billion. Aggregate project costs totaling $1.3 billion have been incurred through December 31, 2013 ($0.5 billion during 2013).

DMLZ. The DMLZ ore body lies below the DOZ mine at the 2,590-meter elevation and represents the downward continuation of mineralization in the Ertsberg East Skarn system and neighboring Ertsberg porphyry. We plan to mine the ore body using a block-cave method with production beginning in 2015. Targeted production rates once the DMLZ mining operation reaches full capacity are expected to approximate 80,000 metric tons of ore per day. Drilling efforts continue to determine the extent of this ore body. Aggregate mine development capital costs for the DMLZ mine are expected to approximate $2.6 billion (incurred between 2009 to 2020), with PT-FI's share totaling approximately $1.5 billion. Aggregate project costs totaling $0.8 billion have been incurred through December 31, 2013 ($0.3 billion during 2013).

Operating Data. Following is summary operating data for our Indonesia mining operations for the years ended December 31.

	2013	2012	2011
Operating Data, Net of Joint Venture Interest			
Copper (millions of recoverable pounds)			
Production	915	695	846
Sales	885	716	846
Average realized price per pound	$ 3.28	$ 3.58	$ 3.85
Gold (thousands of recoverable ounces)			
Production	1,142	862	1,272
Sales	1,096	915	1,270
Average realized price per ounce	$ 1,312	$ 1,664	$ 1,583
100% Operating Data			
Ore milled (metric tons per day):[a]			
Grasberg open pit	127,700	118,800	112,900
DOZ underground mine[b]	49,400	44,600	51,700
Big Gossan underground mine[c]	2,100	1,600	1,500
Total	179,200	165,000	166,100
Average ore grade:			
Copper (percent)	0.76	0.62	0.79
Gold (grams per metric ton)	0.69	0.59	0.93
Recovery rates (percent):			
Copper	90.0	88.7	88.3
Gold	80.0	75.7	81.2
Production (recoverable):			
Copper (millions of pounds)	928	695	882
Gold (thousands of ounces)	1,142	862	1,444

a. Amounts represent the approximate average daily throughput processed at PT-FI's mill facilities from each producing mine.
b. Production from the DOZ underground mine 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.
c. Production from the Big Gossan underground mine is expected to ramp up to 7,000 metric tons of ore per day by 2016; however, production is currently suspended pending resolution of the export regulatory matter.

2013 compared with 2012. Indonesia's sales volumes increased to 885 million pounds of copper and 1.1 million ounces of gold in 2013, compared with 716 million pounds of copper and 915 thousand ounces of gold in 2012, primarily reflecting higher ore grades and increased mill rates.

At the Grasberg mine, the sequencing of mining areas with varying ore grades causes fluctuations in quarterly and annual production of copper and gold. Consolidated sales volumes from our Indonesia mining operations are expected to approximate 1.1 billion pounds of copper and 1.65 million ounces of gold for 2014. Sales from Indonesia mining are expected to increase in 2014 through 2016 as PT-FI gains access to higher grade ore. PT-FI's estimated sales volumes are subject to change depending on timing of resolution of the export matter described in "Regulatory Matters" above.

2012 compared with 2011. Sales volumes from our Indonesia mining operations declined to 716 million pounds of copper and 915 thousand ounces of gold in 2012, compared with 846 million pounds of copper and 1.3 million ounces of gold in 2011 primarily reflecting lower ore grades.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metal mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper/per Ounce of Gold. The following tables summarize the unit net cash costs and gross profit per pound of copper and per ounce of gold at our Indonesia mining operations for the years ended December 31. Refer to "Production Revenues and Production Costs" for an explanation of "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2013			2012		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Gold		Copper	Gold
Revenues, excluding adjustments	$ 3.28	$ 3.28	$1,312	$ 3.58	$ 3.58	$1,664
Site production and delivery, before net noncash and other costs shown below	2.46	1.62	648	3.12	1.93	894
Gold and silver credits	(1.69)	—	—	(2.22)	—	—
Treatment charges	0.23	0.15	61	0.21	0.13	61
Royalty on metals	0.12	0.08	33	0.13	0.08	38
Unit net cash costs	1.12	1.85	742	1.24	2.14	993
Depreciation and amortization	0.28	0.19	73	0.30	0.18	85
Noncash and other costs, net	0.13	0.09	35	0.11	0.07	33
Total unit costs	1.53	2.13	850	1.65	2.39	1,111
Revenue adjustments, primarily for pricing on prior period open sales	—	—	(1)	0.02	0.02	3
PT Smelting intercompany loss	(0.02)	(0.01)	(6)	(0.05)	(0.03)	(15)
Gross profit per pound/ounce	$ 1.73	$ 1.14	$ 455	$ 1.90	$ 1.18	$ 541
Copper sales (millions of recoverable pounds)	885	885		716	716	
Gold sales (thousands of recoverable ounces)			1,096			915

A significant portion of PT-FI's costs are fixed and unit costs vary depending on sales volumes. Indonesia's unit net cash costs (net of gold and silver credits) averaged $1.12 per pound of copper in 2013, compared with $1.24 per pound in 2012, primarily reflecting higher volumes.

Treatment charges vary with the volume of metals sold and the price of copper, and royalties vary with the volume of metals sold and the prices of copper and gold.

Because certain assets are depreciated on a straight-line basis, PT-FI's unit depreciation rate varies with the level of copper production and sales.

Revenue adjustments primarily result from changes in prices on provisionally priced copper sales recognized in prior periods. Refer to "Consolidated Results — Revenues" for further discussion of adjustments to prior period provisionally priced copper sales.

Intercompany profit (loss) from sales to PT Smelting represents the elimination of 25 percent of PT-FI's sales to PT Smelting.

Assuming achievement of current sales volume and cost estimates, and an average gold price of $1,200 per ounce for 2014, we estimate that Indonesia's unit net cash costs (net of gold and silver credits) are expected to approximate $0.81 per pound of copper for the year 2014, which are lower than 2013 unit cash costs primarily because of higher volumes. Indonesia's projected unit net cash costs would change by approximately $0.075 per pound for each $50 per ounce change in the average price of gold during 2014. Because of the fixed nature of a large portion of Indonesia's costs, unit costs vary from quarter to quarter depending on copper and gold volumes.

	2012			2011		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Gold		Copper	Gold
Revenues, excluding adjustments	$ 3.58	$ 3.58	$1,664	$ 3.85	$ 3.85	$1,583
Site production and delivery, before net noncash and other costs shown below	3.12	1.93	894	2.21[a]	1.34	551
Gold and silver credits	(2.22)	—	—	(2.47)	—	—
Treatment charges	0.21	0.13	61	0.19	0.11	46
Royalty on metals	0.13	0.08	38	0.16	0.10	41
Unit net cash costs	1.24	2.14	993	0.09	1.55	638
Depreciation and amortization	0.30	0.18	85	0.25	0.16	63
Noncash and other costs, net	0.11	0.07	33	0.04	0.02	10
Total unit costs	1.65	2.39	1,111	0.38	1.73	711
Revenue adjustments, primarily for pricing on prior period open sales	0.02	0.02	3	(0.01)	(0.01)	(13)
PT Smelting intercompany (loss) profit	(0.05)	(0.03)	(15)	0.13	0.08	32
Gross profit per pound/ounce	$ 1.90	$ 1.18	$ 541	$ 3.59	$ 2.19	$ 891
Copper sales (millions of recoverable pounds)	716	716		846	846	
Gold sales (thousands of recoverable ounces)			915			1,270

a. Includes $66 million ($0.08 per pound) for bonuses and other strike-related costs.

Unit net cash costs (net of gold and silver credits) for our Indonesia mining operations averaged $1.24 per pound of copper in 2012, compared with $0.09 per pound in 2011. Higher unit net cash costs primarily reflected lower copper and gold sales volumes.

Africa Mining

Africa mining includes TFM's Tenke minerals district. We hold an effective 56 percent interest in the Tenke copper and cobalt mining concessions in the Katanga province of the DRC through our consolidated subsidiary TFM, and we are the operator of Tenke.

The Tenke operation includes surface mining, leaching and SX/EW operations. Copper production from the Tenke minerals district is sold as copper cathode. In addition to copper, the Tenke minerals district produces cobalt hydroxide.

Operating and Development Activities. 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 is performing well. 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, which has enabled 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 in 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.

During the second half of 2013, our Africa mining operations experienced several power interruptions that negatively impacted operating rates. Power availability has improved, and TFM continues to work with its power provider and DRC authorities to establish more consistent and reliable power availability.

Operating Data. Following is summary operating data for our Africa mining operations for the years ended December 31.

	2013	2012	2011
Copper (millions of recoverable pounds)			
Production	462	348	281
Sales	454	336	283
Average realized price per pound[a]	$ 3.21	$ 3.51	$ 3.74
Cobalt (millions of contained pounds)			
Production	28	26	25
Sales	25	25	25
Average realized price per pound	$ 8.02	$ 7.83	$ 9.99
Ore milled (metric tons per day)	14,900	13,000	11,100
Average ore grade (percent):			
Copper	4.22	3.62	3.41
Cobalt	0.37	0.37	0.40
Copper recovery rate (percent)	91.4	92.4	92.5

a. Includes point-of-sale transportation costs as negotiated in customer contracts.

2013 compared with 2012. Copper sales volumes from TFM increased to 454 million pounds in 2013, compared with 336 million pounds in 2012, primarily reflecting increased mining and milling rates resulting from the expansion project completed in early 2013, and higher ore grades.

Consolidated sales volumes from our Africa mining operations are expected to approximate 445 million pounds of copper and 30 million pounds of cobalt in 2014.

2012 compared with 2011. Copper sales volumes from our Africa mining operations increased to 336 million pounds of copper in 2012, compared with 283 million pounds of copper in 2011, primarily reflecting higher mining and milling rates principally related to the ramp-up of the expansion project.

Unit Net Cash Costs. Unit net cash costs per pound of copper is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Copper and Cobalt. The following tables summarize the unit net cash costs and gross profit per pound of copper and cobalt at our Africa mining operations for the years ended December 31. Refer to "Production Revenues and Production Costs" for an explanation of "by-product" and "co-product" methods and a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2013			2012		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Cobalt		Copper	Cobalt
Revenues, excluding adjustments[a]	$ 3.21	$ 3.21	$ 8.02	$ 3.51	$ 3.51	$ 7.83
Site production and delivery, before net noncash and other costs shown below	1.43	1.35	4.35	1.49	1.39	4.86
Cobalt credits[b]	(0.29)	—	—	(0.33)	—	—
Royalty on metals	0.07	0.06	0.14	0.07	0.06	0.12
Unit net cash costs	1.21	1.41	4.49	1.23	1.45	4.98
Depreciation, depletion and amortization	0.54	0.48	1.00	0.52	0.47	0.67
Noncash and other costs, net	0.06	0.06	0.11	0.09	0.08	0.11
Total unit costs	1.81	1.95	5.60	1.84	2.00	5.76
Revenue adjustments, primarily for pricing on prior period open sales	—	—	0.09	0.02	0.02	0.09
Gross profit per pound	$ 1.40	$ 1.26	$ 2.51	$ 1.69	$ 1.53	$ 2.16
Copper sales (millions of recoverable pounds)	454	454		336	336	
Cobalt sales (millions of contained pounds)			25			25

a. Includes point-of-sale transportation costs as negotiated in customer contracts.
b. Net of cobalt downstream processing and freight costs.

Lower unit net cash costs (net of cobalt credits) for our Africa mining operations of $1.21 per pound of copper in 2013, compared with $1.23 per pound of copper in 2012, primarily reflected higher copper sales volumes, partly offset by lower cobalt credits.

Assuming achievement of current sales volume and cost estimates, and an average cobalt market price of $12 per pound for 2014, average unit net cash costs (net of cobalt credits) are expected to approximate $1.28 per pound of copper in 2014. Africa's projected unit net cash costs for 2014 would change by $0.08 per pound for each $2 per pound change in the average price of cobalt during 2014.

	2012			2011		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Cobalt		Copper	Cobalt
Revenues, excluding adjustments[a]	$ 3.51	$ 3.51	$ 7.83	$ 3.74	$ 3.74	$ 9.99
Site production and delivery, before net noncash and other costs shown below	1.49	1.39	4.86	1.57	1.39	5.58
Cobalt credits[b]	(0.33)	—	—	(0.58)	—	—
Royalty on metals	0.07	0.06	0.12	0.08	0.07	0.16
Unit net cash costs	1.23	1.45	4.98	1.07	1.46	5.74
Depreciation, depletion and amortization	0.52	0.47	0.67	0.50	0.42	0.78
Noncash and other costs, net	0.09	0.08	0.11	0.20	0.18	0.32
Total unit costs	1.84	2.00	5.76	1.77	2.06	6.84
Revenue adjustments, primarily for pricing on prior period open sales	0.02	0.02	0.09	—	—	0.06
Gross profit per pound	$ 1.69	$ 1.53	$ 2.16	$ 1.97	$ 1.68	$ 3.21
Copper sales (millions of recoverable pounds)	336	336		283	283	
Cobalt sales (millions of contained pounds)			25			25

a. Includes point-of-sale transportation costs as negotiated in customer contracts.
b. Net of cobalt downstream processing and freight costs.

Unit net cash costs (net of cobalt credits) for our Africa mining operations of $1.23 per pound of copper in 2012 were higher than unit net cash costs of $1.07 per pound of copper in 2011, primarily reflecting higher mining and input costs (including sulphuric acid and energy) and lower cobalt credits, partly offset by higher volumes.

Molybdenum Mines

We have two wholly owned molybdenum mines in North America — the Henderson underground mine and the Climax open-pit mine, both in Colorado. The Henderson and Climax mines produce high-purity, chemical-grade molybdenum concentrates, which are typically further processed into value-added molybdenum chemical products. The majority of the molybdenum concentrates produced at the Henderson and Climax mines, as well as from certain of our North and South America copper mines, are processed at our own conversion facilities.

Operating Data. Following is summary operating data for the Molybdenum operations for the years ended December 31.

	2013	2012	2011
Molybdenum mines operating data			
Molybdenum production (millions of recoverable pounds)	49[a]	41[a]	38
Ore milled (metric tons per day)[b]	35,700	20,800	22,300
Average molybdenum ore grade (percent)[b]	0.19	0.23	0.24

a. Includes molybdenum production from the Climax mine since the start of commercial operations in May 2012.
b. The year 2013 reflects operating data for the Henderson and Climax mines; 2012 and 2011 reflect the operating data of only the Henderson mine.

Market conditions for molybdenum have declined in 2013 resulting from weak demand in the metallurgical sector and increased supply. We continue to monitor market conditions and will adjust our primary molybdenum production as market conditions warrant. Refer to "Consolidated Results" for our consolidated molybdenum operating data, which includes sales of molybdenum produced at our molybdenum mines and at our North and South America copper mines, and refer to "Outlook" for projected consolidated molybdenum sales volumes.

Unit Net Cash Costs. Unit net cash costs per pound of molybdenum is a measure intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for our respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measure may not be comparable to similarly titled measures reported by other companies.

Gross Profit per Pound of Molybdenum. The following table summarizes the unit net cash costs and gross profit per pound of molybdenum at our Henderson and Climax molybdenum mines for the year ended December 31, 2013, and at the Henderson mine for the years ended December 31, 2012, and 2011. Refer to "Product Revenues and Production Costs" for a reconciliation of unit net cash costs per pound to production and delivery costs applicable to sales reported in our consolidated financial statements.

	2013[a]	2012[a]	2011[a]
Revenues, excluding adjustments[b]	$11.65	$14.27	$16.42
Site production and delivery, before net noncash and other costs shown below	6.24	6.19	5.46
Treatment charges and other	0.91	0.88	0.88
Unit net cash costs	7.15	7.07	6.34
Depreciation, depletion and amortization	1.68	0.97	0.96
Noncash and other costs, net	0.29	0.24	0.04
Total unit costs	9.12	8.28	7.34
Gross profit per pound	$ 2.53	$ 5.99	$ 9.08
Molybdenum sales (millions of recoverable pounds)[b]	49	34	38

a. The year 2013 reflects operating data for the Henderson and Climax mines; 2012 and 2011 reflect the results of only the Henderson mine.
b. Revenues reflect sales of the molybdenum mines' production to our molybdenum sales company at market-based pricing. On a consolidated basis, realizations are based on actual contract terms of sales made to third parties. As a result, our consolidated average realized price per pound of molybdenum (refer to "Consolidated Results") will differ from the amounts reported in this table.

Average unit net cash costs for our molybdenum mines totaled $7.15 per pound of molybdenum in 2013, compared with Henderson's unit net cash costs of $7.07 per pound in 2012 and $6.34 per pound in 2011. Assuming achievement of current sales volume and cost estimates, we estimate unit net cash costs for the molybdenum mines to average $7.25 per pound of molybdenum in 2014.

Smelting & Refining

Atlantic Copper, our wholly owned subsidiary located in Spain, smelts and refines copper concentrates and markets refined copper and precious metals in slimes. During 2013, Atlantic Copper purchased 32 percent of its concentrate requirements from our South America mining operations, 16 percent from our Indonesia mining operations and 13 percent from our North America copper mines, with the remainder purchased from third parties. Through this form of downstream integration, we are assured placement of a significant portion of our concentrate production.

Smelting and refining charges consist of a base rate and, in certain contracts, price participation based on copper prices. Treatment charges for smelting and refining copper concentrates represent a cost to our mining operations, and income to Atlantic Copper and PT Smelting. Thus, higher treatment and refining charges benefit our smelter operations and adversely affect our mining operations. Our North America copper mines are less significantly affected by changes in treatment and refining charges because these operations are largely integrated with our wholly owned smelter located in Miami, Arizona.

We defer recognizing profits on sales from our mining operations to Atlantic Copper and on 25 percent of Indonesia mining's sales to PT Smelting until final sales to third parties occur. Changes in these deferrals attributable to variability in intercompany volumes resulted in net reductions to net income attributable to common stockholders of $17 million ($0.02 per share) in 2013, compared with net reductions of $80 million ($0.08 per share) in 2012 and net additions of $156 million ($0.16 per share) in 2011. Our net deferred profits on inventories at Atlantic Copper and PT Smelting to be recognized in future periods' net income attributable to common stockholders totaled $127 million at December 31, 2013. Quarterly variations in ore grades, the timing of intercompany shipments and changes in product prices will result in variability in our net deferred profits and quarterly earnings.

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 (collectively FM O&G). Our oil and gas operations provide exposure to energy markets with positive fundamentals, strong margins and cash flows, and a large resource base with financially attractive exploration and development opportunities. The portfolio of assets includes 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. In 2013, more than 90 percent of our oil and gas revenues were from oil and NGLs.

Exploration, Operating and Development Activities. Our oil and gas operations have 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 of asset sales.

Operating cash flows from oil and gas operations totaled $1.8 billion for the seven-month period following the acquisition date. Capital expenditures for our oil and gas operations totaled $1.45 billion for the seven-month period following the acquisition date, including $503 million incurred for Eagle Ford, $392 million for the GOM (principally Deepwater), $171 million for California and $197 million for the Inboard Lower Tertiary/Cretaceous natural gas trend. Capital expenditures for our oil and gas operations are projected to approximate $3 billion for 2014, including approximately $1.5 billion incurred for the Deepwater GOM, $0.4 billion for Eagle Ford and $0.3 billion for the Inboard Lower Tertiary/Cretaceous natural gas trend.

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 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 (BOEM). 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 first-quarter 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 MBbls of oil per day and 450 millon cubic feet (MMcf) of gas per day.

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 averaged 46 MBOE per day during the seven-month period following the acquisition date 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 our long established producing fields principally onshore in 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, is currently drilling and 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.

Financial and Operating Data. Following is summary operating results for the oil and gas operations:

	Seven Months From June 1, 2013, to December 31, 2013
Sales Volumes	
Oil (MMBbls)	26.6
Natural gas (Bcf)	54.2
NGLs (MMBbls)	2.4
MMBOE	38.1
Average Realizations[a]	
Oil (per barrel)	$98.32
Natural gas (per MMbtu)	$ 3.99
NGLs (per barrel)	$38.20
Gross Profit per BOE	
Realized revenues[a]	$ 76.87
Less: Cash production costs[a]	17.14
Cash operating margin[a]	59.73
Less: Depreciation, depletion and amortization	35.81
Less: Accretion and other costs	0.79
Revenue adjustments for unrealized losses on derivative contracts	(8.20)
Other net adjustments	0.04
Gross profit	$ 14.97

a. Cash operating margin for our oil and gas operations reflects realized revenues less cash production costs. Realized revenues exclude net unrealized and noncash realized losses on derivative contracts and cash production costs exclude accretion and other costs. For reconciliations of realized revenues (including average realizations for oil, natural gas and NGLs) and cash production costs per BOE to revenues and production and delivery costs reported in our consolidated financial statements, refer to "Product Revenues and Production Costs."

Realized revenues for our oil and gas operations averaged $76.87 per BOE and cash production costs averaged $17.14 per BOE for the seven-month period following the acquisition date. Based on current sales volume and cost estimates, cash production costs are expected to approximate $20 per BOE for 2014, primarily reflecting the impact of lower estimated volumes from planned downtime associated with platform maintenance and subsea tie-back upgrades on the Marlin facility in the GOM during third-quarter 2014.

Our average realized price for crude oil was $98.32 per barrel for the seven-month period following the acquisition date. Excluding the impact of realized derivative contracts, our average realized price for crude oil was $99.67 per barrel for the seven-month period following the acquisition date (92 percent of the average Brent crude oil price of $108.66 per barrel), reflecting quality and location differentials.

Our average realized price for natural gas was $3.99 per MMBtu for the seven-month period following the acquisition date. Excluding the impact of realized derivative contracts, our average realized price for natural gas was $3.73 per MMBtu for the seven-month period following the acquisition date, compared with NYMEX natural gas prices for the June through December 2013 contracts, which averaged $3.67 per MMBtu, reflecting quality and location differentials.

The following table presents average sales volumes per day by region for our oil and gas operations:

	Seven Months From June 1, 2013, to December 31, 2013
Sales Volumes (MBOE per day):	
GOM[a]	72
Eagle Ford	46
California	39
Haynesville/Madden/Other	21
Total oil and gas operations	178

a. Includes sales from properties on the GOM Shelf and in the Deepwater GOM. Production from the GOM Shelf totaled 13 MBOE per day (18 percent of the GOM total).

Daily sales volumes averaged 178 MBOE for the seven-month period following the acquisition date, including 124 MBbls of crude oil per day, 254 MMcf of natural gas per day and 11 MBbls of NGLs per day. Sales volumes from oil and gas operations are expected to average 166 MBOE per day for the year 2014, comprised of approximately 70 percent oil, 24 percent natural gas and 6 percent NGLs. Sales volumes for the year 2014 include the impacts of planned platform maintenance and subsea tie-back upgrades on the Marlin facility in the GOM during third-quarter 2014.

CAPITAL RESOURCES AND LIQUIDITY

Our consolidated operating cash flows vary with prices realized from copper, gold, molybdenum and oil, our sales volumes, production costs, income taxes, other working capital changes and other factors. We have taken steps to reduce or defer capital expenditures, and operating, exploration and other costs, and are targeting reductions in total debt to $12 billion by year-end 2016. We will continue to review our portfolio of assets for opportunities to accelerate our deleveraging plans through potential asset sales, joint venture transactions or further adjustments to capital spending plans.

Cash

Following is a summary of the U.S. and international components of consolidated cash and cash equivalents, including cash available to the parent company, net of noncontrolling interests' share, taxes and other costs at December 31 (in billions):

	2013	2012
Cash at domestic companies	$ 0.4	$ 1.3
Cash at international operations	1.6	2.4
Total consolidated cash and cash equivalents	2.0	3.7
Less: Noncontrolling interests' share	(0.6)	(0.8)
Cash, net of noncontrolling interests' share	1.4	2.9
Less: Withholding taxes and other	(0.1)	(0.2)
Net cash available	$ 1.3	$ 2.7

Cash held at our international operations is generally used to support our foreign operations' capital expenditures, operating expenses, working capital and other tax payments or other cash needs. Management believes that sufficient liquidity is available in

the U.S. from cash balances and availability from our revolving credit facility and uncommitted lines of credit (refer to Note 8). With the exception of TFM, we have not elected to permanently reinvest earnings from our foreign subsidiaries, and we have recorded deferred tax liabilities for foreign earnings that are available to be repatriated to the U.S. From time to time, our foreign subsidiaries distribute earnings to the U.S. through dividends that are subject to applicable withholding taxes and noncontrolling interests' share.

Debt

At December 31, 2013, we had total debt of $20.7 billion. Following is a summary of total debt and related weighted-average interest rates at December 31, 2013 (in billions, except percentages):

		Weighted-Average Interest Rate
Acquisition-related debt	$10.5[a]	3.0%
Assumed debt of PXP	6.7	6.8%
FCX's previously existing debt	3.5	3.4%
	$20.7	4.2%

a. Proceeds from the issuance of $6.5 billion of senior notes and a $4.0 billion unsecured term loan were used to finance the acquisitions of PXP and MMR, repay certain PXP debt and for general corporate purposes. Refer to Note 8 for further discussion.

Based on current sales volume and cost estimates and assuming average prices of $3.25 per pound of copper, $1,200 per ounce of gold, $9.50 per pound of molybdenum and $105 per barrel of Brent crude oil, we are targeting reductions in total debt to $12 billion by year-end 2016, most of which is projected to occur in 2016. We will continue to review our portfolio of assets and will consider opportunities to accelerate our deleveraging plans through potential asset sales, joint venture transactions or further adjustments to capital spending plans.

Upon closing of the PXP acquisition, we replaced our revolving credit facility with a new $3.0 billion senior unsecured revolving credit facility, which is available through May 2018. At December 31, 2013, we had no borrowings and $46 million of letters of credit issued under our revolving credit facility, resulting in availability of $3.0 billion.

In 2013, we entered into uncommitted unsecured lines of credit with three financial institutions totaling $450 million, which have terms and pricing that are more favorable than our revolving credit facility. As of December 31, 2013, there were no borrowings drawn on these lines of credit.

Cerro Verde expects to complete bank financing to fund a portion of its current expansion project in first-quarter 2014.

Operating Activities

We generated consolidated operating cash flows totaling $6.1 billion in 2013 (net of $377 million for working capital uses and changes in other tax payments), $3.8 billion in 2012 (net of $1.4 billion for working capital uses and changes in other tax payments) and $6.6 billion in 2011 (net of $461 million for working capital uses and changes in other tax payments).

Consolidated operating cash flows for 2013 benefited from our oil and gas operations (which generated $1.8 billion of operating cash flows for the seven-month period following the acquisition date), higher copper and gold sales volumes and a decrease in working capital uses and changes in other tax payments, primarily associated with changes in accrued income taxes, inventories and accounts receivable. Partly offsetting these increases was the impact of lower metals price realizations.

Lower consolidated operating cash flows for 2012, compared with 2011, primarily reflected lower copper and gold sales volumes, lower copper price realizations and an increase in working capital uses and changes in other tax payments, primarily associated with changes in accounts receivable, partly offset by timing of payments for accounts payable and accrued liabilities.

Based on current operating plans and subject to future copper, gold, molybdenum and crude oil prices, we expect estimated consolidated operating cash flows for the year 2014, plus available cash and availability under our revolving credit facility and uncommitted lines of credit, to be sufficient to fund our budgeted capital expenditures, dividends, noncontrolling interest distributions and other cash requirements for the year. Refer to "Outlook" for further discussion of projected consolidated operating cash flows for the year 2014.

Investing Activities

Capital Expenditures. Capital expenditures, including capitalized interest, totaled $5.3 billion in 2013, including $2.3 billion for major projects at mining operations and $1.45 billion for oil and gas operations for the seven-month period following the acquisition date. Capital expenditures, including capitalized interest, totaled $3.5 billion in 2012 ($2.2 billion for major projects at mining operations) and $2.5 billion in 2011 ($1.4 billion for major projects at mining operations).

Increased capital expenditures for major projects at mining operations in 2013 were primarily associated with the expansion projects at Morenci and Cerro Verde and our underground development activities at Grasberg, partly offset by decreased spending for the expansion at Tenke, which was completed in early 2013, and at the Climax mine, which began commercial operations in May 2012. Refer to "Operations" for further discussion.

Capital expenditures are expected to approximate $7 billion for the year 2014, including $3 billion for major projects at our mining operations and $3 billion for our oil and gas operations. Major projects at our mining operations for 2014 primarily include the ongoing expansion projects at Morenci and Cerro Verde and underground development activities at Grasberg. Capital spending plans remain under review and will be revised as market conditions warrant. Refer to "Operations" for further discussion.

Acquisitions. In second-quarter 2013, we paid $3.5 billion in cash (net of $315 million of cash acquired) to acquire PXP and $1.6 billion in cash (net of $29 million of cash acquired) to acquire MMR.

In first-quarter 2013, we paid $348 million (net of $34 million of cash acquired) to acquire a cobalt chemical refinery in Kokkola, Finland, and the related sales and marketing business. The acquisition was funded 70 percent by us and 30 percent by Lundin Mining Corporation, our joint venture partner.

Refer to Note 2 for further discussion of these acquisitions.

Financing Activities

Debt Transactions. During 2013, we sold $6.5 billion of senior notes in four tranches with a weighted-average interest rate of 3.9 percent, and we borrowed $4.0 billion under an unsecured bank term loan with an interest rate of LIBOR plus 1.50 percent. Net proceeds from these borrowings were used to fund the acquisitions of PXP and MMR, repay certain debt of PXP and for general corporate purposes.

Also in 2013, we redeemed the $299 million of MMR's outstanding 11.875% Senior Notes due 2014 and $400 million of PXP's 7⅝% Senior Notes due 2018 assumed in the acquisitions.

During 2012, we sold $3.0 billion of senior notes in three tranches with a weighted-average interest rate of approximately 3.0 percent. Net proceeds from this offering, plus cash on hand, were used to redeem the remaining $3.0 billion of our 8.375% Senior Notes.

During 2011, we redeemed the remaining $1.1 billion of our outstanding 8.25% Senior Notes. In addition, we made open-market purchases of $35 million of our 9.5% Senior Notes and repaid the remaining $84 million of our 8.75% Senior Notes.

Refer to Note 8 for further discussion of these transactions.

Dividends and Other Equity Transactions. We paid dividends on our common stock totaling $2.3 billion in 2013 (including $1.0 billion for a supplemental dividend of $1.00 per share paid in July 2013), $1.1 billion in 2012 and $1.4 billion in 2011 (including $474 million for a supplemental dividend paid in June 2011). The current annual dividend rate for our common stock is $1.25 per share ($0.3125 per share quarterly). Based on outstanding common shares of 1.0 billion at December 31, 2013, and the current dividend rate, our estimated regular common stock dividend for 2014 approximates $1.3 billion. The declaration of dividends is at the discretion of the Board and will depend upon our financial results, cash requirements, future prospects and other factors deemed relevant by the Board. The Board will continue to review our financial policy on an ongoing basis.

Cash dividends and other distributions paid to noncontrolling interests totaled $256 million in 2013, $113 million in 2012 and $391 million in 2011. Higher noncontrolling interest payments in 2013, compared with 2012, primarily reflected higher dividends to the noncontrolling interest holders of El Abra and Candelaria. Lower noncontrolling interest payments in 2012, compared with 2011, primarily reflected lower dividends to the noncontrolling interest holders of PT-FI as a result of lower production in 2012. These payments will vary based on the operating results and cash requirements of our consolidated subsidiaries.

Conversion of MMR's 8% Convertible Perpetual Preferred Stock and 5.75% Convertible Perpetual Preferred Stock, Series 1 required cash payments of $228 million during 2013. Refer to Note 2 for further discussion.

CONTRACTUAL OBLIGATIONS

We have contractual and other long-term obligations, including debt maturities, which we expect to fund with available cash, projected operating cash flows, availability under our revolving credit facility or future financing transactions, if necessary. A summary of these various obligations at December 31, 2013, follows (in millions):

	Total	2014	2015 to 2016	2017 to 2018	Thereafter
Debt maturities	$20,054	$ 312	$1,803	$4,400	$13,539
Scheduled interest payment obligations[a]	8,880	852	1,668	1,575	4,785
ARO and environmental obligations[b]	7,237	247	449	423	6,118
Take-or-pay contracts[c]	4,710	1,379	2,176	828	327
Operating lease obligations	336	45	84	75	132
Total[d]	$41,217	$2,835	$6,180	$7,301	$24,901

a. Scheduled interest payment obligations were calculated using stated coupon rates for fixed-rate debt and interest rates applicable at December 31, 2013, for variable-rate debt.

b. Represents estimated cash payments, on an undiscounted and unescalated basis, associated with ARO and environmental activities (including $1.8 billion for our recently acquired oil and gas operations). The timing and the amount of these payments could change as a result of changes in regulatory requirements, changes in scope and timing of ARO activities, the settlement of environmental matters and as actual spending occurs. Refer to Note 12 for additional discussion of environmental and ARO matters.

c. Represents contractual obligations for purchases of goods or service agreements enforceable and legally binding and that specify all significant terms, including minimum commitments for two deepwater drillships expected to be delivered in late 2014 and early 2015 for the GOM drilling campaign ($1.5 billion), transportation services ($853 million), the procurement of copper concentrates ($800 million), electricity ($471 million) and deferred premium costs and future interest expected to be accrued on the crude oil derivative contracts ($454 million). Some of our take-or-pay contracts are settled based on the prevailing market rate for the service or commodity purchased, and in some cases, the amount of the actual obligation may change over time because of market conditions. Drillship obligations provide for an operating rate over the contractual term upon delivery of the drillship. Transportation obligations are primarily for South America and PT-FI contracted ocean freight. Obligations for copper concentrates provide for deliveries of specified volumes to Atlantic Copper at market-based prices. Electricity obligations are primarily for contractual minimum demand at the South America and Tenke mines.

d. This table excludes certain other obligations in our consolidated balance sheets, such as estimated funding for pension obligations as the funding may vary from year to year based on changes in the fair value of plan assets and actuarial assumptions, accrued liabilities totaling $87 million that relate to unrecognized tax benefits where the timing of settlement is not determinable, and other less significant amounts.This table also excludes purchase orders for the purchase of inventory and other goods and services, as purchase orders typically represent authorizations to purchase rather than binding agreements.

In addition to our debt maturities and other contractual obligations discussed above, we have other commitments, which we expect to fund with available cash, projected operating cash flows, available credit facilities or future financing transactions, if necessary. These include (i) PT-FI's commitment to provide one percent of its annual revenue for the development of the local people in its area of operations through the Freeport Partnership Fund for Community Development, (ii) TFM's commitment to provide 0.3 percent of its annual revenue for the development of the local people in its area of operations and (iii) other commercial commitments, including standby letters of credit, surety bonds and guarantees. Refer to Notes 12 and 13 for further discussion.

CONTINGENCIES

Environmental

The cost of complying with environmental laws is a fundamental and substantial cost of our business. At December 31, 2013, we had $1.2 billion recorded in our consolidated balance sheets for environmental obligations attributed to CERCLA or analogous state programs and for estimated future costs associated with environmental obligations that are considered probable based on specific facts and circumstances.

During 2013, we incurred environmental capital expenditures and other environmental costs (including our joint venture partners' shares) of $595 million for programs to comply with applicable environmental laws and regulations that affect our operations, compared to $612 million in 2012 and $387 million in 2011. The increase in environmental costs in 2012, compared with 2011, primarily relates to higher expenditures for land and settlements of environmental matters. For 2014, we expect to incur approximately $475 million of aggregate environmental capital expenditures and other environmental costs, which are part of our overall 2014 operating budget. The timing and amount of estimated payments could change as a result of changes in regulatory requirements, changes in scope and timing of reclamation activities, the settlement of environmental matters and as actual spending occurs.

Refer to Note 12 for further information about environmental regulation, including significant environmental matters.

Asset Retirement Obligations

We recognize AROs as liabilities when incurred, with the initial measurement at fair value. These obligations, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to income. Mine reclamation costs for disturbances are recorded as an ARO in the period of disturbance. Oil and gas plugging and abandonment costs are recognized as an ARO and as a related asset retirement cost (included in oil and gas properties) in the period in which the well is drilled or acquired. Our cost estimates are reflected on a third-party cost basis and comply with our legal obligation to retire tangible, long-lived assets. At December 31, 2013, we had $2.3 billion recorded in our consolidated balance sheets for AROs, including $1.1 billion related to our oil and gas properties. Spending on AROs totaled $107 million in 2013, $47 million in 2012 and $49 million in 2011. The increase in ARO spending in 2013, compared to 2012 and 2011, primarily reflected $64 million for our oil and gas operations for the seven-month period following the acquisition date. For 2014, we expect to incur approximately $115 million for aggregate ARO payments. Refer to Note 12 for further discussion.

Litigation and Other Contingencies

Refer to Note 12 and "Legal Proceedings" contained in Part I, Item 3 of our annual report on Form 10-K for the year ended December 31, 2013, for further discussion of contingencies associated with legal proceedings and other matters.

DISCLOSURES ABOUT MARKET RISKS

Commodity Price Risk

Metals. Our consolidated revenues from our mining operations include the sale of copper concentrates, copper cathodes, copper rod, gold, molybdenum and other metals by our North and South America mines, the sale of copper concentrates (which also contain significant quantities of gold and silver) by our Indonesia mining operations, the sale of copper cathodes and cobalt hydroxide by our Africa mining operations, the sale of molybdenum in various forms by our molybdenum operations, and the sale of copper cathodes, copper anodes and gold in anodes and slimes by Atlantic Copper. Our financial results can vary significantly as a result of fluctuations in the market prices of copper, gold, molybdenum, silver and cobalt. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Because we cannot control the price of our products, the key measures that management focuses on in operating our mining business are sales volumes, unit net cash costs and consolidated operating cash flow. Refer to "Outlook" for further discussion of projected sales volumes, unit net cash costs for our copper mining operations and consolidated operating cash flows for 2014.

