

PLAINS EXPLORATION & PRODUCTION CO

Form 425

December 05, 2012

FCX to Acquire PXP and MMR in
Transactions Totaling \$20 Billion,
Creating a Premier U.S. Based
Natural Resource Company
December 5, 2012

FILED BY FREEPORT-MCMORAN COPPER & GOLD INC.

PURSUANT TO RULE 425 UNDER THE SECURITIES ACT OF 1933

SUBJECT COMPANY: PLAINS EXPLORATION & PRODUCTION COMPANY

COMMISSION FILE NO. 001-31470

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Cautionary Statement

Regarding Forward-Looking Statements

Cautionary Statement

Regarding Forward-Looking Statements

This press release contains forward-looking statements concerning the proposed transaction, its financial and business impact, management's beliefs and objectives with respect thereto, and management's current expectations for future operating and financial performance, based on assumptions currently believed to be valid. Forward-looking statements are all statements other than statements of historical facts. The words anticipates,

may,

can,

plans,

believes,

estimates,

expects,

projects,

intends,

likely,

will,

should,

to be,

and any similar expressions or other words of similar meaning are intended to identify those assertions as forward-looking statements. It is uncertain whether the events anticipated will transpire, or if they do occur what impact they will have on the results of operations and financial condition of FCX, MMR, PXP or of the combined company. These forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those anticipated, including but not limited to the ability of the parties to satisfy the conditions precedent and consummate either or both of the proposed transactions, the timing of consummation of either or both of the proposed transactions, the ability of the parties to secure regulatory approvals in a timely manner or on the terms desired or anticipated, the ability of FCX to integrate the acquired operations, the ability to implement the anticipated business plans following closing and achieve anticipated benefits and savings, and the ability to realize opportunities for growth. Other important economic, political, regulatory, legal, technological, competitive and other uncertainties are identified in the documents filed with the Securities and Exchange Commission (the SEC) by FCX, MMR and PXP from time to time, including their respective Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. The forward-looking statements including in this press release are made only as of the date hereof. Neither FCX, MMR nor PXP undertakes any obligation to update the forward-looking statements included in this press release to reflect subsequent events or circumstances.

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Additional Information about the
Proposed Transactions and Where to Find It

Additional Information about the
Proposed Transactions and Where to Find It
PXP Transaction

In connection with the proposed transaction, FCX intends to file with the SEC a registration statement on Form S-4 that will constitute a prospectus of FCX. FCX and PXP also plan to file other relevant documents with the SEC regarding the proposed transaction. **THE PROXY STATEMENT/PROSPECTUS AND OTHER RELEVANT DOCUMENTS FILED WITH THE SEC IF AND WHEN AVAILABLE ARE IMPORTANT INFORMATION.** You may obtain a free copy of the proxy statement/prospectus (if and when it becomes available) from FCX or PXP with the SEC at the SEC's website at www.sec.gov. You may also obtain these documents by contacting FCX's Investor Relations department at (713) 579-6291, or via email at investor@fmi.com; or by contacting PXP's Investor Relations department at (713) 579-6291, or via email at investor@pxp.com. FCX and PXP and their respective directors and executive officers and other members of management and employees may be solicited to act as proxies in respect of the proposed transaction. Information about FCX's directors and executive officers is available in FCX's Annual Meeting of Stockholders. Information about PXP's directors and executive officers is available in PXP's proxy statement for its Annual Meeting of Stockholders. Other information regarding the participants in the proxy solicitation and a description of their direct or indirect interests, if any, in FCX or PXP, as well as any other information otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC regarding the proposed transaction. Investors should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. You may obtain these documents from FCX or PXP using the sources indicated above.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities by means of this document. Any offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This document is being filed by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

MMR Transaction

In connection with the proposed transaction, the royalty trust formed in connection with the transaction will file with the SEC a

include a proxy statement of MMR that also constitutes a prospectus of the royalty trust. FCX, the royalty trust and MMR also regarding the proposed transaction. **INVESTORS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION.** You may (when it becomes available) and other relevant documents filed by FCX, the royalty trust and PXP with the SEC at the SEC's website or by contacting FCX's Investor Relations department at (602) 366-8400, or via e-mail at IR@fmi.com; or by contacting MMR at (602) 582-4000, or via email at IR@fmi.com.

FCX and MMR and their respective directors and executive officers and other members of management and employees may be solicited to vote proxies in respect of the proposed transaction. Information about FCX's directors and executive officers is available in FCX's 2007 Annual Meeting of Stockholders. Information about MMR's directors and executive officers is available in MMR's proxy statement for its 2007 Meeting of Stockholders. Other information regarding the participants in the proxy solicitation and a description of their direct or indirect interests, otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC regarding this transaction. Investors should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. These documents from FCX or MMR using the sources indicated above.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities, offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act of 1933, as amended.