For 2013, 49 percent of our mined copper was sold in concentrate, 28 percent as cathode and 23 percent as rod. 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 LME monthly average spot copper prices. We receive market prices based on prices in the specified future period, which results in price fluctuations recorded through revenues until the date of

settlement. We record revenues and invoice customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on our provisionally priced concentrate and cathode sales that is adjusted to fair value through earnings each period, using the period-end forward prices, until the date of final pricing. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing. 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.

Following are the (unfavorable) favorable impacts of net adjustments to the prior years' provisionally priced copper sales for the years ended December 31 (in millions, except per share amounts):

	2013	2012	2011
Revenues	$ (26)	$ 101	$ (12)
Net income attributable to FCX common stockholders	$ (12)	$ 43	$ (5)
Net income per share of FCX common stock	$(0.01)	$0.05	$(0.01)

At December 31, 2013, we had provisionally priced copper sales at our copper mining operations, primarily South America and Indonesia, totaling 481 million pounds of copper (net of intercompany sales and noncontrolling interests) recorded at an average price of $3.34 per pound, subject to final pricing over the next several months. We estimate that each $0.05 change in the price realized from the December 31, 2013, provisional price recorded would have a net impact on our 2014 consolidated revenues of approximately $32 million ($16 million to net income attributable to common stockholders). The LME spot copper price closed at $3.25 per pound on February 14, 2014.

Oil & Gas. Our financial results from oil and gas operations may vary with fluctuations in crude oil prices and, to a lesser extent natural gas prices. Market prices for crude oil and natural gas have fluctuated historically and are affected by numerous factors beyond our control. Because we cannot control the price of our products, including oil and gas, the key measures that management focuses on in operating our oil and gas business are sales volumes, cash production costs per BOE and operating cash flows. Refer to "Outlook" for further discussion of projected sales volumes, cash production costs per BOE and operating cash flows for 2014.

Our oil and gas operations use various derivative contracts to manage exposure to commodity price risk for a substantial portion of its oil and gas production through 2015. In connection with the acquisition of PXP, we assumed derivative contracts for 2013, 2014 and 2015 that consisted of crude oil options, and crude oil and natural gas swaps. These crude oil and natural gas derivative contracts are not designated as hedging instruments; accordingly, they are recorded at fair value with the mark-to-market gains and losses recorded in revenues each period. Net charges to revenues for realized losses on crude oil and natural gas derivative contracts totaled $22 million ($14 million to net income attributable to FCX common stockholders or $0.01 per share) and net unrealized and noncash realized losses on crude oil and natural gas derivative contracts totaled $312 million ($194 million to net income attributable to FCX common stockholders or $0.19 per share) for the seven months from June 1, 2013, to December 31, 2013.

As of December 31, 2013, our crude oil and natural gas derivatives consisted of crude oil put options and natural gas swaps. Following presents the estimated (increase) decrease in the net liability on our balance sheet of a 10 percent change in Brent crude oil and NYMEX forward natural gas prices on the fair values of outstanding crude oil and natural gas derivative contracts, compared with the forward prices used to determine the fair values at December 31, 2013 (in millions):

	10% Increase	10% Decrease
Crude oil puts	$(72)	$146
Natural gas swaps	(14)	14
	$(86)	$160

At December 31, 2013, premium settlements of crude oil and natural gas derivative contracts are expected to result in realized losses of approximately $240 million for the year 2014. Refer to Note 14 for further discussion of our crude oil and natural gas derivative contracts. Our crude oil derivative arrangements provide us protection on the underlying volumes if prices decline below the prices at which these derivatives are set.

Foreign Currency Exchange Risk

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.

Following is a summary of estimated annual payments and the impact of changes in foreign currency rates on our annual operating costs:

	Exchange Rate per $1 at December 31,			Estimated Annual Payments		10% Change in Exchange Rate (in millions)[a]	
	2013	2012	2011	(in local currency)	(in millions)[b]	Increase	Decrease
Indonesia							
Rupiah	12,128	9,622	9,060	7.5 trillion	$ 618	$ (56)	$ 69
Australian dollar	1.12	0.93	0.98	300 million	$ 267	$ (24)	$ 30
South America							
Chilean peso	525	480	519	350 billion	$ 667	$ (61)	$ 74
Peruvian nuevo sol	2.80	2.55	2.70	570 million	$ 204	$ (19)	$ 23
Atlantic Copper							
Euro	0.73	0.76	0.77	130 million	$ 179	$ (16)	$ 20

a. Reflects the estimated impact on annual operating costs assuming a 10 percent increase or decrease in the exchange rate reported at December 31, 2013.
b. Based on December 31, 2013, exchange rates.

Interest Rate Risk

At December 31, 2013, we had total debt maturities of $20.1 billion, of which approximately 20 percent was variable-rate debt with interest rates based on the London Interbank Offered Rate or the Euro Interbank Offered Rate. The table below presents average interest rates for our scheduled maturities of principal for our outstanding debt (excluding fair value adjustments) and the related fair values at December 31, 2013 (in millions, except percentages):

	2014	2015	2016	2017	2018	Thereafter	Fair Value
Fixed-rate debt	$ 5	$ 502	$ 1	$ 500	$ 1,500	$ 13,397	$ 16,345
Average interest rate	6.8%	1.4%	6.7%	2.2%	2.4%	5.4%	4.9%
Variable-rate debt	$ 307	$ 550	$ 750	$ 200	$ 2,200	$ 142	$ 4,142
Average interest rate	1.6%	1.7%	1.7%	1.7%	1.7%	3.8%	1.7%

NEW ACCOUNTING STANDARDS

We do not expect the provisions of recently issued accounting standards to have a significant impact on our future financial statements and disclosures.

OFF-BALANCE SHEET ARRANGEMENTS

Refer to Note 13 for discussion of off-balance sheet arrangements.

PRODUCT REVENUES AND PRODUCTION COSTS

Mining Product Revenues and Unit Net Cash Costs

Unit net cash costs per pound of copper and molybdenum are measures intended to provide investors with information about the cash-generating capacity of our mining operations expressed on a basis relating to the primary metal product for the respective operations. We use this measure for the same purpose and for monitoring operating performance by our mining operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. This measure is presented by other metals mining companies, although our measures may not be comparable to similarly titled measures reported by other companies.

We present gross profit per pound of copper in the following tables using both a "by-product" method and a "co-product" method. We use the by-product method in our presentation of gross profit per pound of copper because (i) the majority of our revenues are copper revenues, (ii) we mine ore, which contains copper, gold, molybdenum and other metals, (iii) it is not possible to specifically assign all of our costs to revenues from the copper, gold, molybdenum and other metals we produce, (iv) it is the method used to compare mining operations in certain industry publications and (v) it is the method used by our management and the Board to monitor operations. In the co-product method presentation below, shared costs are allocated to the different products based on their relative revenue values, which will vary to the extent our metals sales volumes and realized prices change.

We show revenue adjustments for prior period open sales as separate line items. Because these adjustments do not result from current period sales, we have reflected these separately from revenues on current period sales. Noncash and other costs consist of items such as stock-based compensation costs, start-up costs, write-offs of equipment and/or unusual charges. They are removed from site production and delivery costs in the calculation of unit net cash costs. As discussed above, gold, molybdenum and other metal revenues at copper mines are reflected as credits against site production and delivery costs in the by-product method. The following schedules for our mining operations are presentations under both the by-product and co-product methods together with reconciliations to amounts reported in our consolidated financial statements.

Oil & Gas Product Revenues and Cash Production Costs per Unit

Realized revenues and cash production costs per unit are measures intended to provide investors with information about the cash operating margin of our oil and gas operations expressed on a basis relating to each product sold. We use this measure for the same purpose and for monitoring operating performance by our oil and gas operations. This information differs from measures of performance determined in accordance with U.S. GAAP and should not be considered in isolation or as a substitute for measures of performance determined in accordance with U.S. GAAP. Our measures may not be comparable to similarly titled measures reported by other companies.

We show revenue adjustments from derivative contracts as separate line items. Because these adjustments do not result from oil and gas sales, these gains and losses have been reflected separately from revenues on current period sales. Additionally, accretion and other costs are removed from production and delivery costs in the calculation of cash production costs per BOE. The following schedules include calculations of oil and gas product revenues and cash production costs together with a reconciliation to amounts reported in our consolidated financial statements.

North America Copper Mines Product Revenues and Production Costs

Year Ended December 31, 2013	By-Product Method	Co-Product Method			
		Copper	Molybdenum[a]	Other[b]	Total
(In millions)					
Revenues, excluding adjustments	$ 4,752	$ 4,752	$ 349	$106	$ 5,207
Site production and delivery, before net noncash and other costs shown below	2,828	2,744	123	74	2,941
By-product credits	(342)	—	—	—	—
Treatment charges	155	151	—	4	155
Net cash costs	2,641	2,895	123	78	3,096
Depreciation, depletion and amortization	391	378	7	6	391
Noncash and other costs, net	202[c]	200	1	1	202
Total costs	3,234	3,473	131	85	3,689
Revenue adjustments, primarily for pricing on prior period open sales	(4)	(4)	—	—	(4)
Gross profit	$ 1,514	$ 1,275	$ 218	$ 21	$ 1,514
Copper sales (millions of recoverable pounds)	1,416	1,416			
Molybdenum sales (millions of recoverable pounds)[a]			32		
Gross profit per pound of copper and molybdenum:					
Revenues, excluding adjustments	$ 3.36	$ 3.36	$10.79		
Site production and delivery, before net noncash and other costs shown below	2.00	1.94	3.79		
By-product credits	(0.24)	—	—		
Treatment charges	0.11	0.11	—		
Unit net cash costs	1.87	2.05	3.79		
Depreciation, depletion and amortization	0.28	0.27	0.22		
Noncash and other costs, net	0.14[c]	0.14	0.04		
Total unit costs	2.29	2.46	4.05		
Revenue adjustments, primarily for pricing on prior period open sales	—	—	—		
Gross profit per pound	$ 1.07	$ 0.90	$ 6.74		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 5,207	$ 2,941	$ 391
Treatment charges	—	155	—
Net noncash and other costs	—	202	—
Revenue adjustments, primarily for pricing on prior period open sales	(4)	—	—
Eliminations and other	(20)	(32)	11
North America copper mines	5,183	3,266	402
Other mining & eliminations[d]	13,118	7,885	1,020
Total mining	18,301	11,151	1,422
U.S. oil & gas operations	2,616	682	1,364
Corporate, other & eliminations	4	7	11
As reported in FCX's consolidated financial statements	$20,921	$11,840	$2,797

a. Reflects sales of molybdenum by certain of the North America copper mines to our molybdenum sales company at market-based pricing.
b. Includes gold and silver product revenues and production costs.
c. Includes $76 million ($0.05 per pound) associated with updated mine plans at Morenci that resulted in a loss in recoverable copper in leach stockpiles.
d. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

North America Copper Mines Product Revenues and Production Costs *(continued)*

Year Ended December 31, 2012	By-Product Method	Co-Product Method			
		Copper	Molybdenum[a]	Other[b]	Total
(In millions)					
Revenues, excluding adjustments	$4,908	$4,908	$ 468	$91	$5,467
Site production and delivery, before net noncash and other costs shown below	2,572	2,357	227	60	2,644
By-product credits	(487)	—	—	—	—
Treatment charges	161	147	—	14	161
Net cash costs	2,246	2,504	227	74	2,805
Depreciation, depletion and amortization	346	323	18	5	346
Noncash and other costs, net	138	134	3	1	138
Total costs	2,730	2,961	248	80	3,289
Revenue adjustments, primarily for pricing on prior period open sales	4	4	—	—	4
Gross profit	$2,182	$1,951	$ 220	$11	$2,182
Copper sales (millions of recoverable pounds)	1,347	1,347			
Molybdenum sales (millions of recoverable pounds)[a]			36		
Gross profit per pound of copper and molybdenum:					
Revenues, excluding adjustments	$ 3.64	$ 3.64	$13.00		
Site production and delivery, before net noncash and other costs shown below	1.91	1.75	6.32		
By-product credits	(0.36)	—	—		
Treatment charges	0.12	0.11	—		
Unit net cash costs	1.67	1.86	6.32		
Depreciation, depletion and amortization	0.26	0.24	0.48		
Noncash and other costs, net	0.10	0.10	0.09		
Total unit costs	2.03	2.20	6.89		
Revenue adjustments, primarily for pricing on prior period open sales	0.01	0.01	—		
Gross profit per pound	$ 1.62	$ 1.45	$ 6.11		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 5,467	$ 2,644	$ 346
Treatment charges	—	161	—
Net noncash and other costs	—	138	—
Revenue adjustments, primarily for pricing on prior period open sales	4	—	—
Eliminations and other	15	(10)	14
North America copper mines	5,486	2,933	360
Other mining & eliminations[c]	12,517	7,446	812
Total mining	18,003	10,379	1,172
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	7	3	7
As reported in FCX's consolidated financial statements	$18,010	$10,382	$1,179

a. Reflects sales of molybdenum by certain of the North America copper mines to our molybdenum sales company at market-based pricing.
b. Includes gold and silver product revenues and production costs.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

North America Copper Mines Product Revenues and Production Costs *(continued)*

Year Ended December 31, 2011	By-Product Method	Co-Product Method			
		Copper	Molybdenum[a]	Other[b]	Total
(In millions)					
Revenues, excluding adjustments	$4,968	$4,968	$ 546	$111	$5,625
Site production and delivery, before net noncash and other costs shown below	2,213	1,987	238	46	2,271
By-product credits	(599)	—	—	—	—
Treatment charges	138	132	—	6	138
Net cash costs	1,752	2,119	238	52	2,409
Depreciation, depletion and amortization	264	247	13	4	264
Noncash and other costs, net	166	161	4	1	166
Total costs	2,182	2,527	255	57	2,839
Revenue adjustments, primarily for pricing on prior period open sales	(1)	(1)	—	—	(1)
Gross profit	$2,785	$2,440	$ 291	$54	$2,785
Copper sales (millions of recoverable pounds)	1,244	1,244			
Molybdenum sales (millions of recoverable pounds)[a]			35		
Gross profit per pound of copper and molybdenum:					
Revenues, excluding adjustments	$ 3.99	$ 3.99	$15.72		
Site production and delivery, before net noncash and other costs shown below	1.78	1.60	6.86		
By-product credits	(0.48)	—	—		
Treatment charges	0.11	0.10	—		
Unit net cash costs	1.41	1.70	6.86		
Depreciation, depletion and amortization	0.21	0.20	0.39		
Noncash and other costs, net	0.13	0.13	0.09		
Total unit costs	1.75	2.03	7.34		
Revenue adjustments, primarily for pricing on prior period open sales	—	—	—		
Gross profit per pound	$ 2.24	$ 1.96	$ 8.38		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 5,625	$2,271	$ 264
Treatment charges	—	138	—
Net noncash and other costs	—	166	—
Revenue adjustments, primarily for pricing on prior period open sales	(1)	—	—
Eliminations and other	5	(10)	14
North America copper mines	5,629	2,565	278
Other mining & eliminations[c]	15,243	7,336	737
Total mining	20,872	9,901	1,015
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	8	(3)	7
As reported in FCX's consolidated financial statements	$20,880	$9,898	$1,022

a. Reflects sales of molybdenum by certain of the North America copper mines to our molybdenum sales company at market-based pricing.
b. Includes gold and silver product revenues and production costs.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

South America Mining Product Revenues and Production Costs

Year Ended December 31, 2013	By-Product Method	Co-Product Method		
		Copper	Other	Total
(In millions)				
Revenues, excluding adjustments	$4,366	$4,366	$374[a]	$4,740
Site production and delivery, before net noncash and other costs shown below	2,023[b]	1,875	170	2,045
By-product credits	(352)	—	—	—
Treatment charges	226	226	—	226
Net cash costs	1,897	2,101	170	2,271
Depreciation, depletion and amortization	346	323	23	346
Noncash and other costs, net	49	44	5	49
Total costs	2,292	2,468	198	2,666
Revenue adjustments, primarily for pricing on prior period open sales	(28)	(28)	—	(28)
Gross profit	$2,046	$1,870	$176	$2,046
Copper sales (millions of recoverable pounds)	1,325	1,325		
Gross profit per pound of copper:				
Revenues, excluding adjustments	$ 3.30	$ 3.30		
Site production and delivery, before net noncash and other costs shown below	1.53[b]	1.42		
By-product credits	(0.27)	—		
Treatment charges	0.17	0.17		
Unit net cash costs	1.43	1.59		
Depreciation, depletion and amortization	0.26	0.24		
Noncash and other costs, net	0.04	0.03		
Total unit costs	1.73	1.86		
Revenue adjustments, primarily for pricing on prior period open sales	(0.03)	(0.03)		
Gross profit per pound	$ 1.54	$ 1.41		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 4,740	$ 2,045	$ 346
Treatment charges	(226)	—	—
Net noncash and other costs	—	49	—
Revenue adjustments, primarily for pricing on prior period open sales	(28)	—	—
Eliminations and other	(1)	(25)	—
South America mining	4,485	2,069	346
Other mining & eliminations[c]	13,816	9,082	1,076
Total mining	18,301	11,151	1,422
U.S. oil & gas operations	2,616	682	1,364
Corporate, other & eliminations	4	7	11
As reported in FCX's consolidated financial statements	$20,921	$11,840	$2,797

a. Includes gold sales of 102 thousand ounces ($1,350 per ounce average realized price) and silver sales of 4.1 million ounces ($21.88 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.
b. Includes charges totaling $36 million ($0.03 per pound) associated with labor agreement costs at Cerro Verde.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

South America Mining Product Revenues and Production Costs *(continued)*

Year Ended December 31, 2012	By-Product Method	Co-Product Method		
		Copper	Other	Total
(In millions)				
Revenues, excluding adjustments	$4,462	$4,462	$355[a]	$4,817
Site production and delivery, before net noncash and other costs shown below	1,995[b]	1,846	173	2,019
By-product credits	(331)	—	—	—
Treatment charges	202	202	—	202
Net cash costs	1,866	2,048	173	2,221
Depreciation, depletion and amortization	287	272	15	287
Noncash and other costs, net	110	75	35	110
Total costs	2,263	2,395	223	2,618
Revenue adjustments, primarily for pricing on prior period open sales	106	106	—	106
Gross profit	$2,305	$2,173	$132	$2,305
Copper sales (millions of recoverable pounds)	1,245	1,245		
Gross profit per pound of copper:				
Revenues, excluding adjustments	$ 3.58	$ 3.58		
Site production and delivery, before net noncash and other costs shown below	1.60[b]	1.49		
By-product credits	(0.26)	—		
Treatment charges	0.16	0.16		
Unit net cash costs	1.50	1.65		
Depreciation, depletion and amortization	0.23	0.22		
Noncash and other costs, net	0.09	0.06		
Total unit costs	1.82	1.93		
Revenue adjustments, primarily for pricing on prior period open sales	0.09	0.09		
Gross profit per pound	$ 1.85	$ 1.74		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 4,817	$ 2,019	$ 287
Treatment charges	(202)	—	—
Net noncash and other costs	—	110	—
Revenue adjustments, primarily for pricing on prior period open sales	106	—	—
Eliminations and other	7	(15)	—
South America mining	4,728	2,114	287
Other mining & eliminations[c]	13,275	8,265	885
Total mining	18,003	10,379	1,172
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	7	3	7
As reported in FCX's consolidated financial statements	$18,010	$10,382	$1,179

a. Includes gold sales of 82 thousand ounces ($1,673 per ounce average realized price) and silver sales of 3.2 million ounces ($30.33 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.
b. Includes $16 million ($0.01 per pound) associated with labor agreement costs at Candelaria.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

South America Mining Product Revenues and Production Costs *(continued)*

Year Ended December 31, 2011	By-Product Method	Co-Product Method		
		Copper	Other	Total
(In millions)				
Revenues, excluding adjustments	$4,989	$4,989	$477[a]	$5,466
Site production and delivery, before net noncash and other costs shown below	1,826[b]	1,679	172	1,851
By-product credits	(452)	—	—	—
Treatment charges	219	219	—	219
Net cash costs	1,593	1,898	172	2,070
Depreciation, depletion and amortization	258	242	16	258
Noncash and other costs, net	82	75	7	82
Total costs	1,933	2,215	195	2,410
Revenue adjustments, primarily for pricing on prior period open sales	15	(4)	19	15
Gross profit	$3,071	$2,770	$301	$3,071
Copper sales (millions of recoverable pounds)	1,322	1,322		
Gross profit per pound of copper:				
Revenues, excluding adjustments	$ 3.77	$ 3.77		
Site production and delivery, before net noncash and other costs shown below	1.38[b]	1.27		
By-product credits	(0.35)	—		
Treatment charges	0.17	0.17		
Unit net cash costs	1.20	1.44		
Depreciation, depletion and amortization	0.20	0.18		
Noncash and other costs, net	0.06	0.05		
Total unit costs	1.46	1.67		
Revenue adjustments, primarily for pricing on prior period open sales	0.01	—		
Gross profit per pound	$ 2.32	$ 2.10		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 5,466	$1,851	$ 258
Treatment charges	(219)	—	—
Net noncash and other costs	—	82	—
Revenue adjustments, primarily for pricing on prior period open sales	15	—	—
Eliminations and other	(4)	(28)	—
South America mining	5,258	1,905	258
Other mining & eliminations[c]	15,614	7,996	757
Total mining	20,872	9,901	1,015
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	8	(3)	7
As reported in FCX's consolidated financial statements	$20,880	$9,898	$1,022

a. Includes gold sales of 101 thousand ounces ($1,580 per ounce average realized price) and silver sales of 3.2 million ounces ($36.81 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.
b. Includes $50 million ($0.04 per pound) for bonuses paid at Cerro Verde and El Abra pursuant to new labor agreements.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

Indonesia Mining Product Revenues and Production Costs

Year Ended December 31, 2013	By-Product Method	Co-Product Method			
		Copper	Gold	Silver	Total
(In millions)					
Revenues, excluding adjustments	$2,903	$2,903	$1,438	$61[a]	$4,402
Site production and delivery, before net noncash and other costs shown below	2,174	1,434	710	30	2,174
Gold and silver credits	(1,497)	—	—	—	—
Treatment charges	205	135	67	3	205
Royalty on metals	109	72	36	1	109
Net cash costs	991	1,641	813	34	2,488
Depreciation and amortization	247	163	80	4	247
Noncash and other costs, net	116	77	38	1	116
Total costs	1,354	1,881	931	39	2,851
Revenue adjustments, primarily for pricing on prior period open sales	1	1	(2)	—	(1)
PT Smelting intercompany loss	(19)	(12)	(6)	(1)	(19)
Gross profit	$1,531	$1,011	$ 499	$21	$1,531
Copper sales (millions of recoverable pounds)	885	885			
Gold sales (thousands of recoverable ounces)			1,096		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	$ 3.28	$ 3.28	$1,312		
Site production and delivery, before net noncash and other costs shown below	2.46	1.62	648		
Gold and silver credits	(1.69)	—	—		
Treatment charges	0.23	0.15	61		
Royalty on metals	0.12	0.08	33		
Unit net cash costs	1.12	1.85	742		
Depreciation and amortization	0.28	0.19	73		
Noncash and other costs, net	0.13	0.09	35		
Total unit costs	1.53	2.13	850		
Revenue adjustments, primarily for pricing on prior period open sales	—	—	(1)		
PT Smelting intercompany loss	(0.02)	(0.01)	(6)		
Gross profit per pound/ounce	$ 1.73	$ 1.14	$ 455		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 4,402	$ 2,174	$ 247
Treatment charges	(205)	—	—
Royalty on metals	(109)	—	—
Net noncash and other costs	—	116	—
Revenue adjustments, primarily for pricing on prior period open sales	(1)	—	—
PT Smelting intercompany loss	—	19	—
Indonesia mining	4,087	2,309	247
Other mining & eliminations[b]	14,214	8,842	1,175
Total mining	18,301	11,151	1,422
U.S. oil & gas operations	2,616	682	1,364
Corporate, other & eliminations	4	7	11
As reported in FCX's consolidated financial statements	$20,921	$11,840	$2,797

a. Includes silver sales of 2.9 million ounces ($21.32 per ounce average realized price).
b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

Indonesia Mining Product Revenues and Production Costs *(continued)*

Year Ended December 31, 2012	By-Product Method	Co-Product Method			
		Copper	Gold	Silver	Total
(In millions)					
Revenues, excluding adjustments	$2,564	$2,564	$1,522	$64[a]	$4,150
Site production and delivery, before net noncash and other costs shown below	2,230	1,378	818	34	2,230
Gold and silver credits	(1,589)	—	—	—	—
Treatment charges	152	94	56	2	152
Royalty on metals	93	58	34	1	93
Net cash costs	886	1,530	908	37	2,475
Depreciation and amortization	212	131	78	3	212
Noncash and other costs, net	82	50	30	2	82
Total costs	1,180	1,711	1,016	42	2,769
Revenue adjustments, primarily for pricing on prior period open sales	13	13	3	—	16
PT Smelting intercompany loss	(37)	(23)	(13)	(1)	(37)
Gross profit	$1,360	$ 843	$ 496	$21	$1,360
Copper sales (millions of recoverable pounds)	716	716			
Gold sales (thousands of recoverable ounces)			915		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	$ 3.58	$ 3.58	$1,664		
Site production and delivery, before net noncash and other costs shown below	3.12	1.93	894		
Gold and silver credits	(2.22)	—	—		
Treatment charges	0.21	0.13	61		
Royalty on metals	0.13	0.08	38		
Unit net cash costs	1.24	2.14	993		
Depreciation and amortization	0.30	0.18	85		
Noncash and other costs, net	0.11	0.07	33		
Total unit costs	1.65	2.39	1,111		
Revenue adjustments, primarily for pricing on prior period open sales	0.02	0.02	3		
PT Smelting intercompany loss	(0.05)	(0.03)	(15)		
Gross profit per pound/ounce	$ 1.90	$ 1.18	$ 541		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 4,150	$ 2,230	$ 212
Treatment charges	(152)	—	—
Royalty on metals	(93)	—	—
Net noncash and other costs	—	82	—
Revenue adjustments, primarily for pricing on prior period open sales	16	—	—
PT Smelting intercompany loss	—	37	—
Indonesia mining	3,921	2,349	212
Other mining & eliminations[b]	14,082	8,030	960
Total mining	18,003	10,379	1,172
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	7	3	7
As reported in FCX's consolidated financial statements	$18,010	$10,382	$1,179

a. Includes silver sales of 2.1 million ounces ($30.70 per ounce average realized price).
b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

Indonesia Mining Product Revenues and Production Costs *(continued)*

Year Ended December 31, 2011	By-Product Method	Co-Product Method			
		Copper	Gold	Silver	Total
(In millions)					
Revenues, excluding adjustments	$3,261	$3,261	$2,011	$97[a]	$5,369
Site production and delivery, before net noncash and other costs shown below	1,869[b]	1,135	700	34	1,869
Gold and silver credits	(2,090)	—	—	—	—
Treatment charges	156	95	58	3	156
Royalty on metals	137	83	52	2	137
Net cash costs	72	1,313	810	39	2,162
Depreciation and amortization	215	131	80	4	215
Noncash and other costs, net	33	20	12	1	33
Total costs	320	1,464	902	44	2,410
Revenue adjustments, primarily for pricing on prior period open sales	(12)	(12)	(18)	—	(30)
PT Smelting intercompany profit	111	67	41	3	111
Gross profit	$3,040	$1,852	$1,132	$56	$3,040
Copper sales (millions of recoverable pounds)	846	846			
Gold sales (thousands of recoverable ounces)			1,270		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	$ 3.85	$ 3.85	$1,583		
Site production and delivery, before net noncash and other costs shown below	2.21[b]	1.34	551		
Gold and silver credits	(2.47)	—	—		
Treatment charges	0.19	0.11	46		
Royalty on metals	0.16	0.10	41		
Unit net cash costs	0.09	1.55	638		
Depreciation and amortization	0.25	0.16	63		
Noncash and other costs, net	0.04	0.02	10		
Total unit costs	0.38	1.73	711		
Revenue adjustments, primarily for pricing on prior period open sales	(0.01)	(0.01)	(13)		
PT Smelting intercompany profit	0.13	0.08	32		
Gross profit per pound/ounce	$ 3.59	$ 2.19	$ 891		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 5,369	$1,869	$ 215
Treatment charges	(156)	—	—
Royalty on metals	(137)	—	—
Net noncash and other costs	—	33	—
Revenue adjustments, primarily for pricing on prior period open sales	(30)	—	—
PT Smelting intercompany profit	—	(111)	—
Indonesia mining	5,046	1,791	215
Other mining & eliminations[c]	15,826	8,110	800
Total mining	20,872	9,901	1,015
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	8	(3)	7
As reported in FCX's consolidated financial statements	$20,880	$9,898	$1,022

a. Includes silver sales of 2.7 million ounces ($36.18 per ounce average realized price).
b. Includes $66 million ($0.08 per pound) for bonuses and other strike-related costs.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

Africa Mining Product Revenues and Production Costs

Year Ended December 31, 2013	By-Product Method	Co-Product Method		
		Copper	Cobalt	Total
(In millions)				
Revenues, excluding adjustments[a]	$1,457	$1,457	$ 205	$1,662
Site production and delivery, before net noncash and other costs shown below	649	614	111	725
Cobalt credits[b]	(131)	—	—	—
Royalty on metals	29	26	3	29
Net cash costs	547	640	114	754
Depreciation, depletion and amortization	246	220	26	246
Noncash and other costs, net	29	26	3	29
Total costs	822	886	143	1,029
Revenue adjustments, primarily for pricing on prior period open sales	2	2	2	4
Gross profit	$ 637	$ 573	$ 64	$ 637
Copper sales (millions of recoverable pounds)	454	454		
Cobalt sales (millions of contained pounds)			25	
Gross profit per pound of copper/cobalt:				
Revenues, excluding adjustments[a]	$ 3.21	$ 3.21	$8.02	
Site production and delivery, before net noncash and other costs shown below	1.43	1.35	4.35	
Cobalt credits[b]	(0.29)	—	—	
Royalty on metals	0.07	0.06	0.14	
Unit net cash costs	1.21	1.41	4.49	
Depreciation, depletion and amortization	0.54	0.48	1.00	
Noncash and other costs, net	0.06	0.06	0.11	
Total unit costs	1.81	1.95	5.60	
Revenue adjustments, primarily for pricing on prior period open sales	—	—	0.09	
Gross profit per pound	$ 1.40	$ 1.26	$2.51	

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 1,662	$ 725	$ 246
Royalty on metals	(29)	—	—
Net noncash and other costs	—	29	—
Revenue adjustments, primarily for pricing on prior period open sales	4	—	—
Africa mining	1,637	754	246
Other mining & eliminations[c]	16,664	10,397	1,176
Total mining	18,301	11,151	1,422
U.S. oil & gas operations	2,616	682	1,364
Corporate, other & eliminations	4	7	11
As reported in FCX's consolidated financial statements	$20,921	$11,840	$2,797

a. Includes point-of-sale transportation costs as negotiated in customer contracts.
b. Net of cobalt downstream processing and freight costs.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

Africa Mining Product Revenues and Production Costs *(continued)*

Year Ended December 31, 2012	By-Product Method	Co-Product Method		
		Copper	Cobalt	Total
(In millions)				
Revenues, excluding adjustments[a]	$1,179	$1,179	$ 194	$1,373
Site production and delivery, before net noncash and other costs shown below	501	465	121	586
Cobalt credits[b]	(112)	—	—	—
Royalty on metals	25	22	3	25
Net cash costs	414	487	124	611
Depreciation, depletion and amortization	176	160	16	176
Noncash and other costs, net	29	26	3	29
Total costs	619	673	143	816
Revenue adjustments, primarily for pricing on prior period open sales	8	8	3	11
Gross profit	$ 568	$ 514	$ 54	$ 568
Copper sales (millions of recoverable pounds)	336	336		
Cobalt sales (millions of contained pounds)			25	
Gross profit per pound of copper/cobalt:				
Revenues, excluding adjustments[a]	$ 3.51	$ 3.51	$7.83	
Site production and delivery, before net noncash and other costs shown below	1.49	1.39	4.86	
Cobalt credits[b]	(0.33)	—	—	
Royalty on metals	0.07	0.06	0.12	
Unit net cash costs	1.23	1.45	4.98	
Depreciation, depletion and amortization	0.52	0.47	0.67	
Noncash and other costs, net	0.09	0.08	0.11	
Total unit costs	1.84	2.00	5.76	
Revenue adjustments, primarily for pricing on prior period open sales	0.02	0.02	0.09	
Gross profit per pound	$ 1.69	$ 1.53	$2.16	

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 1,373	$ 586	$ 176
Royalty on metals	(25)	—	—
Net noncash and other costs	—	29	—
Revenue adjustments, primarily for pricing on prior period open sales	11	—	—
Africa mining	1,359	615	176
Other mining & eliminations[c]	16,644	9,764	996
Total mining	18,003	10,379	1,172
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	7	3	7
As reported in FCX's consolidated financial statements	$18,010	$10,382	$1,179

a. Includes point-of-sale transportation costs as negotiated in customer contracts.
b. Net of cobalt downstream processing and freight costs.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

Africa Mining Product Revenues and Production Costs *(continued)*

Year Ended December 31, 2011	By-Product Method	Co-Product Method		
		Copper	Cobalt	Total
(In millions)				
Revenues, excluding adjustments[a]	$1,059	$1,059	$ 253	$1,312
Site production and delivery, before net noncash and other costs shown below	444	393	141	534
Cobalt credits[b]	(165)	—	—	—
Royalty on metals	24	20	4	24
Net cash costs	303	413	145	558
Depreciation, depletion and amortization	140	120	20	140
Noncash and other costs, net	57	49	8	57
Total costs	500	582	173	755
Revenue adjustments, primarily for pricing on prior period open sales	(1)	(1)	2	1
Gross profit	$ 558	$ 476	$ 82	$ 558
Copper sales (millions of recoverable pounds)	283	283		
Cobalt sales (millions of contained pounds)			25	
Gross profit per pound of copper/cobalt:				
Revenues, excluding adjustments[a]	$ 3.74	$ 3.74	$9.99	
Site production and delivery, before net noncash and other costs shown below	1.57	1.39	5.58	
Cobalt credits[b]	(0.58)	—	—	
Royalty on metals	0.08	0.07	0.16	
Unit net cash costs	1.07	1.46	5.74	
Depreciation, depletion and amortization	0.50	0.42	0.78	
Noncash and other costs, net	0.20	0.18	0.32	
Total unit costs	1.77	2.06	6.84	
Revenue adjustments, primarily for pricing on prior period open sales	—	—	0.06	
Gross profit per pound	$ 1.97	$ 1.68	$3.21	

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 1,312	$ 534	$ 140
Royalty on metals	(24)	—	—
Net noncash and other costs	—	57	—
Revenue adjustments, primarily for pricing on prior period open sales	1	—	—
Africa mining	1,289	591	140
Other mining & eliminations[c]	19,583	9,310	875
Total mining	20,872	9,901	1,015
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	8	(3)	7
As reported in FCX's consolidated financial statements	$20,880	$9,898	$1,022

a. Includes point-of-sale transportation costs as negotiated in customer contracts.
b. Net of cobalt downstream processing and freight costs.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

Molybdenum Mines Product Revenues and Production Costs

Years Ended December 31,	2013[a]	2012[a]	2011[a]
(In millions)			
Revenues, excluding adjustments[b]	$ 566	$ 484	$ 628
Site production and delivery, before net noncash and other costs shown below	303	210	209
Treatment charges and other	44	30	33
Net cash costs	347	240	242
Depreciation, depletion and amortization	82	33	37
Noncash and other costs, net	14	8	2
Total costs	443	281	281
Gross profit	$ 123	$ 203	$ 347
Molybdenum sales (millions of recoverable pounds)[b]	49	34	38
Gross profit per pound of molybdenum:			
Revenues, excluding adjustments[b]	$11.65	$14.27	$16.42
Site production and delivery, before net noncash and other costs shown below	6.24	6.19	5.46
Treatment charges and other	0.91	0.88	0.88
Unit net cash costs	7.15	7.07	6.34
Depreciation, depletion and amortization	1.68	0.97	0.96
Noncash and other costs, net	0.29	0.24	0.04
Total unit costs	9.12	8.28	7.34
Gross profit per pound	$ 2.53	$ 5.99	$ 9.08

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Year Ended December 31, 2013			
Totals presented above	$ 566	$ 303	$ 82
Treatment charges and other	(44)	—	—
Net noncash and other costs	—	14	—
Molybdenum mines	522	317	82
Other mining & eliminations[c]	17,779	10,834	1,340
Total mining	18,301	11,151	1,422
U.S. oil & gas operations	2,616	682	1,364
Corporate, other & eliminations	4	7	11
As reported in FCX's consolidated financial statements	$20,921	$11,840	$2,797
Year Ended December 31, 2012			
Totals presented above	$ 484	$ 210	$ 33
Treatment charges and other	(30)	—	—
Net noncash and other costs	—	8	—
Henderson mine	454	218	33
Climax mine	75	102	26
Molybdenum mines	529	320	59
Other mining & eliminations[c]	17,474	10,059	1,113
Total mining	18,003	10,379	1,172
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	7	3	7
As reported in FCX's consolidated financial statements	$18,010	$10,382	$1,179
Year Ended December 31, 2011			
Totals presented above	$ 628	$ 209	$ 37
Treatment charges and other	(33)	—	—
Net noncash and other costs	—	2	—
Henderson mine	595	211	37
Climax mine	—	48	8
Molybdenum mines	595	259	45
Other mining & eliminations[c]	20,277	9,642	970
Total mining	20,872	9,901	1,015
U.S. oil & gas operations	—	—	—
Corporate, other & eliminations	8	(3)	7
As reported in FCX's consolidated financial statements	$20,880	$ 9,898	$1,022

a. The year 2013 includes the combined results of the Henderson and Climax mines; the years 2012 and 2011 reflect the results of only the Henderson mine as start-up activities were still underway at the Climax mine.
b. Reflects sales of the molybdenum mines' production to FCX's molybdenum sales company at market-based pricing. On a consolidated basis, realizations are based on the actual contract terms for sales to third parties; as a result, FCX's consolidated average realized price per pound of molybdenum will differ from the amounts reported in this table.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16. Also includes amounts associated with FCX's molybdenum sales company, which includes sales of molybdenum produced by the molybdenum mines and by certain of the North and South America copper mines.

U.S. Oil & Gas Product Revenues and Cash Production Costs

Seven months from June 1, 2013, to December 31, 2013	Oil	Natural Gas	NGLs	Total Oil & Gas
(In millions)				
Oil and gas revenues before derivatives	$2,655	$202	$92	$2,949
Realized (losses) gains on derivative contracts	(36)	14	—	(22)
Realized revenues	$2,619	$216	$92	2,927
Less: cash production costs				653
Cash operating margin				2,274
Less: depreciation, depletion and amortization				1,364
Less: accretion and other costs				29
Plus: net unrealized and noncash realized losses on derivative contracts				(312)[a]
Plus: other net adjustments				1
Gross profit				$ 570
Oil (MMBbls)	26.6			
Gas (Bcf)		54.2		
NGLs (MMBbls)			2.4	
Oil Equivalents (MMBOE)				38.1

	Oil (per barrel)	Natural Gas (per MMBtu)	NGLs (per barrel)	Per BOE
Oil and gas revenues before derivatives	$99.67	$3.73	$38.20	$77.45
Realized (losses) gains on derivative contracts	(1.35)	0.26	—	(0.58)
Realized revenues	$98.32	$3.99	$38.20	76.87
Less: cash production costs				17.14
Cash operating margin				59.73
Less: depreciation, depletion and amortization				35.81
Less: accretion and other costs				0.79
Plus: net unrealized and noncash realized losses on derivative contracts				(8.20)[a]
Plus: other net adjustments				0.04
Gross profit				$14.97

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Revenues, before derivative contracts	$ 2,949	$ —	$ —
Realized losses on derivative contracts	(22)	—	—
Unrealized and noncash realized losses on derivative contracts	(312)[a]	—	—
Cash production costs	—	653	—
Accretion and other costs	—	29	—
Depreciation, depletion and amortization	—	—	1,364
Other net adjustments	1	—	—
U.S. oil & gas operations	2,616	682	1,364
Total mining[b]	18,301	11,151	1,422
Corporate, other & eliminations	4	7	11
As reported in FCX's consolidated financial statements	$20,921	$11,840	$2,797

a. Includes $85 million ($2.23 per BOE) of noncash losses realized on 2013 derivative contracts resulting from amounts recorded as part of acquisition accounting.
b. Represents the combined total for all mining operations and the related eliminations, as presented in Note 16.

CAUTIONARY STATEMENT

Our discussion and analysis contains forward-looking statements in which we discuss factors we believe may affect our future performance. Forward-looking statements are all statements other than statements of historical facts, such as projections or expectations relating to ore grades and milling rates, production and sales volumes, unit net cash costs, cash production costs per 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, crude oil and natural gas price changes, the impact of derivative positions, the impact of deferred intercompany profits on earnings, reserve estimates, and future dividend payments, debt reduction and share purchases. The words "anticipates," "may," "can," "plans," "believes," "potential," "estimates," "expects," "projects," "targets," "intends," "likely," "will," "should," "to be," and any similar expressions are intended to identify those assertions as forward-looking statements. The declaration of dividends is at the discretion of our Board and will depend on our financial results, cash requirements, future prospects, and other factors deemed relevant by the Board.

We caution readers that forward-looking statements are not guarantees of future performance and our actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include commodity prices, mine sequencing, production rates, industry risks, regulatory changes, political risks, the outcome of ongoing discussions with the Indonesian government regarding PT-FI's COW and the impact of the January 2014 regulations on PT-FI's exports and export duties, the potential effects of violence in Indonesia, the resolution of administrative disputes in the Democratic Republic of Congo, weather- and climate-related risks, labor relations, environmental risks, litigation results, currency translation risks, and other factors described in more detail under the heading "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2013, filed with the SEC as updated by our subsequent filings with the SEC.

Investors are cautioned that many of the assumptions on which our forward-looking statements are based are likely to change after our forward-looking statements are made, including for example commodity prices, which we cannot control, and production volumes and costs, some aspects of which we may or may not be able to control. Further, we may make changes to our business plans that could or will affect our results. We caution investors that we do not intend to update forward-looking statements more frequently than quarterly notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes, and we undertake no obligation to update any forward-looking statements.

Freeport-McMoRan Copper & Gold Inc.'s (the Company's) management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

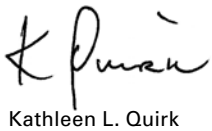
- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of the end of the fiscal year covered by this annual report on Form 10-K. In making this assessment, our management used the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Based on our management's assessment, management concluded that, as of December 31, 2013, our Company's internal control over financial reporting is effective based on the COSO criteria.

Ernst & Young LLP, an independent registered public accounting firm, who audited the Company's consolidated financial statements included in this Form 10-K, has issued an attestation report on the Company's internal control over financial reporting, which is included herein.

Richard C. Adkerson
Vice Chairman of the Board,
President and
Chief Executive Officer



Kathleen L. Quirk
Executive Vice President,
Chief Financial Officer and
Treasurer

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF FREEPORT-McMoRan COPPER & GOLD INC.

We have audited Freeport-McMoRan Copper & Gold Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Freeport-McMoRan Copper & Gold Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Freeport-McMoRan Copper & Gold Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Freeport-McMoRan Copper & Gold Inc. as of December 31, 2013 and 2012 and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2013, and our report dated February 27, 2014 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Phoenix, Arizona
February 27, 2014

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF FREEPORT-MCMORAN COPPER & GOLD INC.

We have audited the accompanying consolidated balance sheets of Freeport-McMoRan Copper & Gold Inc. as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Freeport-McMoRan Copper & Gold Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Freeport-McMoRan Copper & Gold Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 27, 2014 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Phoenix, Arizona
February 27, 2014

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31,	2013	2012	2011
(In millions, except per share amounts)			
Revenues	$20,921	$18,010	$20,880
Cost of sales:			
Production and delivery	11,840	10,382	9,898
Depreciation, depletion and amortization	2,797	1,179	1,022
Total cost of sales	14,637	11,561	10,920
Selling, general and administrative expenses	657	431	415
Mining exploration and research expenses	210	285	271
Environmental obligations and shutdown costs	66	(22)	134
Gain on insurance settlement	—	(59)	—
Total costs and expenses	15,570	12,196	11,740
Operating income	5,351	5,814	9,140
Interest expense, net	(518)	(186)	(312)
Losses on early extinguishment of debt	(35)	(168)	(68)
Gain on investment in McMoRan Exploration Co. (MMR)	128	—	—
Other (expense) income, net	(13)	27	58
Income before income taxes and equity in affiliated companies' net earnings	4,913	5,487	8,818
Provision for income taxes	(1,475)	(1,510)	(3,087)
Equity in affiliated companies' net earnings	3	3	16
Net income	3,441	3,980	5,747
Net income and preferred dividends attributable to noncontrolling interests	(783)	(939)	(1,187)
Net income attributable to FCX common stockholders	$ 2,658	$ 3,041	$ 4,560
Net income per share attributable to FCX common stockholders:			
Basic	$ 2.65	$ 3.20	$ 4.81
Diluted	$ 2.64	$ 3.19	$ 4.78
Weighted-average common shares outstanding:			
Basic	1,002	949	947
Diluted	1,006	954	955
Dividends declared per share of common stock	$ 2.25	$ 1.25	$ 1.50

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31,	2013	2012	2011
(In millions)			
Net income	$3,441	$3,980	$ 5,747
Other comprehensive income (loss), net of taxes:			
Defined benefit plans:			
Actuarial gains (losses) arising during the period	85	(66)	(137)
Prior service costs arising during the period	(21)	—	—
Amortization of unrecognized amounts included in net periodic benefit costs	30	26	15
Adjustment to deferred tax valuation allowance	—	(1)	(20)
Translation adjustments and unrealized losses on securities	4	(1)	(3)
Other comprehensive income (loss)	98	(42)	(145)
Total comprehensive income	3,539	3,938	5,602
Total comprehensive income and preferred dividends attributable to noncontrolling interests	(780)	(938)	(1,184)
Total comprehensive income attributable to FCX common stockholders	$2,759	$3,000	$ 4,418

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

Years Ended December 31,	2013	2012	2011
(In millions)			
Cash flow from operating activities:			
Net income	$ 3,441	$ 3,980	$ 5,747
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	2,797	1,179	1,022
Net losses on crude oil and natural gas derivative contracts	334	—	—
Gain on investment in MMR	(128)	—	—
Stock-based compensation	173	100	117
Pension plans contributions	(71)	(140)	(46)
Net charges for environmental and asset retirement obligations, including accretion	164	22	208
Payments for environmental and asset retirement obligations	(237)	(246)	(170)
Losses on early extinguishment of debt	35	168	68
Deferred income taxes	277	269	523
Increase in long-term mill and leach stockpiles	(431)	(269)	(262)
Other, net	162	128	(126)
(Increases) decreases in working capital and changes in other tax payments, excluding amounts from acquisitions:			
Accounts receivable	49	(365)	1,246
Inventories	(288)	(729)	(431)
Other current assets	26	(76)	(57)
Accounts payable and accrued liabilities	(359)	209	(387)
Accrued income taxes and changes in other tax payments	195	(456)	(832)
Net cash provided by operating activities	6,139	3,774	6,620
Cash flow from investing activities:			
Capital expenditures:			
North America copper mines	(1,066)	(825)	(494)
South America	(1,145)	(931)	(603)
Indonesia	(1,030)	(843)	(648)
Africa	(205)	(539)	(193)
Molybdenum mines	(164)	(245)	(438)
U.S. oil and gas operations	(1,436)	—	—
Other	(240)	(111)	(158)
Acquisition of Plains Exploration & Production Company, net of cash acquired	(3,465)	—	—
Acquisition of MMR, net of cash acquired	(1,628)	—	—
Acquisition of cobalt chemical business, net of cash acquired	(348)	—	—
Restricted cash and other, net	(181)	31	(1)
Net cash used in investing activities	(10,908)	(3,463)	(2,535)
Cash flow from financing activities:			
Proceeds from debt	11,501	3,029	48
Repayments of debt	(5,476)	(3,186)	(1,313)
Redemption of MMR preferred stock	(228)	—	—
Cash dividends and distributions paid:			
Common stock	(2,281)	(1,129)	(1,423)
Noncontrolling interests	(256)	(113)	(391)
Debt financing costs	(113)	(51)	(10)
Contributions from noncontrolling interests	—	15	62
Net (payments for) proceeds from stock-based awards	(97)	(1)	3
Excess tax benefit from stock-based awards	(1)	8	23
Net cash provided by (used in) financing activities	3,049	(1,428)	(3,001)
Net (decrease) increase in cash and cash equivalents	(1,720)	(1,117)	1,084
Cash and cash equivalents at beginning of year	3,705	4,822	3,738
Cash and cash equivalents at end of year	$ 1,985	$ 3,705	$ 4,822

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

December 31,	2013	2012
(In millions, except par value)		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,985	$ 3,705
Trade accounts receivable	1,728	927
Income taxes receivable	419	436
Other accounts receivable	415	266
Inventories:		
Materials and supplies, net	1,730	1,504
Mill and leach stockpiles	1,705	1,672
Product	1,583	1,400
Other current assets	407	387
Total current assets	9,972	10,297
Property, plant, equipment and mining development costs, net	24,042	20,999
Oil and gas properties, net – full cost method:		
Subject to amortization, less accumulated amortization of $1,357 as of December 31, 2013	12,472	—
Not subject to amortization	10,887	—
Long-term mill and leach stockpiles	2,386	1,955
Goodwill	1,916	—
Other assets	1,798	2,189
Total assets	$63,473	$35,440
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,700	$ 2,324
Dividends payable	333	299
Current portion of debt	312	2
Current portion of environmental and asset retirement obligations	236	241
Accrued income taxes	184	93
Current portion of deferred income taxes	8	384
Total current liabilities	4,773	3,343
Long-term debt, less current portion	20,394	3,525
Deferred income taxes	7,410	3,490
Environmental and asset retirement obligations, less current portion	3,259	2,127
Other liabilities	1,690	1,644
Total liabilities	37,526	14,129
Redeemable noncontrolling interest	716	—
Equity:		
FCX stockholders' equity:		
Common stock, par value $0.10, 1,165 shares and 1,073 shares issued, respectively	117	107
Capital in excess of par value	22,161	19,119
Retained earnings	2,742	2,399
Accumulated other comprehensive loss	(405)	(506)
Common stock held in treasury – 127 shares and 124 shares, respectively, at cost	(3,681)	(3,576)
Total FCX stockholders' equity	20,934	17,543
Noncontrolling interests	4,297	3,768
Total equity	25,231	21,311
Total liabilities and equity	$63,473	$35,440

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

	FCX Stockholders' Equity									
	Common Stock					Common Stock Held in Treasury				
	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Number of Shares	At Cost	Total FCX Stockholders' Equity	Noncontrolling Interests	Total Equity
(In millions)										
Balance at January 1, 2011	1,067	$107	$18,751	$(2,590)	$(323)	122	$(3,441)	$12,504	$2,056	$14,560
Exercised and issued stock-based awards	4	—	48	—	—	—	—	48	—	48
Stock-based compensation	—	—	117	—	—	—	—	117	—	117
Tax benefit for stock-based awards	—	—	24	—	—	—	—	24	—	24
Tender of shares for stock-based awards	—	—	67	—	—	1	(112)	(45)	—	(45)
Dividends on common stock	—	—	—	(1,424)	—	—	—	(1,424)	—	(1,424)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	—	(391)	(391)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	62	62
Total comprehensive income (loss)	—	—	—	4,560	(142)	—	—	4,418	1,184	5,602
Balance at December 31, 2011	1,071	107	19,007	546	(465)	123	(3,553)	15,642	2,911	18,553
Exercised and issued stock-based awards	2	—	15	—	—	—	—	15	—	15
Stock-based compensation	—	—	100	—	—	—	—	100	—	100
Tax benefit for stock-based awards	—	—	7	—	—	—	—	7	—	7
Tender of shares for stock-based awards	—	—	7	—	—	1	(23)	(16)	—	(16)
Dividends on common stock	—	—	—	(1,188)	—	—	—	(1,188)	—	(1,188)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	—	(113)	(113)
Change in ownership interests	—	—	(17)	—	—	—	—	(17)	17	—
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	15	15
Total comprehensive income (loss)	—	—	—	3,041	(41)	—	—	3,000	938	3,938
Balance at December 31, 2012	1,073	107	19,119	2,399	(506)	124	(3,576)	17,543	3,768	21,311
Common stock issued to acquire Plains Exploration & Production Company	91	9	2,822	—	—	—	—	2,831	—	2,831
Exchange of employee stock-based awards in connection with acquisitions	—	—	67	—	—	—	—	67	—	67
Exercised and issued stock-based awards	1	1	8	—	—	—	—	9	—	9
Stock-based compensation	—	—	153	—	—	—	—	153	—	153
Reserve on tax benefit for stock-based awards	—	—	(1)	—	—	—	—	(1)	—	(1)
Tender of shares for stock-based awards	—	—	—	—	—	3	(105)	(105)	—	(105)
Dividends on common stock	—	—	—	(2,315)	—	—	—	(2,315)	—	(2,315)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	—	(236)	(236)
Noncontrolling interests' share of contributed capital in subsidiary	—	—	(7)	—	—	—	—	(7)	7	—
Redeemable noncontrolling interest dividends and related interest	—	—	—	—	—	—	—	—	(22)	(22)
Total comprehensive income	—	—	—	2,658	101	—	—	2,759	780	3,539
Balance at December 31, 2013	1,165	$117	$22,161	$ 2,742	$(405)	127	$(3,681)	$20,934	$4,297	$25,231

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The consolidated financial statements of Freeport-McMoRan Copper & Gold Inc. (FCX) include the accounts of those subsidiaries where FCX directly or indirectly has more than 50 percent of the voting rights and has the right to control significant management decisions. The most significant entities that FCX consolidates include its 90.64 percent-owned subsidiary PT Freeport Indonesia (PT-FI), and its wholly owned subsidiaries, Freeport-McMoRan Corporation (FMC, formerly Phelps Dodge Corporation), Atlantic Copper, S.L.U. (Atlantic Copper) and FCX Oil & Gas Inc. (FM O&G). FCX acquired Plains Exploration & Production Company (PXP) and McMoRan Exploration Co. (MMR), collectively known as FM O&G, on May 31, 2013, and June 3, 2013, respectively. FCX's results of operations include PXP's results beginning June 1, 2013, and MMR's results beginning June 4, 2013 (refer to Note 2 for further discussion). FCX's unincorporated joint ventures with Rio Tinto plc (Rio Tinto) and Sumitomo Metal Mining Arizona, Inc. (Sumitomo) are reflected using the proportionate consolidation method (refer to Note 3 for further discussion). All significant intercompany transactions have been eliminated. Dollar amounts in tables are stated in millions, except per share amounts.

Investments in unconsolidated companies owned 20 percent or more are recorded using the equity method. Investments in companies owned less than 20 percent, and for which FCX does not exercise significant influence, are carried at cost.

Business Segments. Subsequent to the acquisitions of PXP and MMR, FCX has organized its operations into six primary divisions — North America copper mines, South America mining, Indonesia mining, Africa mining, Molybdenum mines and United States (U.S.) oil and gas operations. Notwithstanding this structure, FCX internally reports information on a mine-by-mine basis for its mining operations. Therefore, FCX concluded that its operating segments include individual mines or operations relative to its mining operations. For oil and gas operations, FCX determines its operating segments on a country-by-country basis. Operating segments that meet certain financial thresholds are reportable segments. Refer to Note 16 for further discussion.

Use of Estimates. The preparation of FCX's financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. The more significant areas requiring the use of management estimates include reserve estimation (minerals, and oil and natural gas); timing of transfers of oil and gas properties not subject to amortization into the full cost pool; asset lives for depreciation, depletion and amortization; environmental obligations; asset retirement obligations; estimates of recoverable copper in mill and leach stockpiles; deferred taxes and valuation allowances; reserves for contingencies and litigation; asset impairment, including estimates used to derive future cash flows associated with those assets; determination of fair value of assets acquired, liabilities assumed and redeemable noncontrolling interest, and recognition of goodwill and deferred taxes in connection with business combinations; pension benefits; and valuation of derivative instruments. Actual results could differ from those estimates.

Foreign Currencies. For foreign subsidiaries whose functional currency is the U.S. dollar, monetary assets and liabilities denominated in the local currency are translated at current exchange rates, and non-monetary assets and liabilities, such as inventories, property, plant, equipment and development costs, are translated at historical rates. Gains and losses resulting from translation of such account balances are included in net income, as are gains and losses from foreign currency transactions. The functional currency for the majority of FCX's foreign operations is the U.S. dollar.

Cash Equivalents. Highly liquid investments purchased with maturities of three months or less are considered cash equivalents.

Inventories. The components of inventories include materials and supplies, mill and leach stockpiles, and product inventories. Product inventories mostly include finished goods (primarily concentrates and cathodes) at mining operations, and concentrates and work-in-process at Atlantic Copper's smelting and refining operations (refer to Note 4 for further discussion). Mill and leach stockpiles, and inventories of materials and supplies, as well as salable products, are stated at the lower of weighted-average cost or market. Costs of finished goods and work-in-process (*i.e.*, not materials and supplies) inventories include labor and benefits, supplies, energy, depreciation, depletion, amortization, site overhead costs and other necessary costs associated with the extraction and processing of ore, including, depending on the process, mining, haulage, milling, concentrating, smelting, leaching, solution extraction, refining, roasting and chemical processing. Corporate general and administrative costs are not included in inventory costs.

Work-in-Process. In-process inventories include mill and leach stockpiles at mining operations and Atlantic Copper's in-process product inventories. In-process inventories represent materials that are currently in the process of being converted to a salable product. Conversion processes for mining operations vary depending on the nature of the copper ore and the specific mining operation. For sulfide ores, processing includes milling and concentrating and results in the production of copper and molybdenum concentrates or, alternatively, copper cathode by concentrate leaching. For oxide ores and certain secondary sulfide ores, processing includes leaching of stockpiles, solution extraction and electrowinning (SX/EW) and results in the production of copper cathodes. In-process stockpile material is measured based on assays of the material included in these

processes and projected recoveries. In-process inventories are valued based on the costs incurred to various points in the process, including depreciation relating to associated process facilities.

Both 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. The recorded cost of mill and leach stockpiles includes mining and haulage costs incurred to deliver ore to stockpiles, depreciation, depletion, amortization and site overhead costs. Material is removed from the stockpiles at a weighted-average cost per pound.

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 grade of the 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.

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 total copper recovery may be extracted during the first year, and the remaining copper may be recovered over many years.

Processes and recovery rates for mill and leach stockpiles are monitored regularly, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes. Adjustments to recovery rates will typically result in a future impact to the value of the material removed from the stockpiles at a revised weighted-average cost per pound of recoverable copper.

For Atlantic Copper, in-process inventories represent copper concentrates at various stages of conversion into anodes and cathodes. Atlantic Copper's in-process inventories are valued at the weighted-average cost of the material fed to the smelting and refining process plus in-process conversion costs.

Finished Goods. Finished goods for mining operations represent salable products (*e.g.,* copper and molybdenum concentrates, copper anodes, copper cathodes, copper rod, copper wire, molybdenum oxide, high-purity molybdenum chemicals and other metallurgical products, and various cobalt products). Finished goods are valued based on the weighted-average cost of source material plus applicable conversion costs relating to associated process facilities.

Property, Plant, Equipment and Mining Development Costs. Property, plant, equipment and mining development costs are carried at cost. Mineral exploration costs, as well as drilling and other costs incurred for the purpose of converting mineral resources to proven and probable reserves or identifying new mineral resources at development or production stage properties, are charged to expense as incurred. Development costs are capitalized beginning after proven and probable mineral reserves have been established. Development costs include costs incurred resulting from mine pre-production activities undertaken to gain access to proven and probable reserves, including shafts, adits, drifts, ramps, permanent excavations, infrastructure and removal of overburden. Additionally, interest expense allocable to the cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use.

Expenditures for replacements and improvements are capitalized. Costs related to periodic scheduled maintenance (*i.e.,* turnarounds) are charged to expense as incurred. Depreciation for mining and milling life-of-mine assets, infrastructure and other common costs is determined using the unit-of-production (UOP) method based on total estimated recoverable proven and probable copper reserves (for primary copper mines) and proven and probable molybdenum reserves (for primary molybdenum mines). Development costs and acquisition costs for proven and probable mineral reserves that relate to a specific ore body are depreciated using the UOP method based on estimated recoverable proven and probable mineral reserves for the ore body benefited. Depreciation, depletion and amortization using the UOP method is recorded upon extraction of the recoverable copper or molybdenum from the ore body, at which time it is allocated to inventory cost and then included as a component of cost of goods sold. Other assets are depreciated on a straight-line basis over estimated useful lives of up to 39 years for buildings and three to 25 years for machinery and equipment, and mobile equipment.

Included in property, plant, equipment and mining development costs is value beyond proven and probable mineral reserves (VBPP), primarily resulting from FCX's acquisition of FMC in 2007. The concept of VBPP has been interpreted differently by different mining companies. FCX's VBPP is attributable to (i) mineralized material, which includes measured and indicated amounts, that FCX believes could be brought into production with the establishment or modification of required permits and should market conditions and technical assessments warrant, (ii) inferred mineral resources and (iii) exploration potential.

Carrying amounts assigned to VBPP are not charged to expense until the VBPP becomes associated with additional proven and probable mineral reserves and the reserves are produced or the VBPP is determined to be impaired. Additions to proven and probable mineral reserves for properties with VBPP will carry with them the value assigned to VBPP at the date acquired, less any impairment amounts.

Oil and Gas Properties. FCX follows the full cost method of accounting specified by the U.S. Securities and Exchange Commission's (SEC) rules whereby all costs associated with oil and gas property acquisition, exploration and development activities are capitalized into a cost center on a country-by-country basis. Such costs include internal general and administrative costs, such as payroll and related benefits and costs directly attributable to employees engaged in acquisition, exploration and development activities. General and administrative costs associated with production, operations, marketing and general corporate activities are charged to expense as incurred. Capitalized costs, along with estimated future costs to develop proved reserves and asset retirement costs that are not already included in oil and gas properties, net of related salvage value, are amortized to expense under the UOP method using engineers' estimates of the related, by-country proved oil and natural gas reserves.

The costs of unproved oil and gas properties are excluded from amortization until the properties are evaluated. Costs are transferred into the amortization base on an ongoing basis as the properties are evaluated and proved oil and natural gas reserves are established or impairment is determined. Unproved oil and gas properties are assessed periodically, at least annually, to determine whether impairment has occurred. FCX assesses oil and gas properties on an individual basis or as a group if properties are individually insignificant. The assessment considers the following factors, among others: intent to drill, remaining lease term, geological and geophysical evaluations, drilling results and activity, the assignment of proved reserves and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and are then subject to amortization. The transfer of costs into the amortization base involves a significant amount of judgment and may be subject to changes over time based on drilling plans and results, geological and geophysical evaluations, the assignment of proved oil and natural gas reserves, availability of capital and other factors. Costs not subject to amortization consist primarily of capitalized costs incurred for undeveloped acreage and wells in progress pending determination, together with capitalized interest for these projects. The ultimate evaluation of the properties will occur over a period of several years. Interest costs totaling $69 million in 2013 were capitalized on oil and gas properties not subject to amortization and in the process of development. Proceeds from the sale of oil and gas properties are accounted for as reductions to capitalized costs unless the reduction causes a significant change in proved reserves, which absent other factors, is generally described as a 25 percent or greater change, and significantly alters the relationship between capitalized costs and proved reserves attributable to a cost center, in which case a gain or loss is recognized.

Under the SEC full cost accounting rules, FCX reviews the carrying value of its oil and gas properties each quarter on a country-by-country basis. Under these rules, capitalized costs of oil and gas properties (net of accumulated depreciation, depletion and amortization, and related deferred income taxes) for each cost center may not exceed a "ceiling" equal to:

- the present value, discounted at 10 percent, of estimated future net cash flows from the related proved oil and natural gas reserves, net of estimated future income taxes; plus
- the cost of the related unproved properties not being amortized; plus
- the lower of cost or estimated fair value of the related unproved properties included in the costs being amortized (net of related tax effects).

These rules require that FCX price its future oil and gas production at the twelve-month average of the first-day-of-the-month historical reference prices as adjusted for location and quality differentials. FCX's reference prices are West Texas Intermediate (WTI) for oil and the Henry Hub spot price for natural gas. Such prices are utilized except where different prices are fixed and determinable from applicable contracts for the remaining term of those contracts. The reserve estimates exclude the effect of any crude oil and natural gas derivatives FCX has in place. The estimated future net cash flows also exclude future cash outflows associated with settling asset retirement obligations included in the net book value of the oil and gas properties. The rules require an impairment if the capitalized costs exceed this "ceiling." At December 31, 2013, the ceiling with respect to FCX's oil and gas properties exceeded the net capitalized costs, and therefore, no impairment was recorded.

Goodwill. Goodwill has an indefinite useful life and is not amortized, but rather is tested for impairment at least annually during the fourth quarter, unless events occur or circumstances change between annual tests that would more likely than not reduce the fair value of a related reporting unit below its carrying value. Impairment occurs when the carrying amount of goodwill exceeds its implied fair value. FCX generally uses a discounted cash flow model to determine if the carrying value of a reporting unit, including goodwill, is less than the fair value of the reporting unit. FCX's approach to allocating goodwill includes the identification of the reporting unit it believes has contributed to the excess purchase price and includes consideration of the reporting unit's potential for future growth. Goodwill arose in 2013 with FCX's acquisitions of PXP and MMR, and has been

allocated to the U.S. oil and gas reporting unit. Events affecting crude oil and natural gas prices may cause a decrease in the fair value of the reporting unit, and FCX could have an impairment of its goodwill in future periods. When a sale of oil and gas properties occurs, goodwill is allocated to that property based on the relationship of the fair value of the property sold to the total reporting unit's fair value. A significant sale of oil and gas properties may represent a triggering event that requires goodwill to be evaluated for impairment.

Asset Impairment for Mining Operations. FCX reviews and evaluates its mining long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Mining long-lived assets are evaluated for impairment under the two-step model. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. Once it is determined that an impairment exists, an impairment loss is measured as the amount by which the asset carrying value exceeds its fair value. Fair value is generally determined using valuation techniques, such as discounted cash flows.

In evaluating mining operations' long-lived assets for recoverability, estimates of after-tax undiscounted future cash flows of FCX's individual mining operations are used, with impairment losses measured by reference to fair value. As quoted market prices are unavailable for FCX's individual mining operations, fair value is determined through the use of discounted estimated future cash flows. Estimated cash flows used to assess recoverability of long-lived assets and measure the fair value of FCX's mining operations are derived from current business plans, which are developed using near-term price forecasts reflective of the current price environment and management's projections for long-term average metal prices. Estimates of future cash flows include near- and long-term metal price assumptions; estimates of commodity-based and other input costs; proven and probable mineral reserve estimates, including any costs to develop the reserves and the timing of producing the reserves; and the use of appropriate current escalation and discount rates. FCX believes its estimates and models used to determine fair value are similar to what a market participant would use.

Deferred Mining Costs. Stripping costs (*i.e.,* the costs of removing overburden and waste material to access mineral deposits) incurred during the production phase of a mine are considered variable production costs and are included as a component of inventory produced during the period in which stripping costs are incurred. Major development expenditures, including stripping costs to prepare unique and identifiable areas outside the current mining area for future production that are considered to be pre-production mine development, are capitalized and amortized using the UOP method based on estimated recoverable proven and probable reserves for the ore body benefited. However, where a second or subsequent pit or major expansion is considered to be a continuation of existing mining activities, stripping costs are accounted for as a current production cost and a component of the associated inventory.

Environmental Expenditures. Environmental expenditures are charged to expense or capitalized, depending upon their future economic benefits. Accruals for such expenditures are recorded when it is probable that obligations have been incurred and the costs can be reasonably estimated. Environmental obligations attributed to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) or analogous state programs are considered probable when a claim is asserted, or is probable of assertion, and FCX, or any of its subsidiaries, have been associated with the site. Other environmental remediation obligations are considered probable based on specific facts and circumstances. FCX's estimates of these costs are based on an evaluation of various factors, including currently available facts, existing technology, presently enacted laws and regulations, remediation experience, whether or not FCX is a potentially responsible party (PRP) and the ability of other PRPs to pay their allocated portions. With the exception of those obligations assumed in the acquisition of FMC that were recorded at estimated fair values (refer to Note 12 for further discussion), environmental obligations are recorded on an undiscounted basis. Where the available information is sufficient to estimate the amount of the obligation, that estimate has been used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used. Possible recoveries of some of these costs from other parties are not recognized in the consolidated financial statements until they become probable. Legal costs associated with environmental remediation (such as fees to outside law firms for work relating to determining the extent and type of remedial actions and the allocation of costs among PRPs) are included as part of the estimated obligation.

Environmental obligations assumed in the acquisition of FMC, which were initially recorded at fair value and estimated on a discounted basis, are accreted to full value over time through charges to interest expense. Adjustments arising from changes in amounts and timing of estimated costs and settlements may result in increases and decreases in these obligations and are calculated in the same manner as they were initially estimated. Unless these adjustments qualify for capitalization, changes in environmental obligations are charged to operating income when they occur.

FCX performs a comprehensive review of its environmental obligations annually and also reviews changes in facts and circumstances associated with these obligations at least quarterly.

Asset Retirement Obligations. FCX records the fair value of estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Retirement obligations associated with long-lived assets are those for which

there is a legal obligation to settle under existing or enacted law, statute, written or oral contract or by legal construction. These obligations, which are initially estimated based on discounted cash flow estimates, are accreted to full value over time through charges to cost of sales. In addition, asset retirement costs (ARCs) are capitalized as part of the related asset's carrying value and are depreciated over the asset's respective useful life.

For mining operations, reclamation costs for disturbances are recognized as an ARO and as a related ARC (included in property, plant, equipment and mining development costs) in the period of the disturbance and depreciated primarily on a UOP basis. FCX's AROs for mining operations consist primarily of costs associated with mine reclamation and closure activities. These activities, which are site specific, generally include costs for earthwork, revegetation, water treatment and demolition (refer to Note 12 for further discussion).

For oil and gas properties, the fair value of the legal obligation is recognized as an ARO and as a related ARC (included in oil and gas properties) in the period in which the well is drilled or acquired and is amortized on a UOP basis together with other capitalized costs. Substantially all of FCX's oil and gas leases require that, upon termination of economic production, the working interest owners plug and abandon non-producing wellbores, remove platforms, tanks, production equipment and flow lines, and restore the wellsite (refer to Note 12 for further discussion).

At least annually, FCX reviews its ARO estimates for changes in the projected timing of certain reclamation and closure/restoration costs, changes in cost estimates and additional AROs incurred during the period.

Litigation Contingencies. At least quarterly, FCX assesses the likelihood of any adverse judgments or outcomes related to legal matters (including pending or threatened litigation matters), as well as ranges of potential losses. A determination of the amount of the reserve required, if any, for litigation contingencies is made after analysis of known issues. FCX records reserves related to legal matters for which it believes it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated. Where the available information is sufficient to estimate the amount of the obligation, that estimate has been used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been used. With respect to other matters for which management has concluded that a loss is only reasonably possible or remote, or not reasonably estimable, no liability has been recorded. For losses assessed as reasonably possible, FCX discloses the nature of the contingency and an estimate of the possible loss or range of loss or states that such an estimate cannot be made. Costs incurred to defend claims are charged to expense as incurred.

Litigation is inherently unpredictable, and it is difficult to project the outcome of particular matters with reasonable certainty; therefore, the actual amount of any loss could differ from the litigation contingencies reflected in FCX's consolidated financial statements. Refer to Note 12 for further discussion of FCX's litigation contingencies.

Income and Other Taxes. FCX accounts for deferred income taxes utilizing an asset and liability method, whereby deferred tax assets and liabilities are recognized based on the tax effects of temporary differences between the financial statements and the tax basis of assets and liabilities, as measured by current enacted tax rates (refer to Note 11 for further discussion). When appropriate, FCX evaluates the need for a valuation allowance to reduce deferred tax assets to amounts that are more likely than not realizable. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in income in the period in which such changes are enacted.

FCX accounts for uncertain income tax positions using a threshold and measurement criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FCX's policy associated with uncertain tax positions is to record accrued interest in interest expense and accrued penalties in other income and expenses rather than in the provision for income taxes (refer to Note 11 for further discussion).

With the exception of Tenke Fungurume Mining S.A.R.L. (TFM or Tenke) in the Democratic Republic of Congo (DRC), income taxes are provided on the earnings of FCX's material foreign subsidiaries under the assumption that these earnings will be distributed. FCX has determined that undistributed earnings related to TFM are reinvested indefinitely or have been allocated toward specifically identifiable needs of the local operations, including, but not limited to, certain contractual obligations and future plans for potential expansions of production capacity. Changes in contractual obligations or future plans for potential expansion could result in accrual of additional deferred income taxes related to undistributed earnings of TFM. FCX has not provided deferred income taxes for other differences between the book and tax carrying amounts of its investments in material foreign subsidiaries as FCX considers its ownership positions to be permanent in duration, and quantification of the related deferred tax liability is not practicable.

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

Derivative Instruments. FCX may enter into derivative contracts to manage certain risks resulting from fluctuations in commodity prices (primarily copper, gold, crude oil and natural gas), foreign currency exchange rates and interest rates by creating offsetting market exposures. Derivative instruments (including certain derivative instruments embedded in other contracts) are recorded in the balance sheet as either an asset or liability measured at its fair value. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation. Refer to Note 14 for a summary of FCX's outstanding derivative instruments at December 31, 2013, and a discussion of FCX's risk management strategies for those designated as hedges.

Revenue Recognition. FCX sells its products pursuant to sales contracts entered into with its customers. Revenue for all FCX's products is recognized when title and risk of loss pass to the customer and when collectibility is reasonably assured. The passing of title and risk of loss to the customer are based on terms of the sales contract, generally upon shipment or delivery of product.

Revenues from FCX's concentrate and cathode sales are recorded based on a provisional sales price or a final sales price calculated in accordance with the terms specified in the relevant sales contract. Revenues from concentrate sales are recorded net of treatment and all refining charges (including price participation, if applicable, as discussed below) and the impact of derivative contracts. Moreover, because a portion of the metals contained in copper concentrates is unrecoverable as a result of the smelting process, FCX's revenues from concentrate sales are also recorded net of allowances based on the quantity and value of these unrecoverable metals. These allowances are a negotiated term of FCX's contracts and vary by customer. Treatment and refining charges represent payments or price adjustments to smelters and refiners and are either fixed or, in certain cases, vary with the price of copper (referred to as price participation).