Transaction Highlights

Transaction Highlights

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Creates A Premier U.S. Based Natural Resource Company

Adds High Quality U.S. Oil & Gas Assets to World-Class Mining Portfolio

Asset Quality Consistent with Characteristics Sought in Mining

Business *Large, Long Life, Low Cost, Expandable*

Enhances Exploration Leverage with Significant Value Potential

Complementary Commodity Exposure to Long-Term Global Growth Trends

Combined Asset Portfolio Expands Reinvestment Opportunities to Drive
Future Growth

Transaction Summary

Price

FCX to acquire PXP for: 0.6531 shares of
FCX common stock and \$25.00 in cash,
equivalent to total consideration of
\$50.00 per PXP share based on FCX
closing price on December 4, 2012

FCX to acquire MMR for: \$14.75 cash
plus 1.15 Ultra-Deep Royalty Trust

Units per MMR share

Premium

39% to PXP's closing price on

December 4, 2012

Cash portion represents 74% to MMR's

closing price on December 4, 2012

Structure

50% stock / 50% cash

\$3.4 billion cash; 91 million new FCX

common shares

100% cash plus Ultra-Deep Royalty

Trust Units

(2)

Transaction Value

\$17.2 billion (includes assumed debt)

\$2.4 billion (includes assumed debt)

Key Conditions

Shareholders

approval

Customary regulatory approvals and

conditions

Shareholders

approval

Customary regulatory approvals and

conditions

Timing

Closing expected in 2Q 2013

FCX Pro Forma

Enterprise Value: \$60 billion

1,041 million shares outstanding

Total Debt of \$20.0 billion

(1) Prior to the transaction, FCX and PXP collectively own 36% of MMR

(2) Creation of Royalty Trust provides MMR shareholders 5% ORRI for continued participation in potential shallow water, ult

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PXP

PXP

MMR

MMR

(1)

(1)

\$88
\$64
\$60
\$50
\$42
\$38
\$30
\$27
\$0
\$25
\$50
\$75

\$100
\$125
\$150
XOM
CVX
COP
OXY
PF
FCX
APC
APA
EOG
CHK
MRO
(\$Bn)

Pro forma FCX will be the 5th

largest U.S. domiciled natural resource
company and the 5th

largest global mining company by enterprise value

Source: Company filings, FactSet. Market data as of 12/4/2012.

* Includes U.S.-based E&P, mining and coal companies, including integrated companies. Midstream and downstream companies

** Excludes precious metal companies

\$402
\$198
\$125
\$124
\$111
\$60
\$50
\$32
\$24
\$21
\$20
\$0
\$25
\$50
\$75
\$100
\$125
\$150
BHP
GLEN/
XTA
RIO
VALE
PF
FCX
AAL

SCCO

TCK

AA

ANTO

(\$Bn)

\$204

Top US Domiciled Resource Companies*

Top US Domiciled Resource Companies*

Top Global Mining Companies**

Top Global Mining Companies**

A Premier U.S. Based

Natural Resource Company

A Premier U.S. Based

Natural Resource Company

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Benefits of the Transactions

7

Geographic & Commodity Diversification

2013e EBITDA

(1)

North

America

North

America

Indonesia
Indonesia
31%
31%
29%
29%
South
America
29%
Africa
11%
11%
Mining
100%
Mining
100%
Oil & Gas
26%
Oil & Gas
26%
Mining
74%
Mining
74%
North
America
North
America
Indonesia
Indonesia
23%
23%
48%
48%
South
America
21%
Africa
8%
8%
Existing
(1)
Based
on
pricing
assumptions
of
\$3.50/lb
Cu,
\$1,500/oz

Au,
\$12/lb
Mo,
\$100/bbl
Oil
(Brent)
and
\$4.50/MMbtu
natural
gas.

e
=
estimate.

See
Cautionary
Statement.

Pro forma
High Quality U.S. Resource Base Provides Exposure to Energy Market with
Attractive Fundamentals

-
~85% of Acquired Revenues from Oil
(1)

-
Favorable Entry Point to Source of Low Cost, Long-term Gas Supply
Significant Exploration Upside
Strong Margins and Cash Flows to Fund Growth

-
O&G EBITDA Margins of ~75%
(1)
Diversification Expands Portfolio of Attractive Investment Opportunities
Access to Low-cost Debt Financing

Enhanced Commodity Exposure to
Long-term Global Growth Trends
Emerging Market Growth and Urbanization Will Continue to Drive Commodity Demand
Global
Energy
Consumption
Expected
to
Grow
by
>30%
by
2035
(1)
Global

Refined
Copper
Consumption
Expected

to
Grow

by
~60%

by
2025

(2)
8

(1)
International Energy Administration

(2)
Brook Hunt
Favorable Supply/Demand Fundamentals Expected to
Remain Supportive of Future Oil and Copper Prices

WTI
Copper

WTI Oil Price v. Copper Price
Note: monthly 30-day averages

dated 11/30/12

\$30
\$50

\$70
\$90

\$110
\$1.00

\$2.00
\$3.00

\$4.00
\$5.00

History & Corporate Relationships

FCX & MMR Spun out of Parent Company Freeport-McMoRan Inc.
in Mid-90 s

Parent had Long History in Natural Resources Business Including
Minerals, Oil & Gas, Fertilizer