Under the long-established structure of sales agreements prevalent in the mining industry, copper contained in concentrate and cathode is generally provisionally priced at the time of shipment. The provisional prices are finalized in a specified future month (generally one to four months from the shipment date) based on quoted monthly average spot copper prices on the London Metal Exchange (LME) or the Commodity Exchange Inc. (COMEX), a division of the New York Mercantile Exchange (NYMEX). FCX receives market prices based on prices in the specified future month, which results in price fluctuations recorded to revenues until the date of settlement. FCX records revenues and invoices customers at the time of shipment based on then-current LME or COMEX prices, which results in an embedded derivative (*i.e.*, a pricing mechanism that is finalized after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale of the metals contained in the concentrates or cathodes at the then-current LME or COMEX price. FCX applies the normal purchases and normal sales scope exception in accordance with derivatives and hedge accounting guidance to the host contract in its concentrate or cathode sales agreements since these contracts do not allow for net settlement and always result in physical delivery. The embedded derivative does not qualify for hedge accounting and is adjusted to fair value through earnings each period, using the period-end forward prices, until the date of final pricing.

Gold sales are priced according to individual contract terms, generally the average London Bullion Market Association (London) price for a specified month near the month of shipment.

Substantially all of FCX's 2013 molybdenum sales were priced based on prices published in *Metals Week, Ryan's Notes* or *Metal Bulletin*, plus conversion premiums for products that undergo additional processing, such as ferromolybdenum and molybdenum chemical products. The majority of these sales use the average price of the previous month quoted by the applicable publication. FCX's remaining molybdenum sales generally have pricing that is either based on the current month published prices or a fixed price.

PT-FI concentrate sales and TFM metal sales are subject to certain royalties, which are recorded as a reduction to revenues (refer to Note 13 for further discussion).

Oil and gas revenue from FCX's interests in producing wells is recognized upon delivery and passage of title, net of any royalty interests or other profit interests in the produced product. Oil sales are primarily under contracts with prices based upon regional benchmarks. Approximately 50 percent of gas sales are priced monthly using industry recognized, published index pricing, and the remainder is priced daily on the spot market. Gas revenue is recorded using the sales method for gas imbalances. If FCX's sales of production volumes for a well exceed its portion of the estimated remaining recoverable reserves of the well, a liability is recorded. No receivables are recorded for those wells on which FCX has taken less than its ownership share of production unless the amount taken by other parties exceeds the estimate of their remaining reserves. There were no material gas imbalances at December 31, 2013.

Stock-Based Compensation. Compensation costs for share-based payments to employees are measured at fair value and charged to expense over the requisite service period for awards that are expected to vest. The fair value of stock options is determined using the Black-Scholes-Merton option valuation model. The fair value for stock-settled restricted stock units (RSUs) is based on FCX's stock price on the date of grant. Shares of common stock are issued at the vesting date for stock-settled RSUs. The fair value for liability-classified awards (*i.e.*, cash-settled stock appreciation rights (SARs) and cash-settled RSUs) is remeasured each reporting period using the Black-Scholes-Merton option valuation model for SARs and FCX's stock price for cash-settled RSUs. FCX estimates forfeitures at the time of grant and revises those estimates in subsequent periods through the

final vesting date of the awards if actual forfeitures differ from those estimates. FCX has elected to recognize compensation costs for stock option awards and SARs that vest over several years on a straight-line basis over the vesting period, and for RSUs on the graded-vesting method over the vesting period. Refer to Note 10 for further discussion.

Earnings Per Share. FCX's basic net income per share of common stock was calculated by dividing net income attributable to FCX common stockholders by the weighted-average shares of common stock outstanding during the year. A reconciliation of net income and weighted-average shares of common stock outstanding for purposes of calculating diluted net income per share for the years ended December 31 follows:

	2013	2012	2011
Net income	$3,441	$3,980	$ 5,747
Net income attributable to noncontrolling interests	(761)	(939)	(1,187)
Preferred dividends on redeemable noncontrolling interest	(22)	—	—
Net income attributable to FCX common stockholders	$2,658	$3,041	$ 4,560
Weighted-average shares of common stock outstanding (millions)	1,002	949	947
Add shares issuable upon exercise or vesting of dilutive stock options and restricted stock units (millions)	4[a]	5[a]	8[a]
Weighted-average shares of common stock outstanding for purposes of calculating diluted net income per share (millions)	1,006	954	955
Diluted net income per share attributable to FCX common stockholders	$ 2.64	$ 3.19	$ 4.78

a. Excluded shares of common stock associated with outstanding stock options with exercise prices less than the average market price of FCX's common stock that were anti-dilutive based on the treasury stock method totaled approximately one million for the years ended December 31, 2013 and 2012, and two million for the year ended December 31, 2011.

Outstanding stock options with exercise prices greater than the average market price of FCX's common stock during the year are excluded from the computation of diluted net income per share of common stock. Excluded stock options totaled 30 million with a weighted-average exercise price of $40.23 per option in 2013; 17 million with a weighted-average exercise price of $44.73 per option in 2012; and 4 million with a weighted-average exercise price of $53.91 per option in 2011.

Reclassifications. For comparative purposes, primarily the revision to FCX's presentation of its business segments, certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2. ACQUISITIONS

Oil and Gas. FCX acquired PXP on May 31, 2013, and MMR on June 3, 2013. These acquisitions added a portfolio of oil and gas assets to FCX's global mining business, creating a U.S.-based natural resources company. The portfolio of oil and gas assets includes 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 a position in the emerging shallow-water Inboard Lower Tertiary/Cretaceous natural gas trend on the Shelf of the GOM and onshore in South Louisiana (previously referred to as the ultra-deep gas trend). The acquisitions have been accounted for under the acquisition method, with FCX as the acquirer. As further discussed in Note 8, FCX issued $6.5 billion of unsecured senior notes in March 2013 for net proceeds of $6.4 billion, which was used, together with borrowings under a $4.0 billion unsecured five-year bank term loan, to fund the cash portion of the merger consideration for both transactions, to repay certain indebtedness of PXP and for general corporate purposes.

In the PXP acquisition, FCX acquired PXP for per-share consideration equivalent to 0.6531 shares of FCX common stock and $25.00 in cash. PXP stockholders had the right to elect to receive merger consideration in the form of cash or shares of FCX common stock, subject to the proration provisions in the merger agreement. Based on the final results of the merger consideration elections and as set forth in the merger agreement, FCX issued 91 million shares of its common stock and paid $3.8 billion in cash (which includes $411 million for the value of the $3 per share special dividend paid to PXP stockholders on May 31, 2013). Following is a summary of the $6.6 billion purchase price for PXP:

Number of shares of PXP common stock acquired (millions)	132.280
Exchange ratio of FCX common stock for each PXP share	0.6531
	86.392
Shares of FCX common stock issued for certain PXP equity awards (millions)	4.769
Total shares of FCX common stock issued (millions)	91.161
Closing share price of FCX common stock at May 31, 2013	$ 31.05
FCX stock consideration	$ 2,831
Cash consideration	3,725[a]
Employee stock-based awards, primarily cash-settled stock-based awards	83
Total purchase price	$ 6,639

a. Cash consideration included the payment of $25.00 in cash for each PXP share ($3.3 billion), cash paid in lieu of any fractional shares of FCX common stock, cash paid for certain equity awards ($7 million), and the value of the $3 per share PXP special cash dividend ($411 million) paid on May 31, 2013.

In the MMR acquisition, for each MMR share owned, MMR shareholders received $14.75 in cash and 1.15 units of a royalty trust, which holds a 5 percent overriding royalty interest in future production from MMR's Inboard Lower Tertiary/Cretaceous exploration prospects that existed as of December 5, 2012, the date of the merger agreement. MMR conveyed the royalty interests to the royalty trust immediately prior to the effective time of the merger, and they were "carved out" of the mineral interests that were acquired by FCX and not considered part of purchase consideration.

Prior to June 3, 2013, FCX owned 500,000 shares of MMR's 5.75% Convertible Perpetual Preferred Stock, Series 2, which was accounted for under the cost method and recorded on FCX's balance sheet at $432 million on May 31, 2013. Through its acquisition of PXP on May 31, 2013, FCX acquired 51 million shares of MMR's common stock, which had a fair value of $848 million on that date based upon the closing market price of MMR's common stock ($16.63 per share, *i.e.*, Level 1 measurement). As a result of FCX obtaining control of MMR on June 3, 2013, FCX remeasured its ownership interests in MMR to a fair value of $1.4 billion, resulting in a gain of $128 million that was recorded in second-quarter 2013. Fair value was calculated using the closing quoted market price of MMR's common stock on June 3, 2013, of $16.75 per share (*i.e.,* Level 1 measurement) and a valuation model using observable inputs (*i.e.*, Level 2 measurement) for the preferred stock. Following is a summary of the $3.1 billion purchase price for MMR:

Number of shares of MMR common stock acquired (millions)	112.362[a]
Cash consideration of $14.75 per share	$ 14.75
Cash consideration paid by FCX	$ 1,657
Employee stock-based awards	63
Total	1,720
Fair value of FCX's investment in 51 million shares of MMR common stock acquired on May 31, 2013, through the acquisition of PXP	854
Fair value of FCX's investment in MMR's 5.75% Convertible Perpetual Preferred Stock, Series 2	554
Total purchase price	$ 3,128

a. Excluded 51 million shares of MMR common stock owned by FCX through its acquisition of PXP on May 31, 2013.

The following table summarizes the preliminary purchase price allocations for PXP and MMR as of December 31, 2013:

	PXP	MMR	Eliminations	Total
Current assets	$ 1,193	$ 98	$ —	$ 1,291
Oil and gas properties – full cost method:				
Subject to amortization	11,447	756	—	12,203
Not subject to amortization.	9,401	1,686	—	11,087
Property, plant and equipment	261	1	—	262
Investment in MMR[a]	848	—	(848)	—
Other assets	12	423	—	435
Current liabilities	(906)	(174)	—	(1,080)
Debt (current and long-term)	(10,631)	(620)	—	(11,251)
Deferred income taxes[b]	(3,916)	—	—	(3,916)
Other long-term liabilities	(799)	(262)	—	(1,061)
Redeemable noncontrolling interest	(708)	(259)	—	(967)
Total fair value, excluding goodwill	6,202	1,649	(848)	7,003
Goodwill[c]	437	1,479	—	1,916
Total purchase price	$ 6,639	$ 3,128	$ (848)	$ 8,919

a. PXP owned 51 million shares of MMR common stock, which was eliminated in FCX's consolidated balance sheet at the acquisition date of MMR.
b. Deferred income taxes have been recognized based on the estimated fair value adjustments to net assets using a 38 percent tax rate, which reflected the 35 percent federal statutory rate and a 3 percent weighted-average of the applicable statutory state tax rates (net of federal benefit).
c. During the fourth quarter of 2013, FCX conducted a qualitative goodwill impairment assessment by examining relevant events and circumstances that could have a negative impact on FCX's goodwill, such as macroeconomic conditions, industry and market conditions, cost factors that have a negative effect on earnings and cash flows, overall financial performance, dispositions and acquisitions, and any other relevant events or circumstances. After assessing the relevant events and circumstances for the qualitative impairment assessment, FCX determined that performing a quantitative goodwill impairment test was unnecessary, and no goodwill impairment was recognized.

In accordance with the acquisition method of accounting, the purchase price from FCX's acquisitions of both PXP and MMR has been allocated to the assets acquired, liabilities assumed and redeemable noncontrolling interest based on their estimated fair values on the respective acquisition dates. The fair value estimates were based on, but not limited to, quoted market prices, where available; expected future cash flows based on estimated reserve quantities; costs to produce and develop reserves; current replacement cost for similar capacity for certain fixed assets; market rate assumptions for contractual obligations; appropriate discount rates and growth rates, and crude oil and natural gas forward prices. The excess of the total consideration over the estimated fair value of the amounts initially assigned to the identifiable assets acquired, liabilities assumed and redeemable noncontrolling interest has been recorded as goodwill. Goodwill

recorded in connection with the acquisitions is not deductible for income tax purposes.

The final valuation of assets acquired, liabilities assumed and redeemable noncontrolling interest is not complete and the net adjustments to those values may result in changes to goodwill and other carrying amounts initially assigned to the assets, liabilities and redeemable noncontrolling interest based on the preliminary fair value analysis. The principal remaining items to be valued are tax assets and liabilities, and any related valuation allowances, which will be finalized in connection with the filing of related tax returns. A summary of the 2013 adjustments to the initial fair values assigned to assets acquired, liabilities assumed and redeemable noncontrolling interest from the acquisitions follows:

	PXP	MMR	Total
Increase in current assets (primarily current deferred income tax asset)	$ 183	$ 2	$ 185
Decreases in oil and gas properties – full cost method:			
Subject to amortization	—	(45)	(45)
Not subject to amortization	(234)	(6)	(240)
Increase in other assets (deferred income tax asset)	—	24	24
Net increase in deferred income tax liability	(45)	—	(45)
Net decrease (increase) in other liabilities (primarily warrants)	77	(4)	73
Decrease in redeemable noncontrolling interest	41	—	41
(Decrease) increase in goodwill	(17)	29	12

The fair value measurement of the oil and gas properties, asset retirement obligations included in other liabilities (refer to Note 12 for further discussion) and redeemable noncontrolling interest were based, in part, on significant inputs not observable in the market (as discussed above) and thus represents a Level 3 measurement. The fair value measurement of long-term debt, including the current portion, was based on prices obtained from a readily available pricing source and thus represents a Level 2 measurement.

Goodwill arose on these acquisitions principally because of limited drilling activities to date and the absence of production history and material reserve data associated with the very large geologic potential of an emerging trend targeting deep-seated structures in the shallow waters of the GOM and onshore analogous to large discoveries in the Deepwater GOM and other proven basins' prospects. In addition, goodwill also resulted from the requirement to recognize deferred taxes on the difference between the fair value and the tax basis of the acquired assets.

For the seven-month period from June 1, 2013, to December 31, 2013, FM O&G contributed revenue of $2.6 billion and operating income of $450 million to FCX's consolidated results. FCX's acquisition-related costs associated with the acquisitions of PXP and MMR totaled $74 million for the year ended December 31, 2013, which were included in selling, general and administrative expenses in the consolidated statements of income. In addition, FCX deferred debt issuance costs of $96 million in connection with the debt financings of the acquisitions (refer to Note 8 for further discussion of the debt financings), which are included in other assets in the consolidated balance sheet as of December 31, 2013.

Redeemable Noncontrolling Interest — PXP. In 2011, PXP issued (i) 450,000 shares of Plains Offshore Operations Inc. (Plains Offshore, a consolidated subsidiary) 8% Convertible Preferred Stock (Preferred Stock) for gross proceeds of $450 million and (ii) non-detachable warrants with an exercise price of $20 per share to purchase in aggregate 9.1 million shares of Plains Offshore's common stock. In addition, Plains Offshore issued 87 million shares of Plains Offshore Class A common stock, which will be held in escrow until the conversion and cancellation of the Preferred Stock or the exercise of the warrants. Plains Offshore holds certain of FM O&G's oil and gas properties and assets located in the GOM in water depths of 500 feet or more, including the Lucius oil field and the Phobos discovery, but excluding the properties acquired by PXP in 2012 from BP Exploration & Production Inc., BP America Production Company and Shell Offshore Inc. The Preferred Stock represents a 20 percent equity interest in Plains Offshore and is entitled to a dividend of 8 percent per annum, payable quarterly, of which 2 percent may be deferred ($23 million of accumulated deferred dividends as of December 31, 2013). The preferred holders are entitled to vote on all matters on which Plains Offshore common stockholders are entitled to vote. The shares of Preferred Stock also fully participate, on an as-converted basis at four times, in cash dividends distributed to any class of common stockholders of Plains Offshore. Plains Offshore has not distributed any dividends to its common stockholders.

The holders of the Preferred Stock (preferred holders) have the right, at any time at their option, to convert any or all of such holder's shares of Preferred Stock and exercise any of the associated non-detachable warrants into shares of Class A common stock of Plains Offshore, at an initial conversion/exercise price of $20 per share; the conversion price is subject to adjustment as a result of certain events. Furthermore, Plains Offshore has the right to convert all or a portion of the outstanding shares of Preferred Stock if certain events occur more than 180 days after an initial public offering or a qualified public offering of Plains Offshore. FM O&G also has a right to purchase shares of Plains Offshore preferred stock, common stock and warrants under certain circumstances in order to permit the consolidation of Plains Offshore for federal income tax purposes. Additionally, at any time on or after November 17, 2016, the fifth anniversary of the closing date, FM O&G may exercise a call right to purchase all, but not less than all, of the outstanding shares of Preferred Stock and associated non-detachable warrants for cash, at a price equal to the liquidation preference described below.

At any time after November 17, 2015, the fourth anniversary of the closing date, a majority of the preferred holders may cause

Plains Offshore to use its commercially reasonable efforts to consummate an exit event. An exit event, as defined in the stockholders agreement, means, at the sole option of Plains Offshore (i) the purchase by FM O&G or the redemption by Plains Offshore of all the preferred stock, warrants and common stock held by the preferred holders for the aggregate fair value thereof; (ii) a sale of Plains Offshore or a sale of all or substantially all of its assets, in each case in an arms' length transaction with a third party, at the highest price available after reasonable marketing efforts by Plains Offshore; or (iii) a qualified initial public offering. In the event that Plains Offshore fails to consummate an exit event prior to the applicable exit event deadline, the conversion price of the Preferred Stock and the exercise price of the warrants will immediately and automatically be adjusted such that all issued and outstanding shares of Preferred Stock on an as-converted basis taken together with shares of Plains Offshore common stock issuable upon exercise of the warrants, in the aggregate, will constitute 49 percent of the common equity securities of Plains Offshore on a fully diluted basis. In addition, FM O&G would be required to purchase $300 million of junior preferred stock in Plains Offshore.

In the event of liquidation of Plains Offshore, each preferred holder is entitled to receive the liquidation preference before any payment or distribution is made on any Plains Offshore junior preferred stock or common stock. A liquidation event includes any of the following events: (i) the liquidation, dissolution or winding up of Plains Offshore, whether voluntary or involuntary, (ii) a sale, consolidation or merger of Plains Offshore in which the stockholders immediately prior to such event do not own at least a majority of the outstanding shares of the surviving entity, or (iii) a sale or other disposition of all or substantially all of Plains Offshore's assets to a person other than FM O&G or its affiliates. The liquidation preference, as defined in the stockholders agreement, is equal to (i) the greater of (a) 1.25 times the initial offering price or (b) the sum of (1) the fair market value of the shares of common stock issuable upon conversion of the Preferred Stock and (2) the applicable tax adjustment amount, plus (ii) any accrued and accumulated dividends.

The non-detachable warrants may be exercised on the earlier of (i) November 17, 2019, the eighth anniversary of the original issue date or (ii) a termination event. A termination event is defined as the occurrence of any of (a) the conversion of the Preferred Stock, (b) the redemption of the Preferred Stock, (c) the repurchase by FM O&G or any of its affiliates of the Preferred Stock or (d) a liquidation event of Plains Offshore, described above. The non-detachable warrants are considered to be embedded derivative instruments for accounting purposes and have been assessed as not being clearly and closely related to the Preferred Stock. Therefore, the warrants are classified as a long-term liability in the accompanying consolidated balance sheet and are adjusted to fair value each reporting period with adjustments recorded in other income (expense). The fair value measurement of the warrants is based on significant inputs not observable in the market (refer to Note 15 for discussion of valuation technique) and thus represents a Level 3 measurement.

The Preferred Stock of Plains Offshore is classified as temporary equity because of its redemption features and is therefore reported outside of permanent equity in FCX's consolidated balance sheet. The redeemable noncontrolling interest totaled $716 million as of December 31, 2013. Remeasurement of the redeemable noncontrolling interest represents its initial carrying amount adjusted for any noncontrolling interest's share of net income (loss) or changes to the redemption value. Additionally, the carrying amount will be further increased by amounts representing dividends not currently declared or paid, but which are payable under the redemption features described above. Future mark-to-market adjustments to the redemption value, subject to a minimum balance of the original recorded value ($708 million) on May 31, 2013, shall be reflected in retained earnings and earnings per share. Changes in the redemption value are accreted over the period from the date FCX acquired PXP to the earliest redemption date.

Redeemable Noncontrolling Interest — MMR. The enhanced "make-whole" conversion rates triggered by FCX's acquisition of MMR expired on July 9, 2013, for MMR's 8% Convertible Perpetual Preferred Stock and 5.75% Convertible Perpetual Preferred Stock, Series 1. All of the $259 million of preferred shares converted during 2013 primarily at the make-whole conversion rates for which holders received cash of $228 million and 17.7 million royalty trust units with a fair value of $31 million at the acquisition date.

Unaudited Pro Forma Consolidated Financial Information. The following unaudited pro forma financial information has been prepared to reflect the acquisitions of PXP and MMR. The unaudited pro forma financial information combines the historical statements of income of FCX, PXP and MMR (including the pro forma effects of PXP's GOM acquisition that was completed on November 30, 2012) for the years ended December 31, 2013 and 2012, giving effect to the mergers as if they had occurred on January 1, 2012. The historical consolidated financial information has been adjusted to reflect factually supportable items that are directly attributable to the acquisitions.

Years Ended December 31,	2013	2012
Revenues	$23,075	$22,713
Operating income	6,267	6,815
Income from continuing operations	3,626	4,277
Net income attributable to FCX common stockholders	2,825	3,301
Net income per share attributable to FCX common stockholders:		
Basic	$ 2.71	$ 3.17
Diluted	2.70	3.16

The above unaudited pro forma consolidated information has been prepared for illustrative purposes only and is not intended to be indicative of the results of operations that actually would have occurred, or the results of operations expected in future periods,

had the events reflected herein occurred on the date indicated. The most significant pro forma adjustments to income from continuing operations for the year ended December 31, 2013, were to exclude $519 million of acquisition-related costs, the net tax benefit of $199 million of acquisition-related adjustments and the $128 million gain on the investment in MMR and to include them in the year ended December 31, 2012. Additionally, for the year ended December 31, 2013, the pro forma consolidated information excluded a $77 million gain on the sale of oil and gas properties reflected in MMR's results of operations prior to the acquisition because of the application of the full cost accounting method.

Cobalt Chemical Refinery Business. On March 29, 2013, FCX, 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 Tenke. The joint venture operates under the name Freeport Cobalt, and FCX is the operator with an effective 56 percent ownership interest. The remaining effective ownership interest is held by FCX's partners in TFM, including 24 percent by Lundin Mining Corporation (Lundin) and 20 percent by La Générale des Carrières et des Mines (Gécamines). Consideration paid was $382 million, which included $34 million for cash acquired, and was funded 70 percent by FCX and 30 percent by Lundin. Under the terms of the acquisition agreement, there is also the potential for additional consideration of up to $110 million over a period of three years, contingent upon the achievement of revenue-based performance targets. As of December 31, 2013, no amount was recorded for this contingency because these targets are not expected to be achieved.

NOTE 3. OWNERSHIP IN SUBSIDIARIES AND JOINT VENTURES

Ownership in Subsidiaries. FMC is a fully integrated producer of copper and molybdenum, with mines in North America, South America and the Tenke minerals district in the DRC. At December 31, 2013, FMC's operating mines in North America were Morenci, Bagdad, Safford, Sierrita and Miami located in Arizona; Tyrone and Chino located in New Mexico; and Henderson and Climax located in Colorado. FCX has an 85 percent interest in Morenci (refer to "Joint Ventures — Sumitomo") and owns 100 percent of the other North America mines. At December 31, 2013, operating mines in South America were Cerro Verde (53.56 percent owned) located in Peru, and El Abra (51 percent owned), Candelaria (80 percent owned) and Ojos del Salado (80 percent owned) located in Chile. At December 31, 2013, FMC owned an effective 56 percent interest in the Tenke minerals district in the DRC (refer to Note 13 for discussion of the change in ownership interest in 2012). At December 31, 2013, FMC's net assets totaled $20.3 billion and its accumulated deficit totaled $9.0 billion. FCX had no loans outstanding to FMC at December 31, 2013.

FCX's direct ownership in PT-FI totals 81.28 percent. PT Indocopper Investama, an Indonesian company, owns 9.36 percent of PT-FI, and FCX owns 100 percent of PT Indocopper Investama. Refer to "Joint Ventures — Rio Tinto" for discussion of the unincorporated joint ventures. At December 31, 2013, PT-FI's net assets totaled $4.9 billion and its retained earnings totaled $4.7 billion. As of December 31, 2013, FCX had no loans outstanding to PT-FI.

FCX owns 100 percent of the outstanding Atlantic Copper common stock. At December 31, 2013, Atlantic Copper's net liabilities totaled $148 million and its accumulated deficit totaled $543 million. FCX had $642 million in intercompany loans outstanding to Atlantic Copper at December 31, 2013.

FCX owns 100 percent of FM O&G, which has a portfolio of oil and gas assets. At December 31, 2013, FM O&G's net assets totaled $9.8 billion and its retained earnings totaled $265 million. FCX had $3.4 billion in intercompany loans to FM O&G at December 31, 2013.

Joint Ventures. FCX has the following unincorporated joint ventures with third parties.

Rio Tinto. FCX and Rio Tinto have established certain unincorporated joint ventures. Under the joint venture arrangements, Rio Tinto has a 40 percent interest in PT-FI's Contract of Work and the option to participate in 40 percent of any other future exploration projects in Papua, Indonesia.

Pursuant to the joint venture agreement, Rio Tinto has a 40 percent interest in certain assets and future production exceeding specified annual amounts of copper, gold and silver through 2021 in Block A of PT-FI's Contract of Work, and, after 2021, a 40 percent interest in all production from Block A. All of PT-FI's proven and probable reserves and its mining operations are located in the Block A area. Operating, nonexpansion capital and administrative costs are shared proportionately between PT-FI and Rio Tinto based on the ratio of (i) the incremental revenues from production from PT-FI's expansion completed in 1998 to (ii) total revenues from production from Block A, including production from PT-FI's previously existing reserves. PT-FI will continue to receive 100 percent of the 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. The agreement provides for adjustments to the specified annual amounts of copper, gold and silver attributable 100 percent to PT-FI upon the occurrence of certain events that cause an interruption in production to occur, including events such as the business interruption and property damage relating to the 2011 incidents affecting PT-FI's concentrate pipelines. As a result of these incidents, the 2011 specified amounts, before smelter recoveries, attributable 100 percent to PT-FI were reduced by 228 million pounds for copper and 224 thousand ounces for gold, which will be offset by identical increases in future periods. The payable to Rio Tinto for its share of joint venture cash flows was $33 million at December 31, 2013, and $4 million at December 31, 2012.

Sumitomo. FCX owns an 85 percent undivided interest in Morenci via an unincorporated joint venture. The remaining 15 percent is owned by Sumitomo, a jointly owned subsidiary of Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation. Each partner takes in kind its share of Morenci's production. FMC purchased 76 million pounds of Morenci's copper cathode from Sumitomo for $253 million during 2013. FCX had a receivable from Sumitomo of $12 million at December 31, 2013, and $49 million at December 31, 2012.

NOTE 4. INVENTORIES, INCLUDING LONG-TERM MILL AND LEACH STOCKPILES

The components of inventories follow:

December 31,	2013	2012
Current inventories:		
Raw materials (primarily concentrates)	$ 238	$ 237
Work-in-process[a]	199	252
Finished goods[b]	1,146	911
Total product inventories	$1,583	$1,400
Mill stockpiles	$ 91	$ 104
Leach stockpiles	1,614[c]	1,568
Total current mill and leach stockpiles	$1,705	$1,672
Total materials and supplies, net[d]	$1,730	$1,504
Long-term inventories:		
Mill stockpiles	$ 698	$ 615
Leach stockpiles	1,688	1,340
Total long-term mill and leach stockpiles[e]	$2,386	$1,955

a. FCX's mining operations also have work-in-process inventories that are included in mill and leach stockpiles.
b. Primarily included molybdenum concentrates; copper concentrates, anodes, cathodes and rod; and various cobalt products.
c. Amount is net of a $76 million charge associated with updated mine plans at Morenci that resulted in a loss in recoverable copper in leach stockpiles.
d. Materials and supplies inventory was net of obsolescence reserves totaling $24 million at December 31, 2013, and $27 million at December 31, 2012.
e. Estimated metals in stockpiles not expected to be recovered within the next 12 months.

NOTE 5. PROPERTY, PLANT, EQUIPMENT AND MINING DEVELOPMENT COSTS, NET

The components of net property, plant, equipment and mining development costs follow:

December 31,	2013	2012
Proven and probable mineral reserves	$ 4,651	$ 4,630
VBPP	1,044	1,067
Mining development and other	4,335	3,821
Buildings and infrastructure	4,334	3,811
Machinery and equipment	10,379	9,472
Mobile equipment	3,903	3,447
Construction in progress	5,603	3,402
Property, plant, equipment and mining development costs	34,249	29,650
Accumulated depreciation, depletion and amortization	(10,207)	(8,651)
Property, plant, equipment and mining development costs, net	$ 24,042	$20,999

FCX recorded $2.2 billion for VBPP in connection with the FMC acquisition in 2007 and transferred $22 million to proven and probable mineral reserves during 2013, none during 2012 and $762 million prior to 2012. Cumulative impairments of VBPP total $482 million, which were primarily recorded in 2008.

Capitalized interest primarily related to FCX's mining operations' capital projects totaled $105 million in 2013, $81 million in 2012 and $109 million in 2011.

NOTE 6. OTHER ASSETS

The components of other assets follow:

December 31,	2013	2012
Legally restricted funds[a]	$ 392	$ 163
Intangible assets[b]	380	334
Disputed tax assessments[c]	327	177
Investments:		
MMR[d]	—	446
PT Smelting[e]	71	89
Available-for-sale securities	44	46
Other	63	51
Long-term receivable for income tax refunds	77	317
Loan to a DRC public electric utility	152	149
Debt issue costs	107	26
Loan to Gécamines (related party)	34	32
Deferred tax assets	2	220
Other	149	139
Total other assets	$1,798	$2,189

a. Included $210 million (time deposit that secures a bank guarantee) associated with the Cerro Verde royalty dispute and $158 million for AROs related to properties in New Mexico at December 31, 2013, and $161 million for AROs related to properties in New Mexico at December 31, 2012 (refer to Note 12 for further discussion).
b. Intangible assets were net of accumulated amortization totaling $57 million at December 31, 2013, and $71 million at December 31, 2012.
c. Included Indonesian disputed tax assessments of $255 million at December 31, 2013, and $148 million at December 31, 2012 (refer to Note 12 for further discussion).
d. In December 2010, FCX purchased 500,000 shares of MMR's 5.75% Convertible Perpetual Preferred Stock for an aggregate purchase price of $500 million, which was recorded at cost and subsequently reduced by dividends. On June 3, 2013, FCX acquired MMR (refer to Note 2 for discussion of the acquisition of MMR).
e. FCX's 25 percent ownership in PT Smelting (smelter and refinery in Gresik, Indonesia) is recorded using the equity method. Amounts were reduced by unrecognized profits on sales from PT-FI to PT Smelting totaling $58 million at December 31, 2013, and $39 million at December 31, 2012.

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Additional information regarding accounts payable and accrued liabilities follows:

December 31,	2013	2012
Accounts payable	$2,144	$1,568
Salaries, wages and other compensation	352	287
Commodity derivative contracts	205	11
Accrued interest[a]	210	35
Oil and gas royalty and revenue payable	169	—
Pension, postretirement, postemployment and other employee benefits[b]	161	140
Other accrued taxes	142	92
Deferred revenue	115	94
Rio Tinto's share of joint venture cash flows	33	4
Other	169	93
Total accounts payable and accrued liabilities	$3,700	$2,324

a. Third-party interest paid, net of capitalized interest, was $397 million in 2013, $111 million in 2012 and $225 million in 2011.
b. Refer to Note 9 for long-term portion.

NOTE 8. DEBT

As of December 31, 2013, debt included $653 million of fair value adjustments related to the debt assumed in the acquisition of PXP. The components of debt follow:

December 31,	2013	2012
Revolving credit facility	$ —	$ —
Lines of credit	—	—
Bank term loan	4,000	—
Senior notes and debentures:		
Issued by FCX:		
1.40% Senior Notes due 2015	500	500
2.15% Senior Notes due 2017	500	500
2.375% Senior Notes due 2018	1,500	—
3.100% Senior Notes due 2020	999	—
3.55% Senior Notes due 2022	1,996	1,995
3.875% Senior Notes due 2023	1,999	—
5.450% Senior Notes due 2043	1,991	—
Issued by FM O&G:		
6.125% Senior Notes due 2019	817	—
8.625% Senior Notes due 2019	447	—
7.625% Senior Notes due 2020	336	—
6½% Senior Notes due 2020	1,647	—
6.625% Senior Notes due 2021	659	—
6.75% Senior Notes due 2022	1,111	—
6⅞% Senior Notes due 2023	1,686	—
Issued by FMC:		
7⅛% Debentures due 2027	115	115
9½% Senior Notes due 2031	130	130
6⅛% Senior Notes due 2034	115	115
Other (including equipment capital leases and short-term borrowings)	158	172
Total debt	20,706	3,527
Less current portion of debt	(312)	(2)
Long-term debt	$20,394	$3,525

Revolving Credit Facility. In 2013, FCX and PT-FI entered into a new senior unsecured $3.0 billion revolving credit facility, which replaced FCX's existing revolving credit facility (scheduled to mature on March 30, 2016) upon completion of the acquisition of PXP on May 31, 2013. In connection with the PXP acquisition, Freeport-McMoRan Oil & Gas LLC (FM O&G LLC, a wholly owned subsidiary of FM O&G and the successor entity of PXP) joined the revolving credit facility as a borrower. The new revolving credit facility is available until May 31, 2018, with $500 million available to PT-FI. At December 31, 2013, there were no borrowings and $46 million of letters of credit issued under the revolving credit facility, resulting in availability of approximately $3.0 billion, of which $1.5 billion could be used for additional letters of credit.

Interest on the new revolving credit facility (currently London Interbank Offered Rate (LIBOR) plus 1.50 percent or the alternate base rate (ABR) plus 0.50 percent) is determined by reference to FCX's credit ratings.

Lines of Credit. During third-quarter 2013, FCX entered into uncommitted lines of credit totaling $450 million with three financial institutions. These unsecured lines of credit allow FCX to borrow at a spread over LIBOR or the respective financial institution's cost of funds with terms and pricing that are more favorable than FCX's revolving credit facility. As of December 31, 2013, there were no borrowings drawn on these lines of credit.

Bank Term Loan. In February 2013, FCX entered into an agreement for a $4.0 billion unsecured term loan in connection with the acquisitions of PXP and MMR. Upon closing the PXP acquisition, FCX borrowed $4.0 billion under the Term Loan, and FM O&G LLC joined the Term Loan as a borrower. The Term Loan amortizes in equal quarterly installments during the second, third and fourth years of the loan in annual amounts equal to 10 percent, 15 percent and 20 percent, respectively, of the original aggregate principal amount, and the remainder will mature on May 31, 2018. At FCX's option, the Term Loan bears interest at either an adjusted LIBOR or an ABR (as defined under the Term Loan agreement) plus a spread determined by reference to FCX's credit ratings (currently LIBOR plus 1.50 percent or ABR plus 0.50 percent). The effective interest rate on the Term Loan was 1.67 percent at December 31, 2013.

Senior Notes issued by FCX. In March 2013, in connection with the financing of FCX's acquisitions of PXP and MMR, FCX issued $6.5 billion of unsecured senior notes in four tranches. FCX sold $1.5 billion of 2.375% Senior Notes due March 2018, $1.0 billion of 3.100% Senior Notes due March 2020, $2.0 billion of 3.875% Senior Notes due March 2023 and $2.0 billion of 5.450% Senior Notes due March 2043 for total net proceeds of $6.4 billion. The 2.375% Senior Notes and the 3.100% Senior Notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price. The 3.875% Senior Notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price prior to December 15, 2022, and thereafter at 100 percent of principal. The 5.450% Senior Notes are redeemable in whole or

in part, at the option of FCX, at a make-whole redemption price prior to September 15, 2042, and thereafter at 100 percent of principal.

In February 2012, FCX sold $500 million of 1.40% Senior Notes due 2015, $500 million of 2.15% Senior Notes due 2017 and $2.0 billion of 3.55% Senior Notes due 2022 for total net proceeds of $2.97 billion. The 1.40% Senior Notes and the 2.15% Senior Notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price prior to the redemption date. The 3.55% Senior Notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price prior to December 1, 2021, and thereafter at 100 percent of principal.

These senior notes rank equally with FCX's other existing and future unsecured and unsubordinated indebtedness.

Senior Notes issued by FM O&G. In May 2013, in connection with the acquisition of PXP, FCX assumed unsecured senior notes with a stated value of $6.4 billion, which was increased by $716 million to reflect the acquisition-date fair market value of these senior notes. The fair value adjustments are being amortized over the term of the senior notes and recorded as a reduction of interest expense. These senior notes are redeemable in whole or in part, at the option of FM O&G LLC, at make-whole redemption prices prior to the dates stated below, and beginning on the dates stated below at specified redemption prices. In addition, up to 35 percent of the principal amount of certain of these senior notes may be redeemed at specified redemption prices with all or a portion of the proceeds of an equity issuance by FM O&G LLC. Upon completion of the acquisition of PXP, FCX guaranteed these senior notes resulting in an investment grade rating for these senior notes.

Debt Instrument	Date
6.125% Senior Notes due 2019	June 15, 2016
8.625% Senior Notes due 2019	October 15, 2014
7.625% Senior Notes due 2020	April 1, 2015
6½% Senior Notes due 2020	November 15, 2015
6.625%% Senior Notes due 2021	May 1, 2016
6.75% Senior Notes due 2022	February 1, 2017
6⅞% Senior Notes due 2023	February 15, 2018

Additionally, in connection with the acquisition of MMR, FCX assumed MMR's 11.875% Senior Notes due 2014, 4% Convertible Senior Notes due 2017 and 5¼% Convertible Senior Notes due 2013 with a total stated value of $558 million, which was increased by $62 million to reflect the acquisition-date fair market value of these obligations. During 2013, all of the 11.875% Senior Notes due 2014 were redeemed, and holders of 4% Convertible Senior Notes due 2017 and 5¼% Convertible Senior Notes due 2013 converted their notes into merger consideration totaling $306 million, including cash payments of $270 million and 21.0 million royalty trust units with a fair value of $36 million at the acquisition date. At December 31, 2013, there were no outstanding amounts in connection with MMR's senior notes.

At December 31, 2013, the outstanding principal amount of the FM O&G senior notes totaled $6.1 billion, and fair value adjustments totaled $653 million.

Debentures and Senior Notes issued by FMC. In March 2007, in connection with the acquisition of FMC, FCX assumed the 7⅛% Debentures due November 2027, the 9½% Senior Notes due 2031 and the 6⅛% Senior Notes due March 2034 with a total stated value of $462 million. These debentures and senior notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price. The carrying value of these senior notes and debentures were increased by a net $32 million to reflect the acquisition-date fair market value of these obligations. The net increase in value is being amortized over the term of these debentures and senior notes and recorded as a net reduction to interest expense. At December 31, 2013, the outstanding principal amount of these senior notes and debentures was $346 million.

Early Extinguishment of Debt. In 2013, FCX completed the following transactions that resulted in a net loss on early extinguishment of debt of $35 million: (i) the termination of its $9.5 billion acquisition bridge loan facility, which was entered into in December 2012 to provide interim financing for the acquisitions of PXP and MMR but was replaced with other financing, that resulted in a loss of $45 million; (ii) the repayment of the $3.9 billion outstanding under PXP's amended credit facility and the redemption of all of PXP's 7⅝% Senior Notes due 2018 for $415 million, which did not result in a gain or loss; partially offset by (iii) the redemption of MMR's remaining outstanding 11.875% Senior Notes due 2014 for $299 million, which resulted in a gain of $10 million.

In 2012, FCX redeemed the remaining $3.0 billion of its outstanding 8.375% Senior Notes due 2017 for which holders received 104.553 percent of the principal amount together with the accrued and unpaid interest. As a result of this redemption, FCX recorded a loss on early extinguishment of debt of $168 million during 2012.

In 2011, FCX redeemed all its remaining $1.1 billion of outstanding 8.25% Senior Notes for which holders received 104.125 percent of the principal amount together with accrued and unpaid interest; purchased in an open-market transaction $35 million of the 9½% Senior Notes due 2031 for $49 million; and entered into a senior unsecured revolving credit facility that replaced an existing revolving credit facility. As a result of these transactions, FCX recognized losses on early extinguishment of debt totaling $68 million during 2011.

Guarantees. In connection with the acquisition of PXP, FCX guaranteed the PXP senior notes, and the guarantees by certain PXP subsidiaries were released. Refer to Note 17 for a discussion of FCX's senior notes guaranteed by FM O&G LLC.

Restrictive Covenants. FCX's term loan and revolving credit facility contain customary affirmative covenants and representations, and also contain a number of negative covenants that, among other things, restrict, subject to certain exceptions, the ability of FCX's subsidiaries that are not borrowers or guarantors to incur additional indebtedness (including guarantee obligations) and FCX's ability or the ability of FCX's subsidiaries to: create liens on assets; enter into sale and leaseback transactions; engage in mergers, liquidations and dissolutions; and sell all or substantially all of the assets of FCX and its subsidiaries, taken as a whole. FCX's term loan and revolving credit facility also contain financial ratios governing maximum total leverage and minimum interest coverage. FCX's senior notes contain limitations on liens that are generally typical for investment grade companies. At December 31, 2013, FCX was in compliance with all of its covenants.

Maturities. Maturities of debt instruments based on the amounts and terms outstanding at December 31, 2013, total $312 million in 2014, $1.1 billion in 2015, $751 million in 2016, $700 million in 2017, $3.7 billion in 2018 and $13.5 billion thereafter.

NOTE 9. OTHER LIABILITIES, INCLUDING EMPLOYEE BENEFITS

Information regarding other liabilities follows:

December 31,	2013	2012
Pension, postretirement, postemployment and other employment benefits[a]	$1,225	$1,340
Commodity derivative contracts	115	—
Reserve for uncertain tax benefits	87	107
Other	263	197
Total other liabilities	$1,690	$1,644

a. Refer to Note 7 for current portion.

Pension Plans. Following is a discussion of FCX's pension plans.

FMC Plans. FMC has trusteed, non-contributory pension plans covering substantially all of its U.S. employees and some employees of its international subsidiaries hired before 2007. The applicable FMC plan design determines the manner in which benefits are calculated for any particular group of employees. Benefits are calculated based on final average monthly compensation and years of service or based on a fixed amount for each year of service. Participants in the FMC plans generally vest in their accrued benefits after five years of service. Non-bargained FMC employees hired after December 31, 2006, are not eligible to participate in the FMC U.S. pension plan.

FCX's funding policy for these plans provides that contributions to pension trusts shall be at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974, as amended, for U.S. plans; or, in the case of international plans, the minimum legal requirements that may be applicable in the various countries. Additional contributions also may be made from time to time.

FCX's policy for determining asset-mix targets for the Freeport-McMoRan Corporation Defined Benefit Master Trust (Master Trust) includes the periodic development of asset and liability studies to determine expected long-term rates of return and expected risk for various investment portfolios. FCX's retirement plan administration and investment committee considers these studies in the formal establishment of asset-mix targets. FCX's investment objective emphasizes the need to maintain a well-diversified investment program through both the allocation of the Master Trust assets among asset classes and the selection of investment managers whose various styles are fundamentally complementary to one another and serve to achieve satisfactory rates of return. Diversification, by asset class and by investment manager, is FCX's principal means of reducing volatility and exercising prudent investment judgment. FCX's present target asset allocation approximates 57 percent equity investments (primarily global equities), 33 percent fixed income (primarily long-term treasury STRIPS or "separate trading or registered interest and principal securities"; long-term U.S. treasury/agency bonds; international fixed income securities; treasury inflation-protection securities; long-term, high-credit quality corporate bonds; high-yield and emerging markets fixed income securities; and fixed income debt securities) and 10 percent alternative investments (private real estate, real estate investment trusts and private equity).

The expected rate of return on plan assets is evaluated at least annually, taking into consideration asset allocation, historical returns on the types of assets held in the Master Trust and the current economic environment. Based on these factors, FCX expects the pension assets will earn an average of 7.5 percent per annum beginning January 1, 2014. The 7.5 percent estimation was based on a passive return on a compound basis of 7.0 percent and a premium for active management of 0.5 percent reflecting the target asset allocation and current investment array.

For estimation purposes, FCX assumes the long-term asset mix for these plans generally will be consistent with the current mix. Changes in the asset mix could impact the amount of recorded pension income or expense, the funded status of the plans and the need for future cash contributions. A lower-than-expected return on assets also would decrease plan assets and increase the amount of recorded pension expense in future years. When calculating the expected return on plan assets, FCX uses the market value of assets.

Among the assumptions used to estimate the benefit obligation is a discount rate used to calculate the present value of expected future benefit payments for service to date. The discount rate assumption for FCX's U.S. plans is designed to reflect yields on high-quality, fixed-income investments for a given duration. The determination of the discount rate for these plans is based on expected future benefit payments for service to date together

with the Mercer Pension Discount Curve — Above Mean Yield. The Mercer Pension Discount Curve — Above Mean Yield is constructed from the bonds in the Mercer Pension Discount Curve that have a yield higher than the regression mean yield curve. The Mercer Pension Discount Curve consists of spot (*i.e.*, zero coupon) interest rates at one-half year increments for each of the next 30 years and is developed based on pricing and yield information for high-quality corporate bonds. Changes in the discount rate are reflected in FCX's benefit obligation and, therefore, in future pension costs.

Other FCX Plans. In February 2004, FCX established an unfunded Supplemental Executive Retirement Plan (SERP) for its two most senior executive officers. The SERP provides for retirement benefits payable in the form of a joint and survivor annuity or an equivalent lump sum. The annuity will equal a percentage of the executive's highest average compensation for any consecutive three-year period during the five years immediately preceding 25 years of credited service. The SERP benefit will be reduced by the value of all benefits paid or due under any defined benefit or defined contribution plan sponsored by FM Services Company, FCX's wholly owned subsidiary, FCX or its predecessor, but not including accounts funded exclusively by deductions from participant's pay.

PT-FI Plan. PT-FI has a defined benefit pension plan denominated in Indonesian rupiah covering substantially all of its Indonesian national employees. PT-FI funds the plan and invests the assets in accordance with Indonesian pension guidelines. The pension obligation was valued at an exchange rate of 12,128 rupiah to one U.S. dollar on December 31, 2013, and 9,622 rupiah to one U.S. dollar on December 31, 2012. Indonesian labor laws enacted in 2003 require that companies provide a minimum level of benefits to employees upon employment termination based on the reason for termination and the employee's years of service. PT-FI's pension benefit disclosures include benefits related to this law. PT-FI's expected rate of return on plan assets is evaluated at least annually, taking into consideration its long-range estimated return for the plan based on the asset mix. Based on these factors, PT-FI expects its pension assets will earn an average of 7.75 percent per annum beginning January 1, 2014.

Plan Information. FCX uses a measurement date of December 31 for its plans. Information for those plans where the accumulated benefit obligations exceed the fair value of plan assets follows:

December 31,	2013	2012
Projected benefit obligation	$2,180	$2,247
Accumulated benefit obligation	1,933	2,031
Fair value of plan assets	1,490	1,443

Information on the FCX (including FMC's plans and FCX's SERP plans) and PT-FI plans as of December 31 follows:

	FCX		PT-FI	
	2013	2012	2013	2012
Change in benefit obligation:				
Benefit obligation at beginning of year	$1,954	$1,791	$ 240	$ 206
Service cost	30	27	20	17
Interest cost	77	79	14	14
Actuarial (gains) losses	(103)	142	13	25
Plan amendment	—	—	33	—
Foreign exchange losses (gains)	1	1	(53)	(13)
Benefits paid	(88)	(86)	(8)	(9)
Benefit obligation at end of year	1,871	1,954	259	240
Change in plan assets:				
Fair value of plan assets at beginning of year	1,300	1,141	130	107
Actual return on plan assets	112	140	(3)	12
Employer contributions[a]	26	105	35	26
Foreign exchange losses	—	—	(30)	(6)
Benefits paid	(88)	(86)	(8)	(9)
Fair value of plan assets at end of year	1,350	1,300	124	130
Funded status	$ (521)	$ (654)	$ (135)	$(110)
Accumulated benefit obligation	$1,742	$1,842	$ 141	$ 136
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	5.00%	4.10%	9.00%	6.25%
Rate of compensation increase[b]	3.75%	3.75%	10.00%	8.00%
Balance sheet classification of funded status:				
Other assets	$ 8	$ 7	$ —	$ —
Accounts payable and accrued liabilities	(4)	(4)	—	—
Other liabilities	(525)	(657)	(135)	(110)
Total	$ (521)	$ (654)	$ (135)	$(110)

a. Employer contributions for 2014 are expected to approximate $5 million for the FCX plans and $22 million for the PT-FI plan (based on a December 31, 2013, exchange rate of 12,128 Indonesian rupiah to one U.S. dollar).

b. The rate of compensation increase shown for the PT-FI plan in 2013 related to non-staff employees (staff employees was 8 percent).

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for FCX's pension plans for the years ended December 31 follow:

	2013	2012	2011
Weighted-average assumptions:[a]			
Discount rate	4.10%	4.60%	5.40%
Expected return on plan assets	7.50%	7.50%	8.00%
Rate of compensation increase	3.75%	3.75%	3.75%
Service cost	$ 30	$ 27	$ 24
Interest cost	77	79	83
Expected return on plan assets	(95)	(86)	(86)
Amortization of prior service cost	—	(1)	(1)
Amortization of net actuarial losses	38	33	19
Net periodic benefit cost	$ 50	$ 52	$ 39

a. The assumptions shown relate only to the FMC plans.

The weighted-average assumptions used to determine net periodic benefit cost and the components of net periodic benefit cost for PT-FI's pension plan for the years ended December 31 follow:

	2013	2012	2011
Weighted-average assumptions:			
Discount rate	6.25%	7.00%	8.50%
Expected return on plan assets	7.50%	9.25%	9.25%
Rate of compensation increase	8.00%	8.00%	8.00%
Service cost	$ 20	$ 17	$ 13
Interest cost	14	14	11
Expected return on plan assets	(10)	(9)	(9)
Amortization of prior service cost	—	1	1
Amortization of net actuarial loss	8	7	3
Net periodic benefit cost	$ 32	$ 30	$ 19

Included in accumulated other comprehensive loss are the following amounts that have not been recognized in net periodic pension cost as of December 31:

	2013		2012	
	Before Taxes	After Taxes and Noncontrolling Interests	Before Taxes	After Taxes and Noncontrolling Interests
Prior service costs (credits)	$ 32	$ 17	$ (2)	$ (1)
Net actuarial loss	542	326	705	429
	$574	$343	$703	$ 428

Actuarial losses in excess of 10 percent of the greater of the projected benefit obligation or market-related value of plan assets are amortized over the expected average remaining future service period of the current active participants. The amount expected to be recognized in 2014 net periodic pension cost for actuarial losses is $25 million ($15 million net of tax and noncontrolling interests) and $3 million ($2 million net of tax and noncontrolling interests) for prior service costs.

FCX does not expect to have any plan assets returned to it in 2014. Plan assets are classified within a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), then to significant observable inputs (Level 2) and the lowest priority to significant unobservable inputs (Level 3). For further discussion of the different levels of the fair value hierarchy, refer to Note 15.

A summary of the fair value hierarchy for pension plan assets associated with the FCX plans follows:

	Fair Value at December 31, 2013			
	Total	Level 1	Level 2	Level 3
Commingled/collective funds:				
Global equity	$ 623	$ —	$ 623	$ —
U.S. small-cap equity	65	—	65	—
Real estate property	47	—	—	47
U.S. real estate securities	40	—	40	—
Fixed income debt securities	30	—	30	—
Short-term investments	5	—	5	—
Open-ended mutual funds:				
Government bonds	43	43	—	—
Emerging markets equity	41	41	—	—
Corporate bonds	33	33	—	—
Mutual funds:				
Foreign bonds	51	51	—	—
Emerging markets equity	26	26	—	—
Emerging markets bond	20	20	—	—
Fixed income:				
Government bonds	198	—	198	—
Corporate bonds	52	—	52	—
Private equity investments	43	—	—	43
Other investments	29	1	28	—
Total investments	1,346	$215	$1,041	$ 90
Cash and receivables	18			
Payables	(14)			
Total pension plan net assets	$1,350			

	Fair Value at December 31, 2012			
	Total	Level 1	Level 2	Level 3
Commingled/collective funds:				
Global equity	$ 481	$ —	$ 481	$ —
U.S. real estate securities	61	—	61	—
U.S. small-cap equity	52	—	52	—
Real estate property	41	—	—	41
Short-term investments	40	—	40	—
Open-ended mutual funds:				
Government bonds	48	48	—	—
Emerging markets equity	41	41	—	—
Corporate bonds	23	23	—	—
Mutual funds:				
Foreign bonds	54	54	—	—
Emerging markets bond	37	37	—	—
Emerging markets equity	28	28	—	—
Fixed income:				
Government bonds	241	—	241	—
Corporate bonds	82	—	82	—
Private equity investments	45	—	—	45
Other investments	33	1	32	—
Total investments	1,307	$232	$989	$ 86
Cash and receivables	5			
Payables	(12)			
Total pension plan net assets	$1,300			

Following is a description of the pension plan asset categories and the valuation techniques used to measure fair value. There have been no changes to the techniques used to measure fair value.

Commingled/collective funds are managed by several fund managers and are valued at the net asset value per unit of the fund. For most of these funds, the majority of the underlying assets are actively traded equity securities; however, the unit level is considered to be at the fund level. These funds (except the real estate property funds) require less than a month's notice for redemptions and, as such, are classified within Level 2 of the fair value hierarchy. Real estate property funds are valued at net realizable value using information from independent appraisal firms, who have knowledge and expertise about the current market values of real property in the same vicinity as the investments. Redemptions of the real estate property funds are allowed once per quarter, subject to available cash and, as such, are classified within Level 3 of the fair value hierarchy.

Open-ended mutual funds are managed by registered investment companies and are valued at the daily published net asset value of shares/units held. Because redemptions and purchases of shares/units occur at the net asset value without any adjustments to the published net asset value that is provided on an ongoing basis (active-market criteria are met), these investments are classified within Level 1 of the fair value hierarchy.

Mutual funds are valued at the closing price reported on the active market on which the individual securities are traded and, as such, are classified within Level 1 of the fair value hierarchy.

Fixed income investments include government and corporate bonds held directly by the Master Trust or through commingled funds. Fixed income securities are valued using a bid evaluation price or a mid-evaluation price and, as such, are classified within Level 2 of the fair value hierarchy. A bid evaluation price is an estimated price at which a dealer would pay for a security. A mid-evaluation price is the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security. These evaluations are based on quoted prices, if available, or models that use observable inputs.

Private equity investments are valued at net realizable value using information from general partners and, as such, are classified within Level 3 of the fair value hierarchy because of the inherent restrictions on redemptions that may affect the ability to sell the investments at their net asset value in the near term.

A summary of changes in the fair value of FCX's Level 3 pension plan assets for the years ended December 31 follows:

	Private Equity Investments	Real Estate Property	Total
Balance at January 1, 2012	$50	$35	$85
Actual return on plan assets:			
Realized gains	—	2	2
Net unrealized (losses) gains related to assets still held at the end of the year	(5)	4	(1)
Purchases	4	—	4
Settlements, net	(4)	—	(4)
Balance at December 31, 2012	45	41	86
Actual return on plan assets:			
Realized gains	—	1	1
Net unrealized (losses) gains related to assets still held at the end of the year	(1)	6	5
Purchases	3	—	3
Sales	—	(1)	(1)
Settlements, net	(4)	—	(4)
Balance at December 31, 2013	$43	$47	$90

A summary of the fair value hierarchy for pension plan assets associated with the PT-FI plan follows:

	Fair Value at December 31, 2013			
	Total	Level 1	Level 2	Level 3
Common stocks	$ 27	$27	$ —	$ —
Government bonds	23	23	—	—
Mutual funds	12	12	—	—
Total investments	62	$62	$ —	$ —
Cash and receivables[a]	62			
Total pension plan net assets	$124			

	Fair Value at December 31, 2012			
	Total	Level 1	Level 2	Level 3
Common stocks	$ 32	$32	$ —	$ —
Government bonds	27	27	—	—
Mutual funds	10	10	—	—
Total investments	69	$69	$ —	$ —
Cash and receivables[a]	61			
Total pension plan net assets	$130			

a. Cash consisted primarily of short-term time deposits.

Following is a description of the valuation techniques used for pension plan assets measured at fair value associated with the PT-FI plan. There have been no changes to the techniques used to measure fair value.

Common stocks, government bonds and mutual funds are valued at the closing price reported on the active market on which the individual securities are traded and, as such, are classified within Level 1 of the fair value hierarchy.

The techniques described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FCX believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine the fair value of certain financial

instruments could result in a different fair value measurement at the reporting date.

The expected benefit payments for FCX's and PT-FI's pension plans follow:

	FCX	PT-FI[a]
2014	$ 93	$ 21
2015	147	12
2016	99	13
2017	102	18
2018	106	21
2019 through 2023	584	194

a. Based on a December 31, 2013, exchange rate of 12,128 Indonesian rupiah to one U.S. dollar.

Postretirement and Other Benefits. FCX also provides postretirement medical and life insurance benefits for certain U.S. employees and, in some cases, employees of certain international subsidiaries. These postretirement benefits vary among plans, and many plans require contributions from retirees. The expected cost of providing such postretirement benefits is accrued during the years employees render service.

The discount rate for FCX's postretirement medical and life insurance benefit plans was determined on the same basis as FCX's pension plans. Information on the postretirement benefit plans as of December 31 follows:

	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 213	$ 223
Service cost	1	1
Interest cost	7	9
Actuarial (gains) losses	(24)	2
Plan amendments and acquisition	6	—
Benefits paid, net of employee and joint venture partner contributions, and Medicare Part D subsidy	(21)	(22)
Benefit obligation at end of year	182	213
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer and joint venture partner contributions	23	25
Employee contributions	11	10
Benefits paid	(34)	(35)
Fair value of plan assets at end of year	—	—
Funded status	$ (182)	$ (213)
Discount rate assumption	4.30%	3.50%
Balance sheet classification of funded status:		
Accounts payable and accrued liabilities	$ (19)	$ (21)
Other liabilities	(163)	(192)
Total	$ (182)	$ (213)

Expected benefit payments for these plans total $19 million for 2014, $18 million for 2015, $17 million for 2016, $16 million for 2017, $15 million for 2018 and $70 million for 2019 through 2023. The discount rate used to determine net periodic benefit cost and the components of net periodic benefit cost for FCX's postretirement benefits was 3.50 percent in 2013, 4.20 percent in 2012 and 4.90 percent in 2011. The medical-care trend rates at December 31, 2013 and 2012, assumed the first year trend rate was 7.75 percent, which declines over the next 15 years with an ultimate trend rate of 4.25 percent.

FCX has a number of postemployment plans covering severance, long-term disability income, continuation of health and life insurance coverage for disabled employees or other welfare benefits. The accumulated postemployment benefit consisted of a current portion of $9 million (included in accounts payable and accrued liabilities) and a long-term portion of $75 million (included in other liabilities) at December 31, 2013, and a current portion of $8 million and a long-term portion of $69 million at December 31, 2012.

FCX also sponsors savings plans for the majority of its U.S. employees. The plans allow employees to contribute a portion of their pre-tax income in accordance with specified guidelines. These savings plans are principally qualified 401(k) plans for all U.S. salaried and non-bargained hourly employees. In these plans, participants exercise control and direct the investment of their contributions and account balances among various investment options. FCX contributes to these plans at varying rates and matches a percentage of employee pre-tax deferral contributions up to certain limits, which vary by plan. For employees whose eligible compensation exceeds certain levels, FCX provides an unfunded defined contribution plan, which has a liability balance of $65 million at December 31, 2013, and $59 million at December 31, 2012.

The costs charged to operations for employee savings plans totaled $66 million in 2013 (of which $5 million was capitalized to oil and gas properties), $43 million in 2012 and $35 million in 2011. FCX has other employee benefit plans, certain of which are related to FCX's financial results, which are recognized in operating costs.

NOTE 10. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

FCX's authorized shares of capital stock total 1.85 billion shares, consisting of 1.8 billion shares of common stock and 50 million shares of preferred stock.

Common Stock. At December 31, 2013, 23.7 million shares remain available for purchase under FCX's open-market share purchase program, which does not have an expiration date. There have been no purchases under this program since 2008. The timing of future purchases of FCX's common stock is dependent on many factors, including FCX's operating results, cash flows and financial position; copper, molybdenum, gold, crude oil and natural gas prices; the price of FCX's common stock; and general economic and market conditions.

FCX's Board of Directors (the Board) authorized an increase in the cash dividend on FCX's common stock in February 2012 to the current annual rate of $1.25 per share. The Board declared supplemental cash dividends of $0.50 per share, which was paid in June 2011, and $1.00 per share, which was paid in July 2013.

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 shareholders of record at the close of business on January 15, 2014. The declaration of dividends is at the discretion of the Board and will depend on FCX's financial results, cash requirements, future prospects and other factors deemed relevant by the Board.

Accumulated Other Comprehensive Loss. A summary of changes in the balances of each component of accumulated other comprehensive loss follows:

	Unrealized Losses on Securities	Translation Adjustment	Defined Benefit Plans	Deferred Tax Valuation Allowance	Total
Balance at January 1, 2011	$ (3)	$ 8	$ (269)	$ (59)	$ (323)
Amounts arising during the period[a,b]	(1)	(2)	(134)	(20)	(157)
Amounts reclassified[c]	—	—	15	—	15
Balance at December 31, 2011	(4)	6	(388)	(79)	(465)
Amounts arising during the period[a,b]	—	(1)	(65)	(1)	(67)
Amounts reclassified[c]	—	—	26	—	26
Balance at December 31, 2012	(4)	5	(427)	(80)	(506)
Amounts arising during the period[a,b]	(1)	—	67	—	66
Amounts reclassified[c]	—	5	30	—	35
Balance at December 31, 2013	$ (5)	$ 10	$ (330)	$ (80)	$ (405)

a. Included net actuarial gains (losses), net of noncontrolling interest, totaling $(215) million for 2011, $(103) million for 2012 and $137 million for 2013. The year 2013 also included $33 million for prior service costs.
b. Included tax benefits (provision) totaling $81 million for 2011, $39 million for 2012 and $(37) million for 2013.
c. Included amortization primarily related to actuarial losses that were net of taxes of $8 million for 2011, $15 million for 2012 and $17 million for 2013.

Stock Award Plans. FCX currently has awards outstanding under its stock-based compensation plans. As of December 31, 2013, only one plan, which was stockholder approved and is discussed below, has awards available for grant.

The 2006 Stock Incentive Plan (the 2006 Plan) provides for the issuance of stock options, SARs, restricted stock, RSUs and other stock-based awards for up to 74 million common shares. FCX's stockholders approved amendments to the plan in 2007 primarily to increase the number of shares available for grants and in 2010 to permit grants to outside directors. As of December 31, 2013, shares available for grant totaled 24.5 million under the 2006 Plan.

In connection with the PXP and MMR acquisitions, former PXP and MMR share-based awards were exchanged or settled. Each unvested PXP and MMR share-based award outstanding prior to the acquisitions' announcement on December 5, 2012, immediately vested at the closing of each transaction, except for MMR share-based awards held by certain officers. In accordance with the terms of the respective plans, share-based awards granted after the acquisitions' announcement did not automatically vest upon closing but retain the same terms and conditions as the original awards, as provided in the merger agreements.

In connection with the PXP acquisition, former PXP stock-settled RSUs, cash-settled RSUs and SARs were converted into 1,238,685 FCX stock-settled RSUs, 2,259,708 FCX cash-settled RSUs, and 2,374,601 FCX SARs. The SARs carry a maximum term of five years with 1,490,998 vested upon acquisition of PXP and 883,603 that vest ratably over a three-year period. In connection with the MMR acquisition, former MMR stock options and RSUs were converted into 7,203,392 FCX stock options and 13,500 FCX RSUs. The MMR-related stock options carry a maximum term of 10 years with 6,336,422 stock options vested upon acquisition of MMR and 866,970 stock options that vest ratably over a four-year period.

In connection with the restructuring of an executive employment arrangement, a special retention award of one million RSUs was granted in December 2013. The RSUs are fully vested and the related shares of common stock will be delivered to the executive upon separation of service, along with a cash payment for accumulated dividends. With respect to stock options previously granted to this executive, such awards became fully vested. With respect to performance-based awards previously granted to this executive, the service requirements are considered to have been satisfied, and the vesting of any such awards shall continue to be contingent upon the achievement of all performance conditions set forth in the award agreements. In connection with the restructuring, FCX recorded a $37 million charge to selling, general and administrative expenses in 2013.

Stock-Based Compensation Cost. Compensation cost charged against earnings for stock-based awards for the years ended December 31 follows:

	2013	2012	2011
Selling, general and administrative expenses	$145	$ 77	$ 90
Production and delivery	28	23	25
Capitalized costs	13	—	—
Total stock-based compensation	186	100	115
Less: capitalized costs	(13)	—	—
Tax benefit and noncontrolling interests' shares	(66)	(39)	(46)
Impact on net income	$107	$ 61	$ 69

Stock Options and SARs. Stock options granted under the plans generally expire 10 years after the date of grant and vest in 25 percent annual increments beginning one year from the date of grant. The plans and award agreements provide that participants will receive the following year's vesting after retirement. Therefore, FCX accelerates one year of amortization for retirement-eligible employees. Stock options granted prior to February 2012 provide for accelerated vesting if there is a change in control (as defined in the award agreements). Stock options granted after that date provide for accelerated vesting only upon certain qualifying termination of employment within one year following a change in control. SARs that were converted in connection with the PXP acquisition generally expire within five years after the date of grant and vest in one-third annual increments beginning one year from the date of grant. SARs are similar to stock options, but are settled in cash rather than in shares of common stock and are classified as liability awards.

A summary of options and SARs outstanding as of December 31, 2013, including 1,927,037 SARs, and changes during the year ended December 31, 2013, follows:

	Number of Options and SARs	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	31,472,559	$37.40		
Conversion of MMR options	7,203,392	27.64		
Conversion of PXP SARs	2,374,601	27.34		
Granted	5,479,930	35.00		
Exercised	(976,220)	18.77		
Expired/Forfeited	(423,601)	41.83		
Balance at December 31	45,130,661	35.39	5.6	$239
Vested and exercisable at December 31	31,748,346	$33.40	4.7	$210

Summaries of options and SARs outstanding and changes during the years ended December 31 follow:

	2012		2011	
	Number of Options and SARs	Weighted-Average Exercise Price	Number of Options and SARs	Weighted-Average Exercise Price
Balance at January 1	27,967,145	$ 34.90	26,930,444	$ 30.22
Granted	5,050,500	46.32	4,230,500	55.43
Exercised	(1,300,273)	16.68	(3,044,174)	21.88
Expired/Forfeited	(244,813)	45.23	(149,625)	37.61
Balance at December 31	31,472,559[a]	37.40	27,967,145[a]	34.90

a. Included 39,336 SARs at December 31, 2012, and 69,672 SARs at December 31, 2011.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes-Merton option valuation model. The fair value of each SAR is determined using the Black-Scholes-Merton option valuation model and remeasured at each reporting date until the date of settlement. Expected volatility is based on implied volatilities from traded options on FCX's common stock and historical volatility of FCX's common stock. FCX uses historical data to estimate future option and SARs exercises, forfeitures and expected life. When appropriate, separate groups of employees who have similar historical exercise behavior are considered separately for valuation purposes. The expected dividend rate is calculated using the annual dividend (excluding supplemental dividends) at the date of grant. The risk-free interest rate is based on Federal Reserve rates in effect for bonds with maturity dates equal to the expected term of the option or SAR.

Information related to stock options during the years ended December 31 follows:

	2013	2012	2011
Weighted-average assumptions used to value stock option awards:			
Expected volatility	48.9%	52.0%	50.9%
Expected life of options (in years)	4.66	4.54	4.34
Expected dividend rate	3.3%	3.1%	1.8%
Risk-free interest rate	0.7%	0.7%	1.6%
Weighted-average grant date fair value (per share)	$10.98	$ 15.60	$20.58
Intrinsic value of options exercised	$ 10	$ 34	$ 101
Fair value of options vested	$ 101	$ 77	$ 89

As of December 31, 2013, FCX had $76 million of total unrecognized compensation cost related to unvested stock options expected to be recognized over a weighted-average period of 1.5 years.

The assumptions used to value SARs as of December 31, 2013, ranged from 28.8 percent to 34.8 percent for expected volatility; one to four years for expected life; 0.1 percent to 1.1 percent for expected risk-free interest rate; and an expected dividend rate of 3.6 percent. The weighted-average grant-date fair value of SARs granted was $7.00 for the period from June 1, 2013, to December 31, 2013, and $7.94 for the PXP awards that were converted to FCX SARs based on the acquisition-date fair value. The total intrinsic value of SARs exercised during 2013 was $3 million. As of December 31, 2013, FCX had $6 million of total unrecognized compensation cost related to unvested SARs expected to be recognized over a weighted-average period of 2.1 years. As of December 31, 2013, FCX had $16.0 million associated with SARs included in accounts payable and accrued liabilities.

Stock-Settled RSUs. FCX has an annual incentive plan for its executive officers that requires a portion of each executive officer's annual bonus be paid in performance-based RSUs. The maximum annual incentive award pool is a percentage of FCX's consolidated operating cash flows adjusted for changes in working capital and other tax payments for the preceding year and funding of the pool is subject to a performance condition. Grants of RSUs before 2012 vest ratably over three years and provide that the FCX executive officers will receive the following year's vesting upon retirement provided the performance condition is met. The fair value of these restricted stock unit grants was estimated based on projected operating cash flows for the applicable year and was charged to expense ratably over three years, beginning with the year during which the cash flows were

generated, as performance of services commenced in the calendar year preceding the date of grant. In February 2012, the terms of RSU awards under the annual incentive plan were revised. For grants in 2012 and 2013, the level of RSUs granted continued to be based on FCX's consolidated operating cash flows adjusted for changes in working capital and other tax payments for the preceding year, but the award will vest after three years, subject to FCX attaining a five-year average return on investment (a performance condition defined in the award agreement) of at least six percent. The awards will also be subject to a 20 percent reduction if FCX performs below a group of its peers as defined in the award agreement. The fair value of the awards is estimated using an appropriate valuation model. The awards continue to vest after the recipients' retirement or death; therefore, since all of FCX's executive officers are retirement eligible, FCX charges the cost of these awards to expense in the year the cash flows are generated, as performance of services is only required in the calendar year preceding the date of grant.

In February 2013, FCX granted RSUs to key employees that cliff-vest at the end of three years. The fair value of the RSUs is amortized ratably over the three-year vesting period.

FCX also grants other RSUs that vest over a period of four years to its directors. The plans and award agreements provide for accelerated vesting of all RSUs if there is a change of control (as defined in the plans). The fair value of the RSUs is amortized over the four-year vesting period or the period until the director becomes retirement eligible, whichever is shorter. Upon a director's retirement, all of their unvested RSUs immediately vest. For retirement-eligible directors, the fair value of RSUs is recognized in earnings on the date of grant.

Dividends and interest on most RSUs accrue and are paid if the award vests. A summary of outstanding stock-settled RSUs as of December 31, 2013, and activity during the year ended December 31, 2013, follows:

	Number of Stock-Settled RSUs	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	889,698	$44.35		
Granted	2,492,600	34.84		
Conversion of PXP and MMR RSUs	1,252,185	31.05		
Vested	(356,275)	41.96		
Forfeited	(22,732)	31.92		
Balance at December 31	4,255,476	35.13	4.1	$161

The total fair value of stock-settled RSUs granted during the year ended December 31, 2013, was $125 million, including $38 million for PXP awards that were converted to FCX stock-settled RSUs based on the acquisition-date fair value. The total intrinsic value of RSUs vested was $12 million during 2013, $28 million during 2012 and $69 million during 2011. As of December 31, 2013, FCX had $38 million of total unrecognized compensation cost related to unvested stock-settled RSUs expected to be recognized over 2.1 years.

Cash-Settled RSUs. Cash-settled RSUs are similar to stock-settled RSUs, but are settled in cash rather than in shares of common stock and are classified as liability awards. These cash-settled RSUs generally vest over periods ranging from three to five years of service. The fair value of these awards is remeasured each reporting period until the vesting dates.

A summary of outstanding cash-settled RSUs as of December 31, 2013, and activity from June 1, 2013, to December 31, 2013, follows:

	Number of Cash-Settled RSUs	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Conversion of PXP RSUs	2,259,708	$31.05		
Granted	1,430	32.94		
Vested	(1,430)	31.05		
Forfeited	(39,896)	31.05		
Balance at December 31	2,219,812	31.05	1.9	$84

The total fair value of PXP awards that were converted to FCX cash-settled RSUs was $70 million at the acquisition date. As of December 31, 2013, the accrued liability associated with cash-settled RSUs consisted of a current portion of $17 million (included in accounts payable and accrued liabilities) and a long-term portion of $19 million (included in other liabilities).

Other Information. The following table includes amounts related to exercises of stock options and vesting of RSUs during the years ended December 31:

	2013	2012	2011
FCX shares tendered to pay the exercise price and/or the minimum required taxes[a]	3,294,624	515,558	936,811
Cash received from stock option exercises	$ 8	$ 15	$ 48
Actual tax benefit realized for tax deductions	$ 8	$ 16	$ 45
Amounts FCX paid for employee taxes	$ 105	$ 16	$ 45

a. Under terms of the related plans, upon exercise of stock options and vesting of RSUs, employees may tender existing FCX shares to FCX to pay the exercise price and/or the minimum required taxes.

NOTE 11. INCOME TAXES

Geographic sources of income before income taxes and equity in affiliated companies' net earnings for the years ended December 31 consist of the following:

	2013	2012	2011
United States	$ 1,104	$ 1,539	$ 2,112
Foreign	3,809	3,948	6,706
Total	$ 4,913	$ 5,487	$ 8,818

FCX's provision for income taxes for the years ended December 31 consists of the following:

	2013	2012	2011
Current income taxes:			
Federal	$ 203	$ 238	$ 394
State	9	7	21
Foreign	1,081	1,002	1,934
Total current	1,293	1,247	2,349
Deferred income taxes (benefits):			
Federal	234	87	82
State	(35)	18	(19)
Foreign	346	363	622
Total deferred	545	468	685
Adjustments	(199)[a]	(205)[b,c]	53[d]
Federal operating loss carryforwards	(164)[e]	—	—
Provision for income taxes	$1,475	$1,510	$3,087

a. As a result of the oil and gas acquisitions, FCX recognized a net tax benefit of $199 million consisting of income tax benefits of $190 million associated with net reductions in FCX's valuation allowances, $69 million related to the release of the deferred tax liability on PXP's investment in MMR common stock and $16 million associated with the revaluation of state deferred tax liabilities, partially offset by income tax expense of $76 million associated with the write off of deferred tax assets related to environmental liabilities.
b. In 2012, Sociedad Minera Cerro Verde S.A.A. (Cerro Verde) signed a new 15-year mining stability agreement with the Peruvian government, which became effective January 1, 2014. In connection with the new mining stability agreement, Cerro Verde's income tax rate increased from 30 percent to 32 percent, and FCX recognized additional deferred tax expense of $29 million.
c. With the exception of TFM, FCX has not elected to permanently reinvest earnings from its foreign subsidiaries and has recorded deferred tax liabilities for foreign earnings that are available to be repatriated to the U.S. Cerro Verde previously recorded deferred Peruvian income tax liabilities for income taxes that would become payable if the reinvested profits used to fund the initial Cerro Verde sulfide expansion were distributed prior to the expiration of Cerro Verde's 1998 stability agreement on December 31, 2013. Because reinvested profits at Cerro Verde were not expected to be distributed prior to December 31, 2013, a net deferred income tax liability of $234 million was reversed and recognized as an income tax benefit in 2012.
d. In September 2011, Peru enacted a new mining tax and royalty regime and also created a special mining burden that companies with stability agreements could elect to pay. Cerro Verde elected to pay this special mining burden during the remaining term of its 1998 stability agreement, which expired on December 31, 2013. As a result, Cerro Verde recognized additional tax expense of $53 million in 2011.
e. Benefit from the use of federal operating loss carryforwards acquired as part of the oil and gas acquisitions.