Management has Significant Minerals and Oil & Gas Experience

FCX Invested in MMR in 2010 Through Preferred Stock Transaction

PXP Became MMR s Largest Shareholder in 2010 through an Asset
Swap Transaction

FCX and PXP Currently Own 36% of MMR

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Proven Management Team
Proven Management Team
Complementary Management Teams with Substantial Experience and Track
Record of Success in Mining and Oil & Gas Exploration and Development
Global Industry Leading Capabilities:
-
Operational Excellence
-
Major Project Development
-
Technological Innovation
-
Exploration/Engineering
-
Prudent Environmental Management
History of Prudent Financial Management and Execution in Varying

Market Environments

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Established Track Record of Capital Discipline and
Focus on Value Creation for Shareholders

Phelps Dodge Case Study
Phelps Dodge Case Study
11
\$17.6
\$7.2
\$3.5
\$0
\$5
\$10
\$15
\$20
Rapid Delevering
Consolidated Cash

\$3.4
\$1.6
\$3.7
Net Debt/(Cash)
\$14.2
\$5.6
\$(0.2)

At Time of PD
Acquisition in
March 2007
9/30/12
(\$ in bns)

Debt

*

Based on estimated proven & probable reserve additions as of 12/31/11 before production.

December

2007

Highly Successful
Transformational Transaction
Asset & Geographic
Diversification
Significant Reserve Additions

+46 billion lbs Cu*

Developed World-Class Copper
Portfolio

Recognized Industry Leader

Strong Current Production with
Substantial Growth Profile

Large Resource Position
Successful Integration
Effective Management During
2008/09 Economic Crisis

Acquired
Assets

Acquired Asset Overview

Acquired Asset Overview

13

Onshore

Established California Oil Production

Growing Oil Production Profile in Eagle Ford

Large Natural Gas Resource Position in Haynesville
Offshore

Quality Deepwater Portfolio

Established California Oil Production

72% of 2013e Production from Oil with Premium Market Pricing

(77% Including Liquids)

Industry Leader in Emerging Shallow Water Ultra-Deep, Sub Salt Play

Results to Date Indicate Potential for Long-Term, Low-Cost Source of

Natural Gas

Geologic/Technology Risks have been Significantly Reduced

Leading Acreage Position on Leases with Primary Structures

Net Unrisked Resource Potential in Excess of 50 Tcfe

PXP

Strong

Current

Cash

Flows

with

Growth

MMR

Franchise

in

Highly

Prospective

Emerging

Resource

Trend

e = estimate. See Cautionary Statement.

High Quality U.S. Oil & Gas Portfolio

High Quality U.S. Oil & Gas Portfolio

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(1)

PXP Reserves as of 12/31/11 except for reserves purchased in deepwater acquisitions which are as of 9/30/12; MMR reserves
forma for 2H12 divestitures.

e = estimate. See Cautionary Statement.

575 MMBOE

California

38%
California
38%
4%
4%
Eagle Ford
6%
6%
Haynesville
22%
Haynesville
22%
Other
Deepwater
GOM
25%
Deepwater
GOM
25%
5%
GOM
Shelf
Proved Reserves
(1)
California
23%
California
23%
Eagle
Ford
21%
Eagle
Ford
21%
Haynesville
9%
9%
Other
3%
175 MBOE/d
Deepwater
GOM
33%
Deepwater
GOM
33%
2013e Production by Region
GOM
Shelf
11%

GOM

Shelf

11%

Oil

66%

Oil

66%

Gas

28%

Gas

28%

2013e Production Mix

NGLs

6%

6%

Natural Gas

Oil

Oil & Gas Reserves & Resources

Oil & Gas Reserves & Resources

15

(MMBOE)

PXP

(1)

MMR

(2)

Total

% Oil/Liquids

PXP

(1)

MMR

(2)

Total

% Oil/Liquids

Proved Reserves

538

37

575

64%

Probable Reserves

337

11

348

44%

Possible

Reserves

646

12

658

29%

Total

1,521

60

1,581

45%

Near-term Resource Potential

1,353

4,981

6,334

Total Potential

~3,800

~50 Tcfe

3Q12 Daily Production Rate (Mboe/d)

~160

(3)

22

~182

(1)

Reserves as of 12/31/11 except for reserves purchased in deepwater acquisition which are as of 9/30/12

(2)

Mid-year 2012 reserves pro forma for 2H12 divestitures; exploration potential includes ~30 Tcfe from near-term onshore/offshore

(3)

Includes ~60 Mboe/d from GOM acquisition which closed on November 30, 2012

Enhanced Exploration Leverage
with Multiple Near-term Catalysts
Enhanced Exploration Leverage
with Multiple Near-term Catalysts
16
Near-term Net Potential
of 995 MMBOE

Phobos (~300 MMBOE)
to Spud in 4Q12

On Lease Exploration
from BP: 300+ MMBOE

Each 100 MM Barrels =
PV-10 of ~\$2.5 Billion

Pre-tax

(1)

3 Wells Drilling

Recent Positive Results on

Lineham Creek Onshore

High Potential Prospect

Inventory

~50 Tcfe of Net Potential,

Including ~30 Tcfe from

Near-term Prospects

Each 2 Tcfe Net = PV-10 of

~\$2.5 Billion Pre