A reconciliation of the U.S. federal statutory tax rate to FCX's effective income tax rate for the years ended December 31 follows:

	2013		2012		2011	
	Amount	Percent	Amount	Percent	Amount	Percent
U.S. federal statutory tax rate	$ 1,720	35%	$ 1,920	35%	$ 3,086	35%
Foreign tax credit limitation	117	2	110	2	163	2
Percentage depletion	(223)	(5)	(263)	(5)	(283)	(3)
Withholding and other impacts on foreign earnings	83	2	(221)[b]	(4)	170	2
Valuation allowance on minimum tax credits	(190)[a]	(4)	(9)	—	(47)	(1)
State income taxes	(43)	—	17	—	—	—
Other items, net	11[a]	—	(44)	—	(2)	—
Provision for income taxes	$ 1,475	30%	$ 1,510	28%	$ 3,087	35%

a. Included a net tax benefit of $199 million as a result of the oil and gas acquisitions.
b. Included the reversal of Cerro Verde's deferred income tax liability of $234 million.

FCX paid federal, state, local and foreign income taxes totaling $1.3 billion in 2013, $1.8 billion in 2012 and $3.4 billion in 2011. FCX received refunds of federal, state, local and foreign income taxes of $270 million in 2013, $69 million in 2012 and $15 million in 2011.

The components of deferred taxes follow:

December 31,	2013	2012
Deferred tax assets:		
Foreign tax credits	$ 2,144	$ 2,022
Accrued expenses	1,098	819
Minimum tax credits	603	474
Net operating loss carryforwards	925	343
Employee benefit plans	443	315
Other	557	374
Deferred tax assets	5,770	4,347
Valuation allowances	(2,487)	(2,443)
Net deferred tax assets	3,283	1,904
Deferred tax liabilities:		
Property, plant, equipment and mining development costs	(4,887)	(4,462)
Oil and gas properties	(4,708)	—
Undistributed earnings	(936)	(884)
Other	(34)	(70)
Total deferred tax liabilities	(10,565)	(5,416)
Net deferred tax liabilities	$ (7,282)	$(3,512)

At December 31, 2013, FCX had U.S. foreign tax credit carryforwards of $2.1 billion that will expire between 2014 and 2023, and U.S. minimum tax credit carryforwards of $603 million that can be carried forward indefinitely, but may be used only to the extent that regular tax exceeds the alternative minimum tax in any given year.

At December 31, 2013, FCX had (i) DRC net operating loss carryforwards of $70 million that can be carried forward indefinitely, (ii) U.S. state net operating loss carryforwards of $2.3 billion that expire between 2014 and 2033, (iii) Spanish net operating loss carryforwards of $629 million that expire between 2015 and 2030, and (iv) U.S. federal net operating loss carryforwards of $1.7 billion that expire between 2022 and 2033.

On the basis of available information at December 31, 2013, including positive and negative evidence, FCX has provided valuation allowances for certain of its deferred tax assets where it believes it is more likely than not that some portion or all of such assets will not be realized. Valuation allowances totaled $2.5 billion at December 31, 2013, and $2.4 billion at December 31, 2012, and covered all of FCX's U.S. foreign tax credit carryforwards, and a portion of its foreign net operating loss carryforwards, U.S. state net operating loss carryforwards, U.S. state deferred tax assets and U.S. capital loss carryforwards. In addition, the valuation allowance at December 31, 2012, covered a portion of U.S. minimum tax credit carryforwards.

The $2.5 billion valuation allowance at December 31, 2013, is primarily related to FCX's U.S. foreign tax credits. FCX has operations in tax jurisdictions where statutory income taxes and withholding taxes combine to create effective tax rates in excess of the U.S. federal income tax liability that would be due upon repatriation of foreign earnings into the U.S. As a result, FCX continues to generate foreign tax credits for which no benefit will be realized. A full valuation allowance will continue to be carried on U.S. foreign tax credit carryforwards until such time that FCX believes it will generate a U.S. income tax liability from foreign source income in excess of foreign taxes paid on such income, or a prudent and feasible means of securing the benefit of U.S. foreign tax credit carryforwards can be implemented.

The $44 million increase in the valuation allowance during 2013 was primarily a result of an increase in FCX's U.S. foreign tax credit carryforwards, U.S. state deferred tax assets, U.S. capital loss carryforwards and U.S. state net operating loss carryforwards, partially offset by a release of a valuation allowance on U.S. federal minimum tax credit carryforwards. The release of the valuation allowance on minimum tax credit carryforwards occurred as a result of the oil and gas acquisitions. Deferred income tax liabilities assumed in these acquisitions provided sufficient evidence that FCX would more likely than not realize a future benefit from its current U.S. minimum tax credit carryforwards. The reduction in the valuation allowance was allocated to income from continuing operations.

In 2010, the Chilean legislature approved an increase in mining royalty taxes to help fund earthquake reconstruction activities, education and health programs. Mining royalty taxes at FCX's El Abra and Candelaria mines were stabilized through 2017 at a rate of 4 percent. However, under the legislation, FCX opted to transfer from its stabilized rate to the sliding scale of 4 to 9 percent for the years 2011 and 2012 and returned to its 4 percent rate for the years 2013 through 2017. Beginning in 2018 and through 2023, rates will move to a sliding scale of 5 to 14 percent (depending on a defined operational margin).

In December 2011, the U.S. Treasury Department issued temporary and proposed regulations on the treatment of amounts paid for repair and maintenance costs of fixed assets. These regulations generally apply to tax years beginning on or after January 1, 2014. Transitional rules providing procedural guidance were published in March 2012, and the regulations were finalized in September 2013. Additional transitional guidance was published in January 2014. Neither the regulations nor the additional procedural guidance are expected to have a material impact on FCX's results of operations or financial condition.

A summary of the activities associated with FCX's reserve for unrecognized tax benefits, interest and penalties follows:

	Unrecognized Tax Benefits	Interest	Penalties
Balance at January 1, 2012	$146	$34	$ —
Additions:			
Prior year tax positions	17	*	*
Current year tax positions	24	*	*
Interest and penalties	—	3	—
Decreases:			
Prior year tax positions	(37)	*	*
Current year tax positions	—	*	*
Settlements with tax authorities	(11)	*	*
Lapse of statute of limitations	(1)	*	*
Interest and penalties	—	(6)	—
Balance at December 31, 2012	138	31	—
Additions:			
Prior year tax positions	18	*	*
Current year tax positions	14	*	*
Acquisition of PXP	5	*	*
Interest and penalties	—	7	—
Decreases:			
Prior year tax positions	(37)	*	*
Current year tax positions	—	*	*
Settlements with tax authorities	—	*	*
Lapse of statute of limitations	(28)	*	*
Interest and penalties	—	(17)	—
Balance at December 31, 2013	$110	$21	$ —

* Amounts not allocated.

The reserve for unrecognized tax benefits of $110 million at December 31, 2013, included $97 million ($49 million net of income tax benefits) that, if recognized, would reduce FCX's provision for income taxes.

Changes to the reserve for unrecognized tax benefits associated with current year tax positions were primarily related to uncertainties associated with FCX's cost recovery methods and deductibility of contributions. Changes in the reserve for unrecognized tax benefits associated with prior year tax positions were primarily related to uncertainties associated with cost recovery methods, U.S. state filing combinations and benefits received from stock-based compensation. Changes to the reserve for unrecognized tax benefits associated with the lapse of statute of limitations were primarily related to U.S. state filing combinations and characterization of non-recurring income items. There continues to be uncertainty related to the timing of settlements with taxing authorities, but if additional settlements are agreed upon during the year 2014, FCX could experience a change in its reserve for unrecognized tax benefits.

FCX or its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The tax years for FCX's major tax jurisdictions that remain subject to examination are as follows:

Jurisdiction	Years Under Examination	Additional Open Years
U.S. Federal	2007-2012	2013
Indonesia	2005-2008, 2011-2012	2009-2010, 2013
Peru	2009-2010	2011-2013
Chile	2011-2012	2013
Africa	2010-2012	2013

NOTE 12. CONTINGENCIES

Environmental. FCX subsidiaries are subject to various national, state and local environmental laws and regulations that govern emissions of air pollutants; discharges of water pollutants; and generation, handling, storage and disposal of hazardous substances, hazardous wastes and other toxic materials, including remediation, restoration and reclamation of environmental contamination. FCX subsidiaries that operate in the U.S. also are subject to potential liabilities arising under CERCLA and similar state laws that impose responsibility on current and previous owners and operators of a facility for the remediation of hazardous substances released from the facility into the environment, including damages to natural resources, irrespective of when the damage to the environment occurred or who caused it. This remediation liability also extends to persons who arranged for the disposal of hazardous substances or transported the hazardous substances to a disposal site selected by the transporter. This liability often is shared on a joint and several basis, meaning that each responsible party is fully responsible for the remediation, 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 FCX's acquisition of FMC in 2007, many of the subsidiary companies FCX now owns are responsible for a wide variety of environmental remediation projects throughout the U.S., and FCX expects to spend substantial sums annually for many years to address those remediation issues. Certain FCX subsidiaries have been advised by the U.S. Environmental Protection Agency (EPA), the Department of the Interior, the Department of Agriculture and several state agencies that, under CERCLA or similar state laws and regulations, they may be liable for costs of responding to environmental conditions at a number of sites that have been or are being investigated to determine whether releases of hazardous substances have occurred and, if so, to develop and implement remedial actions to address environmental concerns. FCX is also subject to claims where the release of hazardous substances is alleged to have damaged natural resources (NRD). As of December 31, 2013, FCX had more than 100 active remediation projects, including NRD claims, in 28 U.S. states.

A summary of changes in environmental obligations for the years ended December 31 follows:

	2013	2012	2011
Balance at beginning of year	$1,222	$1,453	$1,422
Accretion expense[a]	79	80	88
Additions	73	70	132
Reductions[b]	(77)	(182)	(68)
Spending	(130)	(199)	(121)
Balance at end of year	1,167	1,222	1,453
Less current portion	(121)	(186)	(205)
Long-term portion	$1,046	$1,036	$1,248

a. Represented accretion of the fair value of environmental obligations assumed in the 2007 acquisition of FMC, which were determined on a discounted cash flow basis.
b. Reductions primarily reflected revisions for changes in the anticipated scope and timing of environmental remediation projects and the noncash adjustments of environmental matters.

Estimated environmental cash payments (on an undiscounted and unescalated basis) total $121 million in 2014, $151 million in 2015, $116 million in 2016, $122 million in 2017, $110 million in 2018 and $2.0 billion thereafter. The amount and timing of these estimated payments will change as a result of changes in regulatory requirements, changes in scope and timing of remediation activities, the settlement of environmental matters and as actual spending occurs.

In 2007, FCX recorded FMC's environmental obligations at fair value on the acquisition date in accordance with business combination accounting guidance. Significant adjustments to these obligations may occur in the future. New environmental obligations will be recorded as described in Note 1 under "Environmental Expenditures." At December 31, 2013, FCX's environmental obligations totaled $1.2 billion, including $1.1 billion recorded on a discounted basis for those obligations assumed in the FMC acquisition at fair value. On an undiscounted and unescalated basis, these obligations totaled $2.6 billion. FCX estimates it is reasonably possible that these obligations could range between $2.1 billion and $2.7 billion on an undiscounted and unescalated basis.

FCX believes that there may be potential claims for recovery from third parties, including the U.S. government and other PRPs. These potential recoveries are not recognized unless realization is considered probable.

At December 31, 2013, the most significant environmental obligations were associated with the Pinal Creek site in Arizona; the Newtown Creek site in New York City; historical smelter sites principally located in Arizona, Kansas, New Jersey, Oklahoma and Pennsylvania; and uranium mining sites in the western U.S. The recorded environmental obligations for these sites totaled $1.0 billion at December 31, 2013. A discussion of these sites follows.

Pinal Creek. The Pinal Creek site was listed under the Arizona Department of Environmental Quality's (ADEQ) Water Quality Assurance Revolving Fund program in 1989 for contamination in the shallow alluvial aquifers within the Pinal Creek drainage near Miami, Arizona. Since that time, environmental remediation was performed by members of the Pinal Creek Group (PCG), consisting of FMC Miami, Inc. (Miami), a wholly owned subsidiary of FMC, and two other companies. Pursuant to a 2010 settlement agreement, Miami agreed to take full responsibility for future groundwater remediation at the Pinal Creek site, with limited exceptions. Remediation work continues at this time and is expected to continue for many years in the future.

Newtown Creek. From the 1930s until 1964, Phelps Dodge Refining Corporation (PDRC), a subsidiary of FMC, operated a smelter, and from the 1930s until 1984, it operated a refinery on the banks of Newtown Creek (the creek), which is a 3.5-mile-long waterway that forms part of the boundary between Brooklyn and Queens in New York City. Heavy industrialization along the banks of the creek and discharges from the City of New York's sewer system over more than a century resulted in significant environmental contamination of the waterway. In 2010, EPA notified PDRC and five others that EPA considers them to be PRPs under CERCLA. The notified parties began working with EPA to identify other PRPs, and EPA proposed that the notified parties perform a Remedial Investigation/Feasibility Study (RI/FS) at their expense and reimburse EPA for its oversight costs. EPA is not expected to propose a remedy until after a RI/FS is completed. Additionally, in 2010, EPA designated the creek as a Superfund site, and in 2011, PDRC and five other parties entered an Administrative Order on Consent (AOC) to perform a RI/FS to assess the nature and extent of environmental contamination in the creek and identify potential remedial options. The parties' RI/FS work under the AOC and their identification of other PRPs are ongoing and expected to take several years to complete. The actual costs of fulfilling this remedial obligation and the allocation of costs among PRPs are uncertain and subject to change based on the results of the RI/FS, the remediation remedy ultimately selected by EPA and related allocation determinations. Depending on the overall cost and the portion allocated to PDRC, that share could be material to FCX.

Historical Smelter Sites. FMC and its predecessors at various times owned or operated copper and zinc smelters in states including Arizona, Kansas, New Jersey, Oklahoma and Pennsylvania. For some of these smelter sites, certain FCX subsidiaries have been advised by EPA or state agencies that they may be liable for costs of investigating and, if appropriate, remediating environmental conditions associated with the smelters. At other sites, certain FCX subsidiaries have entered into state voluntary remediation programs to investigate and, if appropriate, remediate site conditions associated with the smelters. The historical smelter sites are in various stages of assessment and remediation. FCX has been in the past and may again in the future be subject to litigation brought by private parties, regulators and local governmental authorities related to these historical smelter sites.

Uranium Mining Sites. During a period between 1940 and the early 1970s, certain FMC predecessor entities and/or subsidiaries were involved in uranium exploration and mining in the western U.S., primarily on federal and tribal lands in the Four Corners region of the southwest. Similar exploration and mining activities by other companies have also caused environmental impacts warranting remediation, and EPA and local authorities are currently evaluating the need for significant cleanup activities in the region. To date, FMC has undertaken remediation at a limited number of sites associated with these predecessor entities. Initiatives to gather additional information about sites in the region are ongoing.

Other. In December 2013, a lawsuit was filed against FCX's subsidiary that operates the Candelaria mine in Chile by the neighboring municipality of Tierra Amarilla (Municipality of Tierra Amarilla v. Compania Contractual Minera Candelaria, Second Environmental Court, Santiago, Chile, filed December 12, 2013). The complaint, which as of February 21, 2014, had not been served, was filed in a recently established environmental court and alleges extensive environmental harm, including alleged contamination of soils, air, surface water and groundwater, and depletion of water supplies, in addition to allegations regarding climate damage, traffic, dust, noise and nuisance associated with blastings. The complaint seeks broad relief that if granted could require FCX to cease some or all of its operations at Candelaria and nearby facilities and restore the environment to its original condition. Because of the early stage of the proceedings, FCX is currently unable to estimate the possible loss or range of loss, if any, that could result from this matter.

Asset Retirement Obligations (AROs). FCX's ARO estimates are reflected on a third-party cost basis and comply with FCX's legal obligation to retire tangible, long-lived assets.

A summary of changes in FCX's AROs for the years ended December 31 follows:

	2013	2012	2011
Balance at beginning of year	$1,146	$ 921	$ 856
Liabilities assumed in the acquisitions of PXP and MMR[a]	1,028	—	—
Liabilities incurred	45	6	9
Settlements and revisions to cash flow estimates, net	123	211	48
Accretion expense	95	55	58
Spending	(107)	(47)	(49)
Other	(2)	—	(1)
Balance at end of year	2,328	1,146	921
Less: current portion	(115)	(55)	(31)
Long-term portion	$2,213	$1,091	$ 890

a. The fair value of AROs assumed in the acquisitions of PXP and MMR ($741 million and $287 million, respectively) were estimated based on projected cash flows, an estimated long-term annual inflation rate of 2.5 percent, and discount rates based on FCX's estimated credit-adjusted, risk-free interest rates ranging from 1.3 percent to 6.3 percent.

ARO costs may increase or decrease significantly in the future as a result of changes in regulations, changes in engineering designs and technology, permit modifications or updates, changes in mine plans, changes in drilling plans, settlements, inflation or other factors and as actual reclamation spending occurs. ARO activities and expenditures for mining operations generally are made over an extended period of time commencing near the end of the mine life; however, certain reclamation activities may be accelerated if legally required or if determined to be economically beneficial. The methods used or required to plug and abandon non-producing oil and gas wellbores, remove platforms, tanks, production equipment and flow lines, and restore wellsites could change over time.

New Mexico, Arizona, Colorado and other states require financial assurance to be provided for the estimated costs of mine reclamation and closure, including groundwater quality protection programs. FCX has satisfied financial assurance requirements by using a variety of mechanisms, primarily involving parent company performance guarantees and financial capability demonstrations, but also including trust funds, surety bonds, letters of credit and collateral. The applicable regulations specify financial strength tests that are designed to confirm a company's or guarantor's financial capability to fund estimated reclamation and closure costs. The amount of financial assurance FCX is required to provide will vary with changes in laws, regulations, reclamation and closure requirements, and cost estimates. At December 31, 2013, FCX's financial assurance obligations associated with these closure and reclamation/restoration costs totaled $2.4 billion, of which $1.7 billion was in the form of guarantees issued by FCX and financial capability demonstrations of FCX. At December 31, 2013, FCX had trust assets totaling $158 million (included in other assets), which are legally restricted to be used to satisfy its financial assurance obligations for its mining properties in New Mexico.

New Mexico Environmental and Reclamation Programs. FCX's New Mexico operations are regulated under the New Mexico Water Quality Act and regulations adopted under that act by the Water Quality Control Commission (WQCC). The New Mexico Environment Department (NMED) has required each of these operations to submit closure plans for NMED's approval. The closure plans must include measures to assure meeting groundwater quality standards following the closure of discharging facilities and to abate any groundwater or surface water contamination. In 2013, the WQCC adopted Supplemental Permitting Requirements for Copper Mining Facilities, which became effective on October 31, 2013. These rules identify closure requirements for copper mine facilities. The rules were adopted after an extensive stakeholder process in which FCX participated and were jointly supported by FCX and NMED. Although the rules are being challenged in the New Mexico courts by certain environmental organizations and the New Mexico Attorney General, their adoption, along with other commitments in a settlement agreement between NMED and FCX, have allowed NMED and FCX's Tyrone operation to dismiss its appeal of a WQCC Final Order, dated February 4, 2009, regarding closure conditions applicable to the Tyrone mine. Finalized closure plan requirements, including those resulting from the newly adopted rules, could result in increases in closure costs for FCX's New Mexico operations.

FCX's New Mexico operations also are subject to regulation under the 1993 New Mexico Mining Act (the Mining Act) and the related rules that are administered by the Mining and Minerals Division (MMD) of the New Mexico Energy, Minerals and Natural Resources Department. Under the Mining Act, mines are required to obtain approval of plans describing the reclamation to be performed following cessation of mining operations. At December 31, 2013, FCX had accrued reclamation and closure costs of $465 million for its New Mexico operations. As stated above, additional accruals may be required based on the state's review of FCX's updated closure plans and any resulting permit conditions, and the amount of those accruals could be material.

Arizona Environmental and Reclamation Programs. FCX's Arizona properties are subject to regulatory oversight in several areas. ADEQ has adopted regulations for its aquifer protection permit (APP) program that require permits for, among other things, certain facilities, activities and structures used for mining, concentrating and smelting and require compliance with aquifer water quality standards at an applicable point of compliance well or location. The APP program also may require mitigation and discharge reduction or elimination of some discharges.

An application for an APP requires a description of a closure strategy that will meet applicable groundwater protection

requirements following cessation of operations and an estimate of the cost to implement the closure strategy. An APP may specify closure requirements, which may include post-closure monitoring and maintenance. A more detailed closure plan must be submitted within 90 days after a permitted entity notifies ADEQ of its intent to cease operations. A permit applicant must demonstrate its financial ability to meet the closure costs estimated in the APP.

Portions of Arizona mining facilities that operated after January 1, 1986, also are subject to the Arizona Mined Land Reclamation Act (AMLRA). AMLRA requires reclamation to achieve stability and safety consistent with post-mining land use objectives specified in a reclamation plan. Reclamation plans must be approved by the State Mine Inspector and must include an estimate of the cost to perform the reclamation measures specified in the plan.

FCX will continue to evaluate options for future reclamation and closure activities at its operating and non-operating sites, which are likely to result in adjustments to FCX's ARO liabilities. At December 31, 2013, FCX had accrued reclamation and closure costs of $237 million for its Arizona operations.

Colorado Reclamation Programs. FCX's Colorado operations are regulated by the Colorado Mined Land Reclamation Act (Reclamation Act) and regulations promulgated thereunder. Under the Reclamation Act, mines are required to obtain approval of reclamation plans describing the reclamation of lands affected by mining operations to be performed during mining or upon cessation of mining operations. As of December 31, 2013, FCX had accrued reclamation and closure costs of $50 million for its Colorado operations.

Chilean Reclamation and Closure Programs. In July 2011, the Chilean senate passed legislation regulating mine closure, which establishes new requirements for closure plans and became effective in November 2012. FCX's Chilean operations are required to update closure plans and provide financial assurance for these obligations. FCX cannot predict at this time the cost of these closure plans or the levels or forms of financial assurance that may be required. Revised closure plans for the Chilean mine sites are due in November 2014. At December 31, 2013, FCX had accrued reclamation and closure costs of $69 million for its Chilean operations.

Peruvian Reclamation and Closure Programs. 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. The updated closure plan for the Cerro Verde mine expansion was submitted to the Peruvian regulatory authorities in November 2013. At December 31, 2013, Cerro Verde had accrued reclamation and closure costs of $79 million.

Indonesian Reclamation and Closure Programs. The ultimate amount of reclamation and closure costs to be incurred at PT-FI's operations will be determined based on applicable laws and regulations and PT-FI's assessment of appropriate remedial activities in the circumstances, after consultation with governmental authorities, affected local residents and other affected parties and cannot currently be projected with precision. Some reclamation costs will be incurred during mining activities, while most closure costs and the remaining reclamation costs will be incurred at the end of mining activities, which are currently estimated to continue for nearly 30 years. At December 31, 2013, PT-FI had accrued reclamation and closure costs of $249 million.

In 1996, PT-FI began contributing to a cash fund ($18 million balance at December 31, 2013, which is included in other assets) designed to accumulate at least $100 million (including interest) by the end of its Indonesia mining activities. PT-FI plans to use this fund, including accrued interest, to pay mine closure and reclamation costs. Any costs in excess of the $100 million fund would be funded by operational cash flow or other sources.

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 Contract of Work, PT-FI is working with the Department of Energy and Mineral Resources to review these requirements, including discussion of other options for the mine closure guarantee.

Oil and Gas Properties. Substantially all of FM O&G's 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. FM O&G operating areas include the GOM, offshore and onshore California, the Gulf Coast and the Rocky Mountain area. FM O&G AROs cover more than 6,600 wells and more than 200 platforms and other structures. At December 31, 2013, FM O&G had accrued $1.1 billion associated with its AROs.

Litigation. FCX is involved in numerous legal proceedings that arise in the ordinary course of business or are associated with environmental issues arising from legacy operations conducted over the years by FMC and its affiliates as discussed in this note under "Environmental." FCX is also involved periodically in other reviews, investigations and proceedings by 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 reported below will have a material adverse effect on FCX's financial condition, although individual outcomes could be material to FCX's operating results

for a particular period, depending on the nature and magnitude of the outcome and the operating results for the period. Refer to Note 1 for further discussion of FCX's accounting policy for litigation contingencies.

Asbestos Claims. Since approximately 1990, FMC and various subsidiaries have been named as defendants in a large number of lawsuits that claim personal injury either from exposure to asbestos allegedly contained in electrical wire products produced or marketed many years ago or from asbestos contained in buildings and facilities located at properties owned or operated by FMC affiliates, or from alleged asbestos in talc products. Many of these suits involve a large number of codefendants. Based on litigation results to date and facts currently known, FCX believes there is a reasonable possibility that losses may have been incurred related to these matters; however, FCX also believes that the amounts of any such losses, individually or in the aggregate, are not material to its consolidated financial statements. There can be no assurance, however, that future developments will not alter this conclusion.

Shareholder Litigation. Fourteen derivative actions challenging the PXP merger and/or the MMR merger were filed on behalf of FCX by purported FCX stockholders. Ten were filed in the Court of Chancery of the State of Delaware and three were filed in the Superior Court of the State of Arizona, County of Maricopa. On January 25, 2013, the Delaware Court of Chancery consolidated the Delaware actions into a single action, In Re Freeport-McMoRan Copper & Gold Inc. Derivative Litigation, No. 8145-VCN. On March 5, 2013, an additional complaint was filed in the Delaware Court of Chancery, Stephen Blau MD Money Purchase Pension Plan Trust v. Moffett et al., No. 8389-VCN. A motion to consolidate that action with In Re Freeport-McMoRan Copper & Gold Inc. Derivative Litigation is pending. On January 17, 2013, the Arizona Superior Court consolidated two of the Arizona actions into In Re Freeport-McMoRan Derivative Litigation, No. CV2012-018351. A third Arizona complaint, Harris v. Adkerson et al., No. CV2013-004163, was consolidated with the first two Arizona actions on February 8, 2013. On March 18, 2013, the Delaware Court of Chancery granted the stipulation made by the parties to allow the plaintiffs in In Re Freeport-McMoRan Derivative Litigation, No. CV2012-01835, to intervene in the consolidated Delaware action. On October 17, 2013, the Arizona Superior Court extended the permanent stay of the Arizona actions until March 31, 2014. The actions name some or all of the following as defendants: the directors and certain officers of FCX, two FCX subsidiaries, PXP and certain of its directors, and MMR and certain of its directors and officers. The actions allege, among other things, that the FCX directors breached their fiduciary duties to FCX stockholders because they, among other things, pursued their own interests at the expense of stockholders in approving the PXP and MMR mergers. The complaints also allege that some or all of the following parties aided and abetted the wrongful acts allegedly committed by the directors and certain officers of FCX: two FCX subsidiaries, PXP and certain of its directors, and MMR and certain of its directors and officers. The actions seek as relief, among other things, an injunction barring or rescinding both the PXP merger and the MMR merger and requiring submission of the proposed PXP merger and MMR merger to a vote of FCX stockholders, damages, and attorneys' fees and costs. On October 10, 2013, FCX and the other defendants filed a motion to dismiss the second amended consolidated complaint that was filed by plaintiffs on July 19, 2013. Oral argument on the motion to dismiss is scheduled in the Delaware Chancery Court on March 12, 2014. FCX intends to vigorously defend itself in these matters.

Ten putative class actions challenging the MMR merger were filed on behalf of MMR stockholders. Nine were filed in the Court of Chancery of the State of Delaware. On January 25, 2013, the Court of Chancery consolidated the actions into a single action, In Re McMoRan Exploration Co. Stockholder Litigation, No. 8132-VCN. On June 28, 2013, the parties entered into a settlement agreement, and on October 11, 2013, the court held a hearing to consider the evidence in support of the proposed settlement. On October 16, 2013, the court entered an order approving the settlement, the terms of which were not material to FCX. One action was also filed in the Civil District Court for the Parish of Orleans of the State of Louisiana: Langley v. Moffett et al., No. 2012-11904, filed December 19, 2012. On April 19, 2013, the Louisiana Civil District Court granted defendants' motion to stay the action pending the resolution of the consolidated action brought by MMR stockholders in the Delaware Court of Chancery. As a result of the settlement of the consolidated Delaware action, the Louisiana action will be dismissed. Each of the actions names some or all of the following as defendants, in addition to MMR and its directors: FCX, two FCX subsidiaries, the Gulf Coast Ultra Deep Royalty Trust and PXP. The actions alleged that MMR's directors breached their fiduciary duties because they, among other things, pursued their own interests at the expense of stockholders and failed to maximize stockholder value with respect to the merger, and that PXP, FCX, or both, aided and abetted the breach of fiduciary duty by MMR's directors. The Delaware action also asserted claims derivatively on behalf of MMR. The actions sought, among other things, injunctive relief barring or rescinding the MMR merger, damages, and attorneys' fees and costs.

Kay County Litigation. On May 23, 2012, the Board of Commissioners of Kay County, Oklahoma, filed suit in Oklahoma District Court against FCX and several affiliates, including Blackwell Zinc Company, Inc. (BZC), an indirect subsidiary of FCX that owned and operated a zinc smelter in Blackwell, Oklahoma, from 1916 to 1974, entitled Board of Commissioners of the County of Kay, Oklahoma v. Freeport-McMoRan Copper & Gold Inc., et al., United States District Court, Western District of Oklahoma, Case No. 5:12-cv-00601-C. The suit alleged that BZC permitted large

quantities of smelter waste to be used as road building and fill material throughout Kay County over a period of decades and sought unspecified financial assistance for removing or covering much of the material and unspecified damages for the alleged public nuisance created by the presence of the material. On November 25, 2013, the case was settled for an amount that is not material to FCX.

Tax and Other Matters. *Cerro Verde Royalty Dispute.* SUNAT, the Peruvian national tax authority, has assessed mining royalties on ore processed by the Cerro Verde concentrator, which commenced operations in late 2006. These assessments cover the period October 2006 to December 2007 and the years 2008 and 2009. In July 2013, the Peruvian Tax Tribunal issued two decisions affirming SUNAT's assessments for the period October 2006 through December 2008. Decisions by the Tax Tribunal end the administrative stage of the appeal procedures for the assessments. In September 2013, Cerro Verde filed judiciary appeals related to the assessments because it continues to believe that its 1998 stability agreement exempts all minerals extracted from its mining concession from royalties, irrespective of the method used for processing those minerals. Although FCX believes its interpretation of the stability agreement is correct, if Cerro Verde is ultimately found responsible for these assessments, it may also be liable for penalties and interest, which accrues at rates that range from approximately 7 percent to 18 percent based on the year accrued and the currency in which the amounts would be payable.

On October 1, 2013, SUNAT served Cerro Verde with a demand for payment totaling 492 million Peruvian nuevo soles ($176 million based on exchange rates as of December 31, 2013, including interest and penalties of $104 million, or a total of $94 million net of noncontrolling interests) based on the Peruvian Tax Tribunal's July 2013 decisions for the period October 2006 through December 2008. As permitted by law, Cerro Verde requested and was granted an installment payment program that defers payment for six months and thereafter satisfies the amount via sixty-six equal monthly payments. On July 19, 2013, a hearing on SUNAT's assessment for 2009 was held, but no decision has been issued by the Tax Tribunal for that year. As of December 31, 2013, the aggregate amount of the assessments, including interest and penalties, for the year 2009 was 206 million Peruvian nuevo soles ($74 million based on exchange rates as of December 31, 2013, or a total of $39 million net of noncontrolling interests). SUNAT may make additional assessments for mining royalties and associated penalties and interest for the years 2010 through 2013, which Cerro Verde will contest; FCX believes any such assessments for the years 2010 through 2013, if made, would in the aggregate be similar to the aggregate assessments received for the periods October 2006 through December 2009. No amounts were accrued for these assessments or the installment payment program as of December 31, 2013, because Cerro Verde believes its 1998 stability agreement exempts it from these royalties and believes any payments will be recoverable.

Indonesia Tax Matters. PT-FI has received assessments from the Indonesian tax authorities for additional taxes and interest related to various audit exceptions for income taxes and other taxes as follows:

Date of Assessment	Tax Return Year	Tax Assessment	Interest Assessment	Total
October 2010	2005	$103	$ 49	$152
November 2011	2006	22	10	32
March 2012	2007	91	44	135
First-quarter 2013	2008	62	52	114
Second-quarter 2013	2011	56	13	69
Total		$334	$168	$502

PT-FI has filed objections to the assessments because it believes it has properly determined and paid its taxes. During 2013, the Indonesian tax authorities agreed to refund $291 million ($320 million was included in income taxes receivable in the consolidated balance sheet at December 31, 2012) associated with income tax overpayments made by PT-FI for 2011. PT-FI received a cash refund of $165 million in July 2013, and the Indonesian tax authorities withheld $126 million of the 2011 overpayment for unrelated assessments from 2005 and 2007, which PT-FI is disputing. PT-FI filed objections for $22 million of the remaining 2011 overpayments that it believes it is due. As of December 31, 2013, PT-FI had $255 million included in other assets for amounts paid on disputed tax assessments, which it believes are collectible, including the $126 million discussed above for the 2011 refunds.

In December 2009, PT-FI was notified by the Large Taxpayer's Office of the Government of Indonesia of its view that PT-FI is obligated to pay value added taxes on certain goods imported after the year 2000. The amount of such taxes and related penalties under this view would be significant. PT-FI believes that, pursuant to the terms of its Contract of Work, it is only required to pay value added taxes on these types of goods imported after December 30, 2009. PT-FI has not received a formal assessment and is working with the applicable government authorities to resolve this matter.

Columbian Chemicals Company (Columbian) Claims. In July 2012, FCX and Columbian (formerly a subsidiary of FMC) reached an agreement regarding the extent of FCX's indemnity obligations under the 2005 agreement pursuant to which Columbian was sold. Under the agreement, FCX's remaining possible exposure, net of amounts reserved or paid, totaled $107 million at December 31, 2013.

Letters of Credit, Bank Guarantees and Surety Bonds. Letters of credit and bank guarantees totaled $326 million at December 31, 2013, primarily for the Cerro Verde royalty dispute (bank guarantee secured by a time deposit — refer to discussion above), environmental and asset retirement obligations, workers' compensation insurance programs, tax and customs obligations, and other commercial obligations. In addition, FCX had surety

bonds totaling $331 million at December 31, 2013, associated with environmental and asset retirement obligations ($268 million), self-insurance bonds primarily for workers' compensation ($21 million) and other bonds ($42 million).

Insurance. FCX purchases a variety of insurance products to mitigate potential losses. The various insurance products typically have specified deductible amounts or self-insured retentions and policy limits. FCX generally is self-insured for U.S. workers' compensation, but purchases excess insurance up to statutory limits. An actuarial analysis is performed twice a year on the various casualty insurance programs covering FCX's U.S. based mining operations, including workers' compensation, to estimate expected losses. At December 31, 2013, expected losses under these insurance programs totaled $52 million, which consisted of a current portion of $8 million (included in accounts payable and accrued liabilities) and a long-term portion of $44 million (included in other liabilities).

FCX's oil and gas operations are subject to all of the risks normally incident to the exploration for and the production of oil and gas, including well blowouts, cratering, explosions, oil spills, releases of gas or well fluids, fires, pollution and releases of toxic gas, each of which could result in damage to or destruction of oil and gas wells, production facilities or other property or injury to persons. Although FCX maintains insurance coverage considered to be customary in the oil and gas industry, FCX is not fully insured against all risks either because insurance is not available or because of high premium costs. FCX is self-insured for named windstorms in the GOM. FCX's insurance policies provide limited coverage for losses or liabilities relating to pollution, with broader coverage for sudden and accidental occurrences.

FCX and its insurers entered into an agreement in December 2012 to settle an insurance claim for business interruption and property damage relating to the 2011 incidents affecting PT-FI's concentrate pipelines. The insurers agreed to pay an aggregate of $63 million, including PT-FI's joint venture partner's share. As a result of the settlement, FCX recorded a gain of $59 million in 2012.

NOTE 13. COMMITMENTS AND GUARANTEES

Operating Leases. FCX leases various types of properties, including offices, aircraft and equipment. Future minimum rentals under non-cancelable leases at December 31, 2013, total $45 million in 2014, $42 million in 2015, $42 million in 2016, $40 million in 2017, $35 million in 2018 and $132 million thereafter. Minimum payments under operating leases have not been reduced by aggregate minimum sublease rentals, which are minimal. Total aggregate rental expense under operating leases was $96 million in 2013, $77 million in 2012 and $70 million in 2011.

Contractual Obligations. Based on applicable prices at December 31, 2013, FCX has unconditional purchase obligations of $4.7 billion, primarily comprising minimum commitments for two deepwater drillships currently under construction and expected to be delivered in late 2014 and early 2015 for the GOM drilling campaign ($1.5 billion), transportation services ($853 million), the procurement of copper concentrates ($800 million), electricity ($471 million) and deferred premium costs and future interest expected to be accrued on crude oil derivative contracts ($454 million), which is expected to be paid once the options settle (refer to Note 14 for further discussion of the amounts recorded at December 31, 2013). Some of FCX's unconditional purchase obligations are settled based on the prevailing market rate for the service or commodity purchased. In some cases, the amount of the actual obligation may change over time because of market conditions. Drillship obligations provide for an operating rate over the contractual term upon delivery of the drillship. Transportation obligations are primarily for South America and PT-FI contracted ocean freight. Obligations for copper concentrates provide for deliveries of specified volumes to Atlantic Copper at market-based prices. Electricity obligations are primarily for contractual minimum demand at the South America and Tenke mines.

FCX's future commitments associated with unconditional purchase obligations total $1.4 billion in 2014, $1.3 billion in 2015, $863 million in 2016, $686 million in 2017, $142 million in 2018 and $327 million thereafter, of which $444 million was accrued at December 31, 2013, related to deferred premiums and interest on crude oil derivative contracts. During the three-year period ended December 31, 2013, FCX fulfilled its minimum contractual purchase obligations or negotiated settlements in those situations in which it terminated an agreement containing an unconditional obligation.

Mining Contracts — Indonesia. FCX is entitled to mine in Indonesia under the Contract of Work between PT-FI and the Government of Indonesia. The original Contract of Work was entered into in 1967 and was replaced with a new Contract of Work in 1991. The initial term of the current Contract of Work expires in 2021 but can be extended by PT-FI for two 10-year periods subject to Indonesian government approval, which pursuant to the Contract of Work cannot be withheld or delayed unreasonably. Given the importance of contracts of work and PT-FI's over 40 years of working with the Indonesian government, which included entering into the Contract of Work in 1991 well before the expiration of the 1967 Contract of Work, PT-FI expects that the government will approve the extensions as long as it continues to comply with the terms of the Contract of Work.

In July 2004, FCX received a request from the Indonesian Department of Energy and Mineral Resources that it offer to sell shares in PT Indocopper Investama to Indonesian nationals at fair market value. In response to this request and in view of the potential benefits of having additional Indonesian ownership in the operations, FCX agreed, at the time, to consider a potential sale of an interest in PT Indocopper Investama at fair market value. Neither its Contract of Work nor Indonesian law requires FCX to divest any portion of its ownership in PT-FI or

PT Indocopper Investama. In May 2008, FCX signed a Memorandum of Understanding with the Papua provincial government (the Province) whereby the parties agreed to work cooperatively to determine the feasibility of an acquisition by the Province of the PT Indocopper Investama shares at market value. PT-FI is currently engaged in discussions with the Indonesian government related to its Contract of Work and intends to conclude that process before proceeding with any further discussions about the potential sale of an interest in PT Indocopper Investama.

The copper royalty rate payable by PT-FI under its Contract of Work varies from 1.5 percent of copper net revenue at a copper price of $0.90 or less per pound to 3.5 percent at a copper price of $1.10 or more per pound. The Contract of Work royalty rate for gold and silver sales is at a fixed rate of 1.0 percent.

A large part of the mineral royalties under Indonesian government regulations is designated to the provinces from which the minerals are extracted. In connection with its fourth concentrator mill expansion completed in 1998, PT-FI agreed to pay the Government of Indonesia additional royalties (royalties not required by the Contract of Work) to provide further support to the local governments and the people of the Indonesian province of Papua. The additional royalties are paid on production exceeding specified annual amounts of copper, gold and silver expected to be generated when PT-FI's milling facilities operate above 200,000 metric tons of ore per day. The additional royalty for copper equals the Contract of Work royalty rate, and for gold and silver equals twice the Contract of Work royalty rates. Therefore, PT-FI's royalty rate on copper net revenues from production above the agreed levels is double the Contract of Work royalty rate, and the royalty rates on gold and silver sales from production above the agreed levels are triple the Contract of Work royalty rates.

The combined royalties, including the additional royalties that became effective January 1, 1999, totaled $109 million in 2013, $93 million in 2012 and $137 million in 2011.

In 2009, Indonesia enacted a mining law (2009 Mining Law), which operates under a licensing system that is 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. FCX has been engaged in discussions with officials of the Indonesian government to complete this evaluation process and obtain an extension of the PT-FI Contract of Work beyond its primary term ending in 2021 to 2041, as provided under the terms of the Contract of Work, which can only be modified by mutual agreement between PT-FI and the Indonesian government.

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 Contract of Work authorizes it to export concentrates and specifies the taxes and other fiscal terms available to its operations. The Contract of Work 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 Contract of Work. Additionally, PT-FI complied with the requirements of its Contract of Work for local processing by arranging for the construction and commissioning of Indonesia's only copper smelter and refinery, which is owned by PT Smelting (refer to Note 6).

The January 2014 regulations conflict with PT-FI's contractual rights under its Contract of Work. FCX is working with the Indonesian government to clarify the situation and to defend PT-FI's rights under its Contract of Work. 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. 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, FCX plans 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.

Mining Contracts — Africa. FCX is entitled to mine in the DRC under an Amended and Restated Mining Convention (ARMC) between TFM and the Government of the DRC. The original Mining Convention was entered into in 1996, was replaced with the ARMC in 2005 and was further amended in 2010 (approved in 2011). The current ARMC will remain in effect for as long as the Tenke concession is exploitable. The royalty rate payable by TFM under the ARMC is two percent of net revenue. These mining royalties totaled $29 million in 2013, $25 million in 2012 and $24 million in 2011.

Effective March 26, 2012, the DRC government issued a Presidential Decree approving the modifications to TFM's bylaws following a review (completed in 2010) of TFM's existing mining contracts. Among other changes to the amended ARMC, FCX's effective ownership interest in TFM was reduced from 57.75 percent to 56 percent and $50 million of TFM's stockholder loan payable to a subsidiary of FMC was converted to equity.

Community Development Programs. FCX has adopted policies that govern its working relationships with the communities where it operates. These policies are designed to guide its practices and programs in a manner that respects basic human rights and the culture of the local people impacted by FCX's operations. FCX continues to make significant expenditures on community development, education, training and cultural programs.

In 1996, PT-FI established the Freeport Partnership Fund for Community Development (Partnership Fund) through which PT-FI has made available funding and technical assistance to support community development initiatives in the area 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 operations through the Partnership Fund. PT-FI charged $41 million in 2013, $39 million in 2012 and $50 million in 2011 to cost of sales for this commitment.

TFM has committed to assist the communities living within its concession in the Katanga province of the DRC. TFM will 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, such as those pertaining to health, education and economic development. TFM charged $4 million in each of the years 2013, 2012 and 2011 to cost of sales for this commitment.

Guarantees. FCX provides certain financial guarantees (including indirect guarantees of the indebtedness of others) and indemnities.

At its Morenci mine in Arizona, FCX has a venture agreement with Sumitomo, which includes a put and call option guarantee clause. FCX holds an 85 percent undivided interest in the Morenci complex. Under certain conditions defined in the venture agreement, Sumitomo has the right to sell its 15 percent share to FCX. Likewise, under certain conditions, FCX has the right to purchase Sumitomo's share of the venture. At December 31, 2013, the maximum potential payment FCX is obligated to make to Sumitomo upon exercise of the put option (or FCX's exercise of its call option) totaled approximately $267 million based on calculations defined in the venture agreement. At December 31, 2013, FCX had not recorded any liability in its consolidated financial statements in connection with this guarantee as FCX does not believe, based on information available, that it is probable that any amounts will be paid under this guarantee as the fair value of Sumitomo's 15 percent share is in excess of the exercise price.

Prior to its acquisition by FCX, FMC and its subsidiaries have, as part of merger, acquisition, divestiture and other transactions, from time to time, indemnified certain sellers, buyers or other parties related to the transaction from and against certain liabilities associated with conditions in existence (or claims associated with actions taken) prior to the closing date of the transaction. As part of these transactions, FMC indemnified the counterparty from and against certain excluded or retained liabilities existing at the time of sale that would otherwise have been transferred to the party at closing. These indemnity provisions generally now require FCX to indemnify the party against certain liabilities that may arise in the future from the pre-closing activities of FMC for assets sold or purchased. The indemnity classifications include environmental, tax and certain operating liabilities, claims or litigation existing at closing and various excluded liabilities or obligations. Most of these indemnity obligations arise from transactions that closed many years ago, and given the nature of these indemnity obligations, it is not possible to estimate the maximum potential exposure. Except as described in the following sentence, FCX does not consider any of such obligations as having a probable likelihood of payment that is reasonably estimable, and accordingly, has not recorded any obligations associated with these indemnities. With respect to FCX's environmental indemnity obligations, any expected costs from these guarantees are accrued when potential environmental obligations are considered by management to be probable and the costs can be reasonably estimated.

NOTE 14. FINANCIAL INSTRUMENTS

FCX does not purchase, hold or sell derivative financial instruments unless there is an existing asset or obligation, or it anticipates a future activity that is likely to occur and will result in exposure to market risks, which FCX intends to offset or mitigate. FCX does not enter into any derivative financial instruments for speculative purposes, but has entered into derivative financial instruments in limited instances to achieve specific objectives. These objectives principally relate to managing risks associated with commodity price changes, foreign currency exchange rates and interest rates.

Commodity Contracts. From time to time, FCX has entered into forward, futures and swap contracts to hedge the market risk associated with fluctuations in the prices of commodities it purchases and sells. As a result of the acquisition of PXP, FCX assumed a variety of crude oil and natural gas commodity derivatives, such as swaps, collars, puts, calls and various combinations of these instruments to hedge the exposure to the volatility of crude oil and natural gas commodity prices. Derivative financial instruments used by FCX to manage its risks do not contain credit risk-related contingent provisions. As of December 31, 2013 and 2012, FCX had no price protection contracts relating to its mine production. A discussion of FCX's derivative contracts and programs follows.

Derivatives Designated as Hedging Instruments — Fair Value Hedges

Copper Futures and Swap Contracts. Some of FCX's U.S. copper rod customers request a fixed market price instead of the COMEX average copper price in the month of shipment. FCX hedges this price exposure in a manner that allows it to receive the COMEX average price in the month of shipment while the customers pay the fixed price they requested. FCX accomplishes this by entering into copper futures or swap contracts. Hedging gains or losses from these copper futures and swap contracts are recorded in revenues. FCX did not have any significant gains or losses during the three years ended December 31, 2013, resulting from hedge ineffectiveness. At December 31, 2013, FCX held copper futures and swap contracts that qualified for hedge accounting for 44 million pounds at an average contract price of $3.28 per pound, with maturities through November 2014.

A summary of gains (losses) recognized in revenues for derivative financial instruments related to commodity contracts that are designated and qualify as fair value hedge transactions, along with the unrealized gains (losses) on the related hedged item (firm sales commitments) for the years ended December 31 follows:

	2013	2012	2011
Unrealized gains (losses):			
Derivative financial instruments	$ 1	$ 15	$ (28)
Hedged item	(1)	(15)	28
Realized losses:			
Matured derivative financial instruments	(17)	(2)	(28)

Derivatives Not Designated as Hedging Instruments

Embedded derivatives and derivative financial instruments that do not meet the criteria to qualify for hedge accounting are discussed below.

Embedded Derivatives. As described in Note 1 under "Revenue Recognition," certain FCX copper concentrate, copper cathode and gold sales contracts provide for provisional pricing primarily based on the LME price (copper) or the COMEX price (copper) and the London price (gold) at the time of shipment as specified in the contract. Similarly, FCX purchases copper under contracts that provide for provisional pricing. FCX applies the normal purchases and normal sales scope exception in accordance with derivatives and hedge accounting guidance to the host sales agreements since the contracts do not allow for net settlement and always result in physical delivery. Sales and purchases with a provisional sales price contain an embedded derivative (*i.e.*, the price settlement mechanism is settled after the time of delivery) that is required to be bifurcated from the host contract. The host contract is the sale or purchase of the metals contained in the concentrates or cathodes at the then-current LME or COMEX price (copper) or the London price (gold) as defined in the contract. Mark-to-market price fluctuations recorded through the settlement date are reflected in revenues for sales contracts and in cost of sales as production and delivery costs for purchase contracts.

A summary of FCX's embedded derivatives at December 31, 2013, follows:

	Open Positions	Average Price Per Unit		Maturities Through
		Contract	Market	
Embedded derivatives in provisional sales contracts:				
Copper (millions of pounds)	673	$ 3.24	$ 3.34	June 2014
Gold (thousands of ounces)	254	1,245	1,202	April 2014
Embedded derivatives in provisional purchase contracts:				
Copper (millions of pounds)	60	3.26	3.34	April 2014

Crude Oil and Natural Gas Contracts. As a result of the acquisition of PXP, FCX assumed PXP's 2013, 2014 and 2015 derivative instruments that consisted of crude oil options, and crude oil and natural gas swaps. The crude oil and natural gas derivatives are not designated as hedging instruments and are recorded at fair value with the mark-to-market gains and losses recorded in revenues.

The crude oil options were entered into by PXP to protect the realized price of a portion of expected future sales in order to limit the effects of crude oil price decreases. At December 31, 2013, these contracts are composed of crude oil put spreads consisting of put options with a floor limit. The premiums associated with put options are deferred until the settlement period. At December 31, 2013, the deferred option premiums and accrued interest associated with the crude oil option contracts totaled $444 million, which was included as a component of the fair value of the crude oil option contracts. At December 31, 2013, the outstanding crude oil option contracts, all of which settle monthly, follow:

Period	Instrument Type	Daily Value (thousand barrels)	Average Price (per barrel)[a]		Average Deferred Premium (per barrel)	Index
			Floor	Floor Limit		
2014						
Jan – Dec	Put options[b]	75	$ 90	$70	$5.74	Brent
Jan – Dec	Put options[b]	30	95	75	6.09	Brent
Jan – Dec	Put options[b]	5	100	80	7.11	Brent
2015						
Jan – Dec	Put options[b]	84	90	70	6.89	Brent

a. The average strike prices do not reflect any premiums to purchase the put options.
b. If the index price is less than the per barrel floor, FCX receives the difference between the per barrel floor and the index price up to a maximum of $20 per barrel less the option premium. If the index price is at or above the per barrel floor, FCX pays the option premium and no cash settlement is received.

In addition, at December 31, 2013, outstanding natural gas swaps with a weighted-average fixed swap price of $4.09 per million British thermal units (MMBtu) cover approximately 37 million MMBtu of natural gas with maturities through December 2014 (on daily volumes of 100,000 MMBtu). If the Henry Hub index price is

less than the fixed price, FCX receives the difference between the fixed price and the Henry Hub index price. FCX pays the difference between the index price and the fixed price if the Henry Hub index price is greater than the fixed price.

Copper Forward Contracts. Atlantic Copper, FCX's wholly owned smelting and refining unit in Spain, enters into forward copper contracts designed to hedge its copper price risk whenever its physical purchases and sales pricing periods do not match. These economic hedge transactions are intended to hedge against changes in copper prices, with the mark-to-market hedging gains or losses recorded in cost of sales. At December 31, 2013, Atlantic Copper held net forward copper sales contracts for 10 million pounds at an average contract price of $3.27 per pound, with maturities through February 2014.

Summary of Gains (Losses). A summary of the realized and unrealized gains (losses) recognized in income before income taxes and equity in affiliated companies' net earnings for commodity contracts that do not qualify as hedge transactions, including embedded derivatives, for the years ended December 31 follows:

	2013	2012	2011
Embedded derivatives in provisional copper and gold sales contracts[a]	$(136)	$77	$(519)
Crude oil options[a]	(344)	—	—
Natural gas swaps[a]	10	—	—
Copper forward contracts[b]	3	15	(2)

a. Amounts recorded in revenues.
b. Amounts recorded in cost of sales as production and delivery costs.

Unsettled Derivative Financial Instruments

A summary of the fair values of unsettled commodity derivative financial instruments follows:

December 31,	2013	2012
Commodity Derivative Assets:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts[a]	$ 6	$ 5
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper and gold sales/purchase contracts	63	36
Total derivative assets	$ 69	$41
Commodity Derivative Liabilities:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts[a]	$ —	$ 1
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper and gold sales/purchase contracts	16	27
Crude oil options[b]	309	—
Natural gas swaps	4	—
Copper forward contracts	1	—
Total derivative liabilities	$330	$28

a. FCX had paid $1 million to brokers at December 31, 2013, and $7 million at December 31, 2012, for margin requirements (recorded in other current assets).
b. Included $444 million for deferred premiums and accrued interest at December 31, 2013.

FCX's commodity contracts have netting arrangements with counterparties with which the right of offset exists, and it is FCX's policy to offset balances by counterparty on the balance sheet. FCX's embedded derivatives on provisional sales/purchases are netted with the corresponding outstanding receivable/payable balances. A summary of these unsettled commodity contracts that are offset in the balance sheet follows:

	Assets		Liabilities	
December 31,	2013	2012	2013	2012
Gross amounts recognized:				
Commodity contracts:				
Embedded derivatives on provisional sales/purchase contracts	$63	$36	$ 16	$27
Crude oil and natural gas derivatives	—	—	313	—
Copper derivatives	6	5	1	1
	69	41	330	28
Less gross amounts of offset:				
Commodity contracts:				
Embedded derivatives on provisional sales/purchase contracts	10	8	10	8
Crude oil and natural gas derivatives	—	—	—	—
Copper derivatives	—	—	—	—
	10	8	10	8
Net amounts presented in balance sheet:				
Commodity contracts:				
Embedded derivatives on provisional sales/purchase contracts	53	28	6	19
Crude oil and natural gas derivatives	—	—	313	—
Copper derivatives	6	5	1	1
	$59	$33	$320	$20
Balance sheet classification:				
Trade accounts receivable	$53	$24	$ —	$ 9
Other current assets	6	5	—	—
Accounts payable and accrued liabilities	—	4	205	11
Other liabilities	—	—	115	—
	$59	$33	$320	$20

Credit Risk. FCX is exposed to credit loss when financial institutions with which FCX has entered into derivative transactions (commodity, foreign exchange and interest rate swaps) are unable to pay. To minimize the risk of such losses, FCX uses counterparties that meet certain credit requirements and periodically reviews the creditworthiness of these counterparties. FCX does not anticipate that any of the counterparties it deals with will default on their obligations. As of December 31, 2013, the maximum amount of credit exposure associated with derivative transactions was $54 million.

Other Financial Instruments. Other financial instruments include cash and cash equivalents, accounts receivable, investment securities, legally restricted funds, accounts payable and accrued liabilities, dividends payable and long-term debt. The carrying value for cash and cash equivalents (which included time deposits of

$211 million at December 31, 2013, and $514 million at December 31, 2012), accounts receivable, accounts payable and accrued liabilities, and dividends payable approximates fair value because of their short-term nature and generally negligible credit losses (refer to Note 15 for the fair values of investment securities, legally restricted funds and long-term debt).

In addition, FCX has non-detachable warrants, which are considered to be embedded derivative instruments, associated with the Plains Offshore Preferred Stock (refer to Note 2 for further discussion and Note 15 for the fair value of these instruments).

NOTE 15. FAIR VALUE MEASUREMENT

Fair value accounting guidance includes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means; and

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

FCX recognizes transfers between levels at the end of the reporting period. FCX did not have any significant transfers in or out of Level 1, 2 or 3 for 2013. A summary of the carrying amount and fair value of FCX's financial instruments other than cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends payable follows:

	At December 31, 2013				
	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
Assets					
Investment securities (current and long-term):[a,b]					
U.S. core fixed income fund	$ 21	$ 21	$ —	$ 21	$ —
Money market funds	18	18	18	—	—
Equity securities	5	5	5	—	—
Total	44	44	23	21	—
Legally restricted funds (long-term):[a,b,c]					
U.S. core fixed income fund	48	48	—	48	—
Government mortgage-backed securities	34	34	—	34	—
Corporate bonds	28	28	—	28	—
Government bonds and notes	28	28	—	28	—
Money market funds	28	28	28	—	—
Asset-backed securities	15	15	—	15	—
Municipal bonds	1	1	—	1	—
Total	182	182	28	154	—
Derivatives:[a,d]					
Embedded derivatives in provisional sales/purchase contracts in a gross asset position	63	63	—	63	—
Copper futures and swap contracts	6	6	5	1	—
Total	69	69	5	64	—
Total assets		$ 295	$ 56	$ 239	$ —
Liabilities					
Derivatives:[a]					
Embedded derivatives in provisional sales/purchase contracts in a gross liability position[d]	$ 16	$ 16	$ —	$ 16	$ —
Crude oil options[d]	309	309	—	—	309
Natural gas swaps[d]	4	4	—	4	—
Copper forward contracts[d]	1	1	1	—	—
Plains Offshore warrants[e]	2	2	—	—	2
Total	332	332	1	20	311
Long-term debt, including current portion[f]	20,706	20,487	—	20,487	—
Total liabilities		$20,819	$ 1	$20,507	$311

	At December 31, 2012				
	Carrying Amount	Fair Value			
		Total	Level 1	Level 2	Level 3
Assets					
Investment securities (current and long-term):					
MMR investment[g]	$ 446	$ 539	$ —	$ 539	$ —
U.S. core fixed income fund[a,b]	22	22	—	22	—
Money market funds[a,b]	16	16	16	—	—
Equity securities[a,b]	8	8	8	—	—
Total	492	585	24	561	—
Legally restricted funds (long-term):[a,b]					
U.S. core fixed income fund	50	50	—	50	—
Government mortgage-backed securities	36	36	—	36	—
Corporate bonds	30	30	—	30	—
Government bonds and notes	24	24	—	24	—
Money market funds	7	7	7	—	—
Asset-backed securities	15	15	—	15	—
Municipal bonds	1	1	—	1	—
Total	163	163	7	156	—
Derivatives:[a,d]					
Embedded derivatives in provisional sales/purchase contracts in a gross asset position	36	36	—	36	—
Copper futures and swap contracts	5	5	5	—	—
Total	41	41	5	36	—
Total assets		$ 789	$ 36	$ 753	$ —
Liabilities					
Derivatives:[a,d]					
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	$ 27	$ 27	$ —	$ 27	$ —
Copper futures and swap contracts	1	1	1	—	—
Total	28	28	1	27	—
Long-term debt, including current portion[f]	3,527	3,589	—	3,589	—
Total liabilities		$ 3,617	$ 1	$ 3,616	$ —

a. Recorded at fair value.
b. Current portion included in other current assets and long-term portion included in other assets.
c. Legally restricted funds excluded $210 million of time deposits (which approximated fair value) at December 31, 2013, associated with the Cerro Verde royalty dispute (refer to Note 12 for further discussion).
d. Refer to Note 14 for further discussion and balance sheet classifications. At December 31, 2013, crude oil options are net of $444 million for deferred premiums and accrued interest.
e. Included in other liabilities. Refer to Note 2 for further discussion.
f. Recorded at cost except for debt assumed in the PXP and FMC acquisitions, which were recorded at fair value at the respective acquisition dates.
g. Recorded at cost and included in other assets.

Valuation Techniques

Money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

Fixed income securities (U.S. core fixed income funds, government securities, corporate bonds, asset-backed securities and municipal bonds) are valued using a bid evaluation price or a mid-evaluation price. A bid evaluation price is an estimated price at which a dealer would pay for a security. A mid-evaluation price is the average of the estimated price at which a dealer would sell a security and the estimated price at which a dealer would pay for a security. These evaluations are based on quoted prices, if available, or models that use observable inputs and, as such, are classified within Level 2 of the fair value hierarchy.

Equity securities are valued at the closing price reported on the active market on which the individual securities are traded and, as such, are classified within Level 1 of the fair value hierarchy.

FCX's embedded derivatives on provisional copper concentrate, copper cathode and gold purchases and sales have critical observable inputs of quoted monthly LME or COMEX copper forward prices and the London gold forward price at each reporting date based on the month of maturity; however, FCX's contracts themselves are not traded on an exchange. As a result, these derivatives are classified within Level 2 of the fair value hierarchy.

FCX's derivative financial instruments for crude oil options are valued using an option pricing model, which uses various observable inputs including IntercontinentalExchange, Inc. (ICE) crude oil prices, volatilities, interest rates and contract terms. FCX's derivative financial instruments for natural gas swaps are valued using a pricing model that has various observable inputs including NYMEX price quotations, interest rates and contract terms. Valuations are adjusted for credit quality, using the counterparties' credit quality for asset balances and FCX's credit quality for liability balances. For asset balances, FCX uses the credit default swap value for counterparties when available or the spread between the risk-free interest rate and the yield rate on the counterparties' publicly traded debt for similar instruments (which considers the impact of netting agreements on counterparty credit risk, including whether the position with the counterparty is a net asset or net liability). The 2014 natural gas swaps are classified within Level 2 of the fair value hierarchy because the inputs used in the valuation models are directly or indirectly observable for substantially the full term of the instruments. The 2014 and 2015 crude oil options are classified within Level 3 of the fair value hierarchy because the inputs used in the valuation models are not observable for substantially the full term of the instruments. The significant unobservable inputs used in the fair value measurement of the crude oil options are implied volatilities and deferred premiums. Significant increases (decreases) in implied volatilities in isolation would result in a significantly higher (lower) fair value measurement. The implied volatilities ranged from 17 percent to 45 percent, with a weighted average of 23 percent. The deferred premiums ranged from $5.15 per barrel to $7.22 per barrel, with a weighted average of $6.33 per barrel. Refer to Note 14 for further discussion of these derivative financial instruments.

FCX's derivative financial instruments for copper futures and swap contracts and copper forward contracts that are traded on the respective exchanges are classified within Level 1 of the fair value hierarchy because they are valued using quoted monthly COMEX or LME prices at each reporting date based on the month of maturity (refer to Note 14 for further discussion). Certain of these contracts are traded on the over-the-counter market and are classified within Level 2 of the fair value hierarchy based on COMEX and LME forward prices.

The fair value of warrants associated with the Plains Offshore Preferred Stock was determined with an option pricing model that used unobservable inputs. The inputs used in the valuation model are the estimated fair value of the underlying Plains Offshore common stock, expected exercise price, expected term, expected volatility and risk-free interest rate. The assumptions used in the valuation model are highly subjective because the common stock of Plains Offshore is not publicly traded. As a result, these warrants are classified within Level 3 of the fair value hierarchy. Refer to Note 2 for further discussion of the Plains Offshore warrants.

Long-term debt, including current portion, is not actively traded and is valued using prices obtained from a readily available pricing source and, as such, is classified within Level 2 of the fair value hierarchy.

At December 31, 2012, FCX's investment in MMR's 5.75% Convertible Perpetual Preferred Stock, Series 2 (MMR investment) was not actively traded; therefore, FCX valued its MMR investment based on a pricing simulation model that used the quoted market prices of MMR's publicly traded common stock as the most significant observable input and other inputs, such as expected volatility, expected settlement date, and risk-free interest rate. Therefore, this investment was classified within Level 2 of the fair value hierarchy. FCX's shares of MMR's 5.75% Convertible Perpetual Preferred Stock, Series 2 were canceled in connection with the acquisition of MMR.

A summary of the changes in the fair value of FCX's Level 3 instruments follows:

	Crude Oil Options	Plains Offshore Warrants
Fair value at December 31, 2012	$ —	$ —
Derivative financial instruments assumed in the PXP acquisition	(83)	(10)
Net realized losses	(38)[a]	—
Net unrealized (losses) gains included in earnings related to assets and liabilities still held at the end of the period	(230)[b]	8[c]
Settlement payments	42	—
Fair value at December 31, 2013	$(309)	$ (2)

a. Included net realized losses of $37 million recorded in revenues and $1 million of interest expense associated with the deferred premiums for the seven-month period from June 1, 2013, to December 31, 2013.
b. Included unrealized losses of $228 million recorded in revenues and $2 million of interest expense associated with the deferred premiums.
c. Recorded in other (expense) income, net.

The techniques described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while FCX believes its valuation techniques are appropriate and consistent with other market participants, the use of different techniques or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the techniques used at December 31, 2013.

Refer to Note 2 for the levels within the fair value hierarchy associated with other assets acquired, liabilities assumed and redeemable noncontrolling interest related to second-quarter 2013 acquisitions.

NOTE 16. BUSINESS SEGMENTS

Subsequent to the acquisitions of PXP and MMR, FCX has organized its operations into six primary divisions — North America copper mines, South America mining, Indonesia mining, Africa mining, Molybdenum mines and U.S. oil and gas operations. Notwithstanding this structure, FCX internally reports information on a mine-by-mine basis for its mining operations. Therefore, FCX concluded that its operating segments include individual mines or operations relative to its mining operations. For oil and gas operations, FCX determines its operating segments on a country-by-country basis. Operating segments that meet certain financial thresholds are reportable segments.

Beginning in 2013, the Molybdenum operations division was revised to report only FCX's two molybdenum mines in North America — the Henderson underground mine and the Climax open-pit mine, both in Colorado — as a division (*i.e.* Molybdenum mines). The molybdenum sales company and related conversion facilities are included with Other Mining & Eliminations in the following segment tables. FCX revised its segment disclosures for the years ended December 31, 2012 and 2011, to conform with the current year presentation.

Intersegment Sales. Intersegment sales between FCX's mining operations are based on similar arms-length transactions with third parties at the time of the sale. Intersegment sales may not be reflective of the actual prices ultimately realized because of a variety of factors, including additional processing, timing of sales to unaffiliated customers and transportation premiums.

FCX defers recognizing profits on sales from its mining operations to other divisions, including Atlantic Copper and on 25 percent of PT-FI's sales to PT Smelting until final sales to third parties occur. Quarterly variations in ore grades, the timing of intercompany shipments and changes in product prices result in variability in FCX's net deferred profits and quarterly earnings.

Allocations. FCX allocates certain operating costs, expenses and capital expenditures to its operating divisions and individual segments. However, not all costs and expenses applicable to an operation are allocated. U.S. federal and state income taxes are recorded and managed at the corporate level, whereas foreign income taxes are recorded and managed at the applicable country level. In addition, most mining exploration and research activities are managed at the corporate level, and those costs along with some selling, general and administrative costs are not allocated to the operating divisions or individual segments. Accordingly, the following segment information reflects management determinations that may not be indicative of what the actual financial performance of each operating division or segment would be if it was an independent entity.

North America Copper Mines. FCX has seven operating copper mines in North America — Morenci, Bagdad, Safford, Sierrita and Miami in Arizona, and Tyrone and Chino in New Mexico. The North America copper mines include open-pit mining, sulfide ore concentrating, leaching and SX/EW operations. A majority of the copper produced at the North America copper mines is cast into copper rod by FCX's Rod & Refining operations. The North America copper mines include the Morenci copper mine as a reportable segment. In addition to copper, certain of FCX's North America copper mines also produce molybdenum concentrates.

Morenci. The Morenci open-pit mine, located in southeastern Arizona, produces copper cathodes and copper concentrates. In addition to copper, the Morenci mine also produces molybdenum concentrates. The Morenci mine produced 39 percent of FCX's North America copper during 2013.

South America Mining. South America mining includes four operating copper mines — Cerro Verde in Peru, and El Abra, Candelaria and Ojos del Salado in Chile. These operations include open-pit and underground mining, sulfide ore concentrating, leaching and SX/EW operations. South America mining includes the Cerro Verde and Candelaria copper mines as reportable segments.

Cerro Verde. The Cerro Verde open-pit copper mine, located near Arequipa, Peru, produces copper cathodes and copper concentrates. In addition to copper, the Cerro Verde mine also produces molybdenum concentrates. The Cerro Verde mine produced 42 percent of FCX's South America copper during 2013.

Candelaria. The Candelaria open-pit copper mine, located near Copiapó, Chile, produces copper concentrates. In addition to copper, the Candelaria mine also produces gold and silver. The Candelaria mine produced 28 percent of FCX's South America copper during 2013.

Indonesia Mining. Indonesia mining includes PT-FI's Grasberg minerals district that produces copper concentrates, which contain significant quantities of gold and silver.

Africa Mining. Africa mining includes the Tenke minerals district. The Tenke operation includes surface mining, leaching and SX/EW operations and produces copper cathodes. In addition to copper, the Tenke operation produces cobalt hydroxide.

Molybdenum Mines. Molybdenum mines include the wholly owned Henderson underground mine and Climax open-pit mine in Colorado. The Henderson and Climax mines produce high-purity, chemical-grade molybdenum concentrates, which are typically further processed into value-added molybdenum chemical products.

Rod & Refining. The Rod & Refining segment consists of copper conversion facilities located in North America, and includes a refinery, three rod mills and a specialty copper products facility. These operations process copper produced at FCX's North America copper mines and purchased copper into copper cathode, rod and custom copper shapes. At times these operations refine copper and produce copper rod and shapes for customers on a toll basis. Toll arrangements require the tolling customer to deliver appropriate copper-bearing material to FCX's facilities for processing into a product that is returned to the customer, who pays FCX for processing its material into the specified products.

Atlantic Copper Smelting & Refining. Atlantic Copper smelts and refines copper concentrates and markets refined copper and precious metals in slimes. During 2013, Atlantic Copper purchased approximately 32 percent of its concentrate requirements from the South America mining operations, approximately 16 percent from the Indonesia mining operations and approximately 13 percent from the North America copper mines at market prices, with the remainder purchased from third parties.

U.S. Oil & Gas Operations. FCX's U.S. 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 a position in the emerging shallow-water Inboard Lower Tertiary/Cretaceous natural gas trend on the Shelf of the GOM and onshore in South Louisiana. All of the U.S. operations are considered one operating segment.

Major Customers. Sales to PT Smelting totaled $1.7 billion (8 percent of FCX's consolidated revenues) in 2013, $2.1 billion (11 percent of FCX's consolidated revenues) in 2012 and $2.3 billion (11 percent of FCX's consolidated revenues) in 2011. No other customer accounted for 10 percent or more of FCX's consolidated revenues. Refer to Note 6 for further discussion of FCX's investment in PT Smelting.

Labor Matters. As of December 31, 2013, 49 percent of FCX's labor force was covered by collective bargaining agreements, and one percent of FCX's labor force is covered by agreements that will expire within one year.

Product Revenue

FCX revenues attributable to the products it produced for the years ended December 31 follow:

	2013	2012	2011
Refined copper products	$ 7,466	$ 9,699	$ 10,297
Copper in concentrates[a]	7,040	4,589	5,938
Gold	1,656	1,741	2,429
Molybdenum	1,110	1,187	1,348
Oil	2,310	—	—
Other	1,339	794	868
Total	$20,921	$18,010	$20,880

a. Amounts are net of treatment and refining charges totaling $400 million for 2013, $311 million for 2012 and $362 million for 2011.

Geographic Area

Information concerning financial data by geographic area follows:

Years Ended December 31,	2013	2012	2011
Revenues:[a]			
United States	$ 9,418	$ 6,285	$ 7,176
Japan	2,141	2,181	2,501
Indonesia	1,651	2,054	2,266
Spain	1,223	1,581	1,643
Switzerland	1,098	731	1,219
China	1,078	579	942
Chile	754	704	741
Korea	297	525	561
Other	3,261	3,370	3,831
Total	$20,921	$18,010	$20,880

a. Revenues are attributed to countries based on the location of the customer.

December 31,	2013	2012	2011
Long-lived assets:[a]			
United States	$32,969[b]	$ 8,689	$ 7,899
Indonesia	5,799	5,127	4,469
Democratic Republic of Congo	3,994	3,926	3,497
Peru	5,181	3,933	3,265
Chile	2,699	2,587	2,242
Other	562	327	325
Total	$51,204	$24,589	$21,697

a. Long-lived assets exclude deferred tax assets, intangible assets and goodwill.
b. Increased primarily because of the PXP and MMR acquisitions.

Business Segments

Business segments data for the years ended December 31 are presented in the following tables.

	Mining Operations																
	North America Copper Mines			South America				Indonesia	Africa								
	Morenci	Other Mines	Total	Cerro Verde	Candelaria	Other Mines	Total	Grasberg	Tenke	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Other Mining & Eliminations	Total Mining	U.S. Oil & Gas Operations	Corporate, Other & Eliminations	FCX Total
Year Ended December 31, 2013																	
Revenues:																	
Unaffiliated customers	$ 244	$ 326	$ 570	$1,473	$1,155	$1,224	$ 3,852	$3,751[a]	$1,590	$ —	$4,995	$2,027	$ 1,516[b]	$18,301	$ 2,616[c]	$ 4	$20,921
Intersegment	1,673	2,940	4,613	360	273	—	633	336	47	522	27	14	(6,192)	—	—	—	—
Production and delivery	1,233	2,033	3,266	781	700	588	2,069	2,309	754	317	4,990	2,054	(4,608)	11,151	682	7	11,840
Depreciation, depletion and amortization	133	269	402	152	69	125	346	247	246	82	9	42	48	1,422	1,364	11	2,797
Selling, general and administrative expenses	2	3	5	3	2	2	7	110	12	—	—	20	29	183	120	354	657
Mining exploration and research expenses	—	5	5	—	—	—	—	1	—	—	—	—	193	199	—	11	210
Environmental obligations and shutdown costs	—	(1)	(1)	—	—	—	—	—	—	—	—	—	67	66	—	—	66
Operating income (loss)	549	957	1,506	897	657	509	2,063	1,420	625	123	23	(75)[d]	(405)	5,280	450	(379)	5,351
Interest expense, net	3	1	4	2	—	1	3	12	2	—	—	16	80	117	181	220	518
Provision for income taxes	—	—	—	316	236	168	720	603	131	—	—	—	—	1,454	—	21[e]	1,475
Total assets at December 31, 2013	3,110	5,810	8,920	6,584	1,545	2,451	10,580	7,437	4,849	2,107	239	1,039	1,003	36,174	26,252	1,047	63,473
Capital expenditures	737	329	1,066	960	110	75	1,145	1,030	205	164	4	67	113	3,794	1,436	56	5,286
Year Ended December 31, 2012																	
Revenues:																	
Unaffiliated customers	$ 156	$ 46	$ 202	$1,767	$ 797	$1,346	$ 3,910	$3,611[a]	$1,349	$ —	$4,989	$2,683	$ 1,259[b]	$18,003	$ —	$ 7	$18,010
Intersegment	1,846	3,438	5,284	388	430	—	818	310	10	529	27	26	(7,004)	—	—	—	—
Production and delivery	1,076	1,857	2,933	813	702	599	2,114	2,349	615	320	4,993	2,640	(5,585)	10,379	—	3	10,382
Depreciation, depletion and amortization	122	238	360	139	32	116	287	212	176	59	9	42	27	1,172	—	7	1,179
Selling, general and administrative expenses	2	2	4	3	1	2	6	121	6	—	—	19	18	174	—	257	431
Mining exploration and research expenses	1	—	1	—	—	—	—	—	—	—	—	—	272	273	—	12	285
Environmental obligations and shutdown costs	(11)	(5)	(16)	—	—	—	—	—	—	—	—	—	(3)	(19)	—	(3)	(22)
Gain on insurance settlement	—	—	—	—	—	—	—	(59)	—	—	—	—	—	(59)	—	—	(59)
Operating income (loss)	812	1,392	2,204	1,200	492	629	2,321	1,298	562	150	14	8	(474)	6,083	—	(269)	5,814
Interest expense, net	1	—	1	7	—	—	7	5	1	—	—	12	81	107	—	79	186
Provision for income taxes	—	—	—	228[f]	141	188	557	497	112	—	—	—	—	1,166	—	344	1,510
Total assets at December 31, 2012	2,445	5,703	8,148	5,821	1,853	2,489	10,163	6,591	4,622	2,018	242	992	614	33,390	—	2,050	35,440
Capital expenditures	266	559	825	558	259	114	931	843	539	245	6	16	69	3,474	—	20	3,494

a. Included PT-FI's sales to PT Smelting totaling $1.7 billion in 2013 and $2.1 billion in 2012.
b. Included revenues from FCX's molybdenum sales company, which included sales of molybdenum produced by the molybdenum mines and by certain of the North and South America copper mines.
c. Included net charges of $312 million for unrealized and noncash realized losses on crude oil and natural gas derivative contracts that were assumed in connection with FCX's acquisition of PXP.
d. Included $50 million for shutdown costs associated with Atlantic Copper's scheduled 68-day maintenance turnaround, which was completed in fourth-quarter 2013.
e. Included $199 million of net benefits resulting from oil and gas acquisitions.
f. Included a credit of $234 million for the reversal of a net deferred tax liability.

	Mining Operations																
	North America Copper Mines			South America				Indonesia	Africa								
	Morenci	Other Mines	Total	Cerro Verde	Candelaria	Other Mines	Total	Grasberg	Tenke	Molybdenum Mines	Rod & Refining	Atlantic Copper Smelting & Refining	Other Mining & Eliminations	Total Mining	U.S. Oil & Gas Operations	Corporate, Other & Eliminations	FCX Total
Year Ended December 31, 2011																	
Revenues:																	
Unaffiliated customers	$ 418	$ 176	$ 594	$2,115	$1,265	$1,192	$4,572	$4,504[a]	$1,282	$ —	$5,523	$2,969	$ 1,428[b]	$20,872	$ —	$ 8	$20,880
Intersegment	1,697	3,338	5,035	417	269	—	686	542	7	595	26	15	(6,906)	—	—	—	—
Production and delivery	984	1,581	2,565	827	644	434	1,905	1,791	591	259	5,527	2,991	(5,728)	9,901	—	(3)	9,898
Depreciation, depletion and amortization	116	162	278	135	28	95	258	215	140	45	8	40	31	1,015	—	7	1,022
Selling, general and administrative expenses	2	2	4	4	1	2	7	124	8	—	—	22	19	184	—	231	415
Mining exploration and research expenses	7	—	7	—	—	—	—	—	—	—	—	—	264	271	—	—	271
Environmental obligations and shutdown costs	4	—	4	—	—	—	—	—	—	—	1	—	129	134	—	—	134
Operating income (loss)	1,002	1,769	2,771	1,566	861	661	3,088	2,916	550	291	13	(69)	(193)	9,367	—	(227)	9,140
Interest expense, net	2	2	4	1	—	—	1	8	6	—	—	15	87	121	—	191	312
Provision for income taxes	—	—	—	553	310	212	1,075	1,256	120	—	—	—	—	2,451	—	636	3,087
Total assets at December 31, 2011	2,006	4,968	6,974	5,110	1,384	2,220	8,714	5,349	3,890	1,819	259	1,109	892	29,006	—	3,064	32,070
Capital expenditures	95	399	494	198	178	227	603	648	193	438	10	32	59	2,477	—	57	2,534

a. Included PT-FI's sales to PT Smelting totaling $2.3 billion.
b. Included revenues from FCX's molybdenum sales company, which included sales of molybdenum produced by the molybdenum mines and by certain of the North and South America copper mines.

NOTE 17. GUARANTOR FINANCIAL STATEMENTS

As further discussed in Note 8, in March 2013, FCX completed the sale of $6.5 billion of senior notes. These notes, along with FCX's senior notes sold in February 2012, are fully and unconditionally guaranteed on a senior basis jointly and severally by FM O&G LLC, as guarantor, which is a 100 percent owned subsidiary of FM O&G and FCX. The guarantee is an unsecured obligation of the guarantor and ranks equal in right of payment with all existing and future indebtedness of FCX, including indebtedness under the revolving credit facility. The guarantee ranks senior in right of payment with all future subordinated obligations and is effectively subordinated in right of payment to any debt of FCX's subsidiaries that are not subsidiary guarantors. In the future, FM O&G LLC's guarantee may be released or terminated under the following circumstances: (i) all or substantially all of the equity interests or assets of FM O&G LLC are sold to a third party; or (ii) FM O&G LLC no longer has any obligations under any FM O&G Senior Notes or any refinancing thereof and no longer guarantees any obligations of FCX under the revolver, the term loan or any other senior debt.

The following condensed consolidating financial information includes information regarding FCX, as issuer, FM O&G LLC, as guarantor, and all other non-guarantor subsidiaries of FCX. Included are the condensed consolidating balance sheet at December 31, 2013, and the related condensed consolidating statement of comprehensive income for the year ended December 31, 2013, and the condensed consolidating statement of cash flows for the year ended December 31, 2013, which should be read in conjunction with FCX's notes to the consolidated financial statements:

CONDENSED CONSOLIDATING BALANCE SHEET

	December 31, 2013				
	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ —	$ 1,985	$ —	$ 1,985
Accounts receivable	855	659	2,258	(1,210)	2,562
Inventories	—	18	5,000	—	5,018
Other current assets	114	20	273	—	407
Total current assets	969	697	9,516	(1,210)	9,972
Property, plant, equipment and mining development costs, net	27	43	23,972	—	24,042
Oil and gas properties, net – full cost method:					
Subject to amortization	—	6,207	6,265	—	12,472
Not subject to amortization	—	2,649	8,238	—	10,887
Investment in consolidated subsidiaries	31,162	9,712	12,468	(53,342)	—
Goodwill	—	437	1,479	—	1,916
Other assets	7,126	4,640	4,128	(11,710)	4,184
Total assets	$39,284	$24,385	$66,066	$(66,262)	$63,473
LIABILITIES AND EQUITY					
Current liabilities	$ 1,003	$ 758	$ 4,222	$ (1,210)	$ 4,773
Long-term debt, less current portion	13,184	7,199	8,056	(8,045)	20,394
Deferred income taxes	4,137[a]	—	3,273	—	7,410
Environmental and asset retirement obligations, less current portion	—	301	2,958	—	3,259
Other liabilities	26	3,436	1,893	(3,665)	1,690
Total liabilities	18,350	11,694	20,402	(12,920)	37,526
Redeemable noncontrolling interest	—	—	716	—	716
Equity:					
Stockholders' equity	20,934	12,691	41,100	(53,791)	20,934
Noncontrolling interests	—	—	3,848	449	4,297
Total equity	20,934	12,691	44,948	(53,342)	25,231
Total liabilities and equity	$39,284	$24,385	$66,066	$(66,262)	$63,473

a. All U.S. related deferred income taxes are recorded at the parent company.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

	Year Ended December 31, 2013				
	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Revenues	$ —	$1,177	$19,744	$ —	$20,921
Cost of sales	5	976	13,656	—	14,637
Other operating costs and expenses	129	89	715	—	933
Total costs and expenses	134	1,065	14,371	—	15,570
Operating (loss) income	(134)	112	5,373	—	5,351
Interest expense, net	(319)	(129)	(129)	59	(518)
Losses on early extinguishment of debt	(45)	—	10	—	(35)
Gain on investment in MMR	128	—	—	—	128
Other income (expense), net	61	—	(15)	(59)	(13)
(Loss) income before income taxes and equity in affiliated companies' net earnings (losses)	(309)	(17)	5,239	—	4,913
Benefit from (provision for) income taxes	81	17	(1,573)	—	(1,475)
Equity in affiliated companies' net earnings (losses)	2,886	281	268	(3,432)	3
Net income (loss)	2,658	281	3,934	(3,432)	3,441
Net income and preferred dividends attributable to noncontrolling interests	—	—	(706)	(77)	(783)
Net income (loss) attributable to FCX common stockholders	$2,658	$ 281	$ 3,228	$(3,509)	$ 2,658
Other comprehensive income	—	—	101	—	101
Total comprehensive income (loss)	$2,658	$ 281	$ 3,329	$(3,509)	$ 2,759

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

	Year Ended December 31, 2013				
	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Cash flow from operating activities:					
Net income (loss)	$ 2,658	$ 281	$ 3,934	$(3,432)	$ 3,441
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation, depletion and amortization	4	616	2,177	—	2,797
Net losses on crude oil and natural gas derivative contracts	—	334	—	—	334
Gain on investment in MMR	(128)	—	—	—	(128)
Equity in earnings of consolidated subsidiaries	(2,886)	(281)	(265)	3,432	—
Other, net	8	(14)	78	—	72
(Increases) decreases in working capital and changes in other tax payments, excluding amounts from the acquisitions	272	735	(1,384)	—	(377)
Net cash (used in) provided by operating activities	(72)	1,671	4,540	—	6,139
Cash flow from investing activities:					
Capital expenditures	—	(894)	(4,392)	—	(5,286)
Acquisitions, net of cash acquired	(5,437)	—	(4)	—	(5,441)
Intercompany loans	834	—	(162)	(672)	—
Distributions from consolidated subsidiary	629	—	—	(629)	—
Other, net	15	30	(226)	—	(181)
Net cash used in investing activities	(3,959)	(864)	(4,784)	(1,301)	(10,908)
Cash flow from financing activities:					
Proceeds from debt	11,260	—	241	—	11,501
Repayments of debt and redemption of MMR preferred stock	(4,737)	(416)	(551)	—	(5,704)
Intercompany loans	—	(391)	(281)	672	—
Cash dividends and distributions paid	(2,281)	—	(885)	629	(2,537)
Other, net	(211)	—	—	—	(211)
Net cash provided by (used in) financing activities	4,031	(807)	(1,476)	1,301	3,049
Net decrease in cash and cash equivalents	—	—	(1,720)	—	(1,720)
Cash and cash equivalents at beginning of year	—	—	3,705	—	3,705
Cash and cash equivalents at end of year	$ —	$ —	$ 1,985	$ —	$ 1,985

NOTE 18. SUBSEQUENT EVENTS

FCX evaluated events after December 31, 2013, and through the date the financial statements were issued, and determined any events or transactions occurring during this period that would require recognition or disclosure are appropriately addressed in these financial statements.

NOTE 19. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2013					
Revenues	$4,583	$4,288[a]	$6,165[a]	$5,885[a]	$20,921[a]
Operating income	1,355[b]	639[b]	1,707[b]	1,650[b,c]	5,351[b,c]
Net income	824	610[e]	1,048	959[e]	3,441[e]
Net income attributable to noncontrolling interests	176	128	227	252	783
Net income attributable to FCX common stockholders	648[b,d]	482[a,b,d,e,f]	821[a,b]	707[a,b,c,d,e]	2,658[a,b,c,d,e,f]
Basic net income per share attributable to FCX common stockholders	0.68	0.49	0.79	0.68	2.65
Diluted net income per share attributable to FCX common stockholders	0.68[b,d]	0.49[a,b,d,e,f]	0.79[a]	0.68[a,c,d,e]	2.64[a,b,c,d,e,f]
2012					
Revenues	$4,605	$ 4,475	$4,417	$4,513	$18,010
Operating income	1,734	1,311	1,411	1,358[g,h]	5,814[g,h]
Net income	1,001	894	1,140[i]	945	3,980[i]
Net income attributable to noncontrolling interests	237	184	316[i]	202	939[i]
Net income attributable to FCX common stockholders	764[j]	710	824[i]	743[g,h]	3,041[g,h,i,j]
Basic net income per share attributable to FCX common stockholders	0.81	0.75	0.87	0.78	3.20
Diluted net income per share attributable to FCX common stockholders	0.80[j]	0.74	0.86[i]	0.78[g,h]	3.19[g,h,i,j]

a. Included charges of $36 million ($23 million to net income attributable to FCX common stockholders or $0.02 per share) in the second quarter, $158 million ($98 million to net income attributable to FCX common stockholders or $0.09 per share) in the third quarter, $118 million ($73 million to net income attributable to FCX common stockholders or $0.07 per share) in the fourth quarter and $312 million ($194 million to net income attributable to FCX common stockholders or $0.19 per share) for the year 2013 (reflecting the seven-month period from June 1, 2013, to December 31, 2013) for net unrealized and noncash realized losses on crude oil and natural gas derivative contracts.

b. Included charges of $14 million ($10 million to net income attributable to FCX common stockholders or $0.01 per share) in the first quarter, $61 million ($36 million to net income attributable to FCX common stockholders or $0.04 per share) in the second quarter, $1 million ($1 million to net income attributable to FCX common stockholders) in the third quarter, $4 million ($3 million to net income attributable to FCX common stockholders) in the fourth quarter and $80 million ($50 million to net income attributable to FCX common stockholders or $0.05 per share) for the year for transaction and related costs principally associated with the acquisitions of PXP and MMR.

c. Included charges in the fourth quarter and for the year of (i) $76 million ($49 million to net income attributable to FCX common stockholders or $0.05 per share) associated with updated mine plans at Morenci that resulted in a loss in recoverable copper in leach stockpiles, (ii) $37 million ($23 million to net income attributable to FCX common stockholders or $0.02 per share) associated with the restructuring of an executive employment arrangement and (iii) $36 million ($13 million to net income attributable to FCX common stockholders or $0.01 per share) associated with a new labor agreement at Cerro Verde.

d. Included net losses (gains) on early extinguishment of debt totaling $40 million ($0.04 per share) in the first quarter, $(5) million ($(0.01) per share) in the second quarter for an adjustment related to taxes on the first quarter losses, $(7) million ($(0.01) per share) in the fourth quarter and $28 million ($0.03 per share) for the year. Refer to Note 8 for further discussion.

e. Included a net tax benefit of $183 million ($0.19 per share) in the second quarter, $16 million ($0.01 per share) in the fourth quarter and $199 million ($0.20 per share) for the year associated with net reductions in FCX's deferred tax liabilities and deferred tax asset valuation allowances related to the acquisitions of PXP and MMR.

f. Included a gain of $128 million ($0.13 per share) in the second quarter and for the year primarily related to FCX's preferred stock investment in and the subsequent acquisition of MMR.

g. Included a gain of $59 million ($31 million to net income attributable to FCX common stockholders or $0.03 per share) in the fourth quarter and for the year for the settlement of the insurance claim for business interruption and property damage relating to the 2011 incidents affecting PT-FI's concentrate pipelines. Refer to Note 12 for further discussion.

h. Included a charge of $16 million ($8 million to net income attributable to FCX common stockholders or $0.01 per share) in the fourth quarter and for the year associated with a labor agreement at Candelaria. Also included charges of $9 million ($7 million to net income attributable to FCX common stockholders or $0.01 per share) for costs associated with the PXP and MMR transactions.

i. Included a net tax benefit of $208 million ($108 million attributable to noncontrolling interests and $100 million to net income attributable to FCX common stockholders or $0.11 per share) in the third quarter and $205 million ($107 million attributable to noncontrolling interests and $98 million to net income attributable to FCX common stockholders or $0.11 per share) for the year associated with adjustments to Cerro Verde's deferred income taxes. Refer to Note 11 for further discussion.

j. Included losses on early extinguishment of debt totaling $149 million ($0.16 per share) in the first quarter and for the year. Refer to Note 8 for further discussion.

NOTE 20. SUPPLEMENTARY MINERAL RESERVE INFORMATION (UNAUDITED)

Recoverable proven and probable reserves have been calculated as of December 31, 2013, in accordance with Industry Guide 7 as required by the Securities Exchange Act of 1934. FCX's proven and probable reserves may not be comparable to similar information regarding mineral reserves disclosed in accordance with the guidance in other countries. Proven and probable reserves were determined by the use of mapping, drilling, sampling, assaying and evaluation methods generally applied in the mining industry, as more fully discussed below. The term "reserve," as used in the reserve data presented here, means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "proven reserves" means reserves for which (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (ii) grade and/or quality are computed from the results of detailed sampling; and (iii) the sites for inspection, sampling and measurements are spaced so closely and the geologic character is sufficiently defined that size, shape, depth and mineral content of reserves are well established. The term "probable reserves" means reserves for which quantity and grade are computed from information similar to that used for proven reserves but the sites for sampling are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

FCX's reserve estimates are based on the latest available geological and geotechnical studies. FCX conducts ongoing studies of its ore bodies to optimize economic values and to manage risk. FCX revises its mine plans and estimates of proven and probable mineral reserves as required in accordance with the latest available studies.

Estimated recoverable proven and probable 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 for molybdenum quoted by *Metals Week* averaged $12.85 per pound.

The recoverable proven and probable reserves presented in the following table represent the estimated metal quantities from which FCX expects to be paid after application of estimated metallurgical recovery rates and smelter recovery rates, where applicable. Recoverable reserves are that part of a mineral deposit that FCX estimates 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)
North America	36.2	0.4	2.55
South America	37.0	1.1	0.71
Indonesia	30.0	29.8	—
Africa	8.0	—	—
Consolidated[b]	111.2	31.3	3.26
Net equity interest[c]	88.6	28.3	2.93

a. Consolidated recoverable copper reserves included 3.3 billion pounds in leach stockpiles and 1.4 billion pounds in mill stockpiles.
b. Consolidated reserves represented estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and the Grasberg minerals district in Indonesia. Excluded from the table above were FCX's estimated recoverable proven and probable reserves of 0.87 billion pounds of cobalt at Tenke and 308.5 million ounces of silver in Indonesia, South America and North America, which were determined using long-term average prices of $10 per pound for cobalt and $15 per ounce for silver.
c. Net equity interest reserves represented estimated consolidated metal quantities further reduced for noncontrolling interest ownership. Excluded from the table above were FCX's estimated recoverable proven and probable reserves of 0.48 billion pounds of cobalt at Tenke and 252.9 million ounces of silver in Indonesia, South America and North America.

	Recoverable Proven and Probable Mineral Reserves Estimated at December 31, 2013						
		Average Ore Grade Per Metric Ton[a]			Recoverable Proven and Probable Reserves[b]		
	Ore[a] (million metric tons)	Copper (%)	Gold (grams)	Molybdenum (%)	Copper (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
North America							
Developed and producing:							
Morenci	3,779	0.27	—	—[c]	14.6	—	0.15
Bagdad	1,449	0.31	—[c]	0.02	7.9	0.1	0.39
Safford	149	0.45	—	—	1.2	—	—
Sierrita	2,534	0.23	—[c]	0.03	11.0	0.1	1.08
Miami	15	0.43	—	—	0.2	—	—
Chino	376	0.42	0.02	—[c]	2.6	0.2	0.01
Tyrone	69	0.34	—	—	0.5	—	—
Henderson	105	—	—	0.17	—	—	0.33
Climax	189	—	—	0.16	—	—	0.61
Undeveloped:							
Cobre	73	0.39	—	—	0.3	—	—
South America							
Developed and producing:							
Cerro Verde	4,047	0.37	—	0.01	29.4	—	0.71
El Abra	576	0.45	—	—	3.6	—	—
Candelaria	281	0.58	0.14	—	3.9	1.1	—
Ojos del Salado	8	1.00	0.23	—	0.1	—[c]	—
Indonesia							
Developed and producing:							
Grasberg open pit	206	0.95	1.08	—	3.6	5.8	—
Deep Ore Zone	152	0.56	0.73	—	1.6	2.8	—
Big Gossan	54	2.22	0.97	—	2.5	1.1	—
Undeveloped:							
Grasberg Block Cave	1,000	1.02	0.78	—	18.9	16.1	—
Kucing Liar	420	1.24	1.07	—	9.8	6.5	—
Deep Mill Level Zone	526	0.83	0.70	—	8.3	9.3	—
Africa							
Developed and producing:							
Tenke Fungurume	113	3.34	—	—	8.0	—	—
Total 100% basis	16,121				128.0	43.1	3.28
Consolidated[d]					111.2	31.3	3.26
FCX's equity share[e]					88.6	28.3	2.93

a. Excludes material contained in stockpiles.
b. Included estimated recoverable metals contained in stockpiles.
c. Amounts not shown because of rounding.
d. Consolidated reserves represented estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and the Grasberg minerals district in Indonesia.
e. Net equity interest reserves represented estimated consolidated metal quantities further reduced for noncontrolling interest ownership.

NOTE 21. SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED)

Costs Incurred. FCX's oil and gas acquisition, exploration and development activities since the acquisitions of PXP and MMR follow:

Property acquisition costs:	
Proved properties[a]	$12,205
Unproved properties[b]	11,259
Exploration costs	502
Development costs	854
	$24,820

a. Included $12.2 billion from the acquisitions of PXP and MMR.
b. Included $11.1 billion from the acquisitions of PXP and MMR.

These amounts included AROs of $1.1 billion (including $1.0 billion assumed in the acquisitions of PXP and MMR), capitalized general and administrative expenses of $67 million and capitalized interest of $69 million.

Capitalized Costs. The following table presents the aggregate capitalized costs subject to amortization for oil and gas properties and the aggregate related accumulated amortization as of December 31, 2013:

Properties subject to amortization	$13,829
Accumulated amortization	(1,357)
	$12,472

The average amortization rate per barrel of oil equivalents (BOE) was $35.54 for the period from June 1, 2013, to December 31, 2013.

Costs Not Subject to Amortization. The following table summarizes the categories of costs comprising the amount of unproved properties not subject to amortization as of December 31, 2013:

U.S.:	
Onshore	
Acquisition costs	$ 3,109
Exploration costs	8
Capitalized interest	11
Offshore	
Acquisition costs	7,528
Exploration costs	163
Capitalized interest	53
International:	
Offshore	
Acquisition costs	15
Exploration costs	—
Capitalized interest	—
	$10,887

FCX expects that 61 percent of the costs not subject to amortization at December 31, 2013, will be transferred to the amortization base over the next five years and the majority of the remainder in the next seven to ten years.

Approximately 41 percent of the total U.S. net undeveloped acres is 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 FM O&G's Morocco acreage expires in 2016; however, FM O&G has the ability to extend the lease through 2019. Over 90 percent of the acreage in the Haynesville shale play in Louisiana and over 70 percent of the acreage in the Eagle Ford shale play in Texas is currently held by production or held by operations, and future plans include drilling or otherwise extending leases on the remaining acreage.

Results of Operations for Oil and Gas Producing Activities. The results of operations from oil and gas producing activities from June 1, 2013, to December 31, 2013, presented below exclude non-oil and gas revenues, general and administrative expenses, interest expense and interest income. Income tax expense was determined by applying the statutory rates to pre-tax operating results:

Revenues from oil and gas producing activities	$ 2,616
Production and delivery costs	(682)
Depreciation, depletion and amortization	(1,358)
Income tax expense (based on FCX's statutory tax rate)	(219)
Results of operations from oil and gas producing activities (excluding general and administrative expenses, interest expense and interest income)	$ 357

Proved Oil and Natural Gas Reserve Information. The following information summarizes the net proved reserves of oil (including condensate and natural gas liquids (NGLs)) and natural gas and the standardized measure as described below. All of the oil and natural gas reserves are located in the U.S.

Management believes the reserve estimates presented herein, in accordance with generally accepted engineering and evaluation principles consistently applied, are reasonable. However, there are numerous uncertainties inherent in estimating quantities and values of proved reserves and in projecting future rates of production and the amount and timing of development expenditures, including many factors beyond FCX's control. Reserve engineering is a subjective process of estimating the recovery from underground accumulations of oil and natural gas that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Because all oil and natural gas reserve estimates are to some degree subjective, the quantities of oil and natural gas that are

ultimately recovered, production and operating costs, the amount and timing of future development expenditures and future crude oil and natural gas sales prices may all differ from those assumed in these estimates. In addition, different reserve engineers may make different estimates of reserve quantities and cash flows based upon the same available data. Therefore, the standardized measure of discounted future net cash flows (Standardized Measure) shown below represents estimates only and should not be construed as the current market value of the estimated reserves attributable to FCX's oil and gas properties. In this regard, the information set forth in the following tables includes revisions of reserve estimates attributable to proved properties acquired from PXP and MMR, and reflect additional information from subsequent development activities, production history of the properties involved and any adjustments in the projected economic life of such properties resulting from changes in product prices.

Decreases in the prices of crude oil and natural gas could have an adverse effect on the carrying value of the proved reserves, reserve volumes and FCX's revenues, profitability and cash flows. FCX's reference prices for reserve determination are the WTI spot price for crude oil and the Henry Hub spot price for natural gas. As of February 14, 2014, the twelve-month average of the first-day-of-the-month historical reference price for natural gas has increased from $3.67 per MMBtu at year-end 2013 to $3.89 per MMBtu, while the comparable price for crude oil has increased from $96.94 per barrel at year-end 2013 to $97.46 per barrel.

Historically, the market price for California crude oil differs from the established market indices in the U.S. primarily because of the higher transportation and refining costs associated with heavy oil. Recently, however, the market price for California crude oil has strengthened relative to NYMEX and WTI primarily resulting from world demand and declining domestic supplies of both Alaskan and California crude oil. Approximately 40 percent of FCX's year-end 2013 oil and natural gas reserve volumes are attributable to properties in California where differentials to the reference prices have been volatile as a result of these factors.

The market price for GOM crude oil differs from WTI as a result of a large portion of FCX's production being sold under a Heavy Louisiana Sweet based pricing. Approximately 25 percent of FCX's 2013 oil and natural gas reserve volumes are attributable to properties in the GOM where oil price realizations are generally higher because of these marketing contracts.

Estimated Quantities of Oil and Natural Gas Reserves. The following table sets forth certain data pertaining to proved, proved developed and proved undeveloped reserves, all of which are in the U.S., for the period June 1, 2013, to December 31, 2013.

	Oil (MMbls)[a,b]	Gas (Bcf)[a]	Total (MMBOE)[a]
Proved reserves:			
Acquisitions of PXP and MMR	368	626	472
Extensions and discoveries	20	20	24
Revisions of previous estimates	11	(26)	7
Sale of reserves in-place	—	(3)	(1)
Production	(29)	(55)	(38)
Balance at December 31, 2013	370	562	464
Proved developed reserves at December 31, 2013	236	423	307
Proved undeveloped reserves at December 31, 2013	134	139	157

a. MMbls = million barrels; Bcf = billion cubic feet; MMBOE = million BOE
b. Included 20 MMBbls of NGL proved reserves, consisting of 14 MMBbls of proved developed and 6 MMBbls of proved undeveloped at December 31, 2013.

From June 1, 2013, to December 31, 2013, FCX had a total of 24 MMBOE of extensions and discoveries, including 16 MMBOE in the Eagle Ford shale play resulting from continued successful drilling that extended and developed FCX's proved acreage and 5 MMBOE in the Deepwater GOM, primarily associated with the previously drilled Holstein Deep development acquired during 2013.

From June 1, 2013, to December 31, 2013, FCX had net positive revisions of 7 MMBOE consisting of 29 MMBOE primarily related to improved performance at certain FCX onshore California and Deepwater GOM properties, partially offset by performance reductions of 22 MMBOE primarily related to certain other FCX Deepwater GOM properties and the Haynesville shale play.

From June 1, 2013, to December 31, 2013, FCX sold reserves in-place totaling 1 MMBOE related to its Panhandle properties.

Standardized Measure. The Standardized Measure (discounted at 10 percent) from production of proved oil and natural gas reserves has been developed as of December 31, 2013, in accordance with SEC guidelines. FCX estimated the quantity of proved oil and natural gas reserves and the future periods in which they are expected to be produced based on year-end economic conditions. Estimates of future net revenues from FCX's proved oil and gas properties and the present value thereof were made using the twelve-month average of the first-day-of-the-month historical reference prices as adjusted for location and quality differentials, which 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. Future gross revenues were

reduced by estimated future operating costs (including production and ad valorem taxes) and future development and abandonment costs, all of which were based on current costs in effect at December 31, 2013, and held constant throughout the life of the oil and gas properties. Future income taxes were calculated by applying the statutory federal and state income tax rate to pre-tax future net cash flows, net of the tax basis of the respective oil and gas properties and utilization of FCX's available tax carryforwards related to its oil and gas operations.

Excluding the impact of crude oil and natural gas derivative contracts, the average realized sales prices used in FCX's reserve reports as of December 31, 2013, were $99.67 per barrel of crude oil and $3.64 per one thousand cubic feet (Mcf) of natural gas.

The Standardized Measure related to proved oil and natural gas reserves as of December 31, 2013, follows:

Future cash inflows	$38,901
Future production expense	(12,774)
Future development costs[a]	(6,480)
Future income tax expense	(4,935)
Future net cash flows	14,712
Discounted at 10% per year	(5,295)
Standardized Measure	$ 9,417

a. Included estimated asset retirement costs of $1.8 billion.

The following table summarizes the principal sources of changes in the Standardized Measure from June 1, 2013, to December 31, 2013:

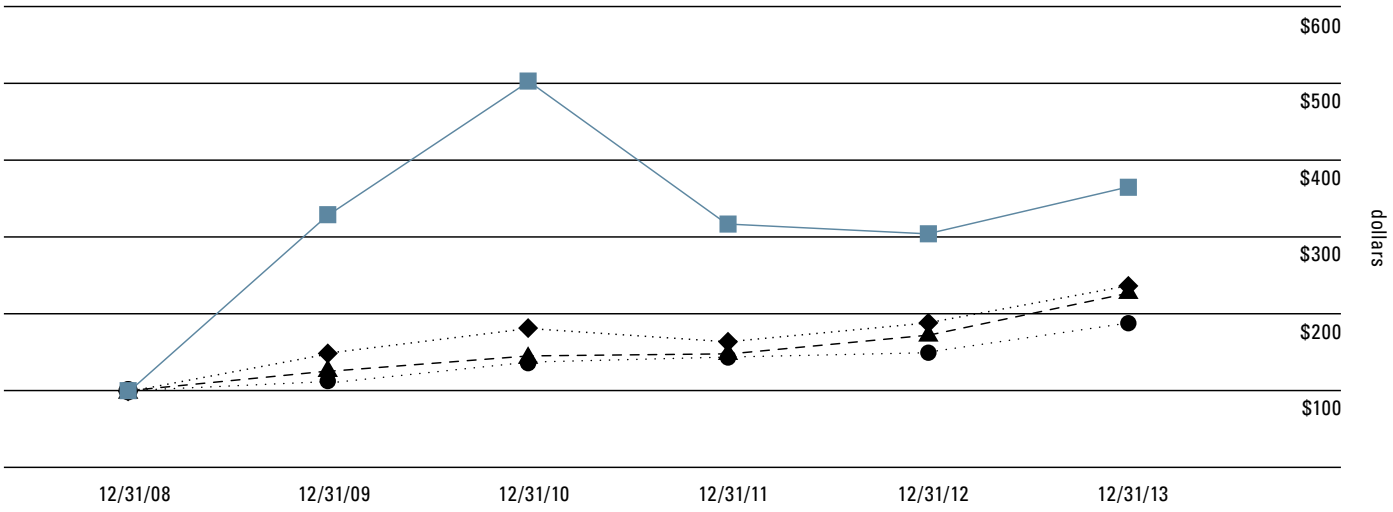
Reserves acquired in the acquisitions of PXP and MMR	$14,467
Sales, net of production expenses	(2,296)
Net changes in sales and transfer prices, net of production expenses	(459)
Extensions, discoveries and improved recoveries	752
Changes in estimated future development costs	(1,190)
Previously estimated development costs incurred during the year	578
Sales of reserves in-place	(12)
Other purchases of reserves in-place	—
Revisions of quantity estimates	102
Accretion of discount	701
Net change in income taxes	(3,226)
Balance at December 31, 2013	$ 9,417

PERFORMANCE GRAPH

The following graph compares the change in the cumulative total stockholder return on our common stock with the cumulative total return of the S&P 500 Stock Index, the S&P 500 Materials Index and the S&P 500 Energy Index from 2009 through 2013. Our comparative peer groups are the S&P 500 Materials Index and the S&P 500 Energy Index, which closely mirror the benchmarks of other large companies in the materials and energy sectors. This comparison assumes $100 invested on December 31, 2008, in (a) Freeport-McMoRan Copper & Gold Inc. common stock, (b) the S&P 500 Stock Index, (c) the S&P 500 Materials Index and (d) the S&P 500 Energy Index.

Comparison of Cumulative Total Return

Freeport-McMoRan Copper & Gold Inc., S&P 500 Stock Index, S&P 500 Materials Index and S&P 500 Energy Index



	December 31,					
	2008	2009	2010	2011	2012	2013
Freeport-McMoRan Copper & Gold Inc.	$100.00	$328.52	$501.36	$316.75	$304.00	$364.15
S&P 500 Stock Index	100.00	126.46	145.51	148.59	172.37	228.19
S&P 500 Materials Index	100.00	148.59	181.57	163.87	188.40	236.63
S&P 500 Energy Index	100.00	113.82	137.11	143.59	150.20	187.85

INVESTOR INQUIRIES

The Investor Relations Department will be pleased to receive any inquiries about the company. Our Principles of Business Conduct and our Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC), which includes certifications of our Chief Executive Officer and Chief Financial Officer, are available on our website. Additionally, copies will be furnished, without charge, to any stockholder of the company entitled to vote at its annual meeting, upon written request. The Investor Relations Department can be contacted as follows:

Freeport-McMoRan
Investor Relations Department
333 North Central Avenue
Phoenix, Arizona 85004
Telephone (602) 366-8400
www.fcx.com

TRANSFER AGENT

Questions about lost certificates, lost or missing dividend checks, or notifications of change of address should be directed to the Freeport-McMoRan transfer agent, registrar and dividend disbursement agent:

Computershare
250 Royall Street
Canton, MA 02021
Telephone (800) 953-2493
www.computershare.com/investor
Instant Support https://www-us.computershare.com/investor/Contact

NOTICE OF ANNUAL MEETING

The annual meeting of stockholders will be held June 17, 2014. Notice of the annual meeting will be sent to stockholders. In accordance with SEC rules, we will report the voting results of our annual meeting on a Form 8-K that will be available on our website (www.fcx.com).

FCX COMMON STOCK

FCX's common stock trades on the New York Stock Exchange (NYSE) under the symbol "FCX." The FCX common stock price is reported daily in the financial press under "FMCG" in most listings of NYSE securities. As of December 31, 2013, the number of holders of record of FCX's common stock was 15,817.

NYSE composite tape common share price ranges during 2013 and 2012 were:

	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

COMMON STOCK DIVIDENDS

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		
	AMOUNT PER SHARE	RECORD DATE	PAYMENT DATE
First Quarter	$ 0.3125	Jan. 15, 2013	Feb. 1, 2013
Second Quarter	0.3125	Apr. 15, 2013	May 1, 2013
Supplemental Dividend	1.0000	June 14, 2013	July 1, 2013
Third Quarter	0.3125	July 15, 2013	Aug. 1, 2013
Fourth Quarter	0.3125	Oct. 15, 2013	Nov. 1, 2013

	2012		
	AMOUNT PER SHARE	RECORD DATE	PAYMENT DATE
First Quarter	$ 0.2500	Jan. 13, 2012	Feb. 1, 2012
Second Quarter	0.3125	Apr. 13, 2012	May 1, 2012
Third Quarter	0.3125	July 13, 2012	Aug. 1, 2012
Fourth Quarter	0.3125	Oct. 15, 2012	Nov. 1, 2012

The declaration of dividends is at the discretion of the Board of Directors and will depend on FCX's financial results, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

TAX WITHHOLDING – NONRESIDENT ALIEN STOCKHOLDERS

Nonresident aliens who own stock in a United States corporation are generally subject to a federal withholding tax on 100 percent of the dividends paid on preferred and/or common stock. However, when 80 percent or more of a corporation's income is generated outside the United States, the withholding percentage is not calculated on 100 percent of the dividend, but rather on that portion of the dividend attributable to income generated in the United States. We have determined that, for quarterly dividends paid in 2013 to nonresident alien stockholders, 100 percent of the dividend amount was subject to federal withholding tax.

For quarterly dividends paid in 2014, we estimate that 100 percent of the total dividend amount is subject to federal withholding tax unless exempted by tax treaty. The withholding tax rate may also be reduced by tax treaty.

If you have any questions, please contact the Investor Relations Department.

FCX BENEFICIAL OWNER

The beneficial owner of more than five percent of our outstanding common stock as of December 31, 2013, is BlackRock, Inc. (9.7 percent).

FREEPORT-MCMORAN

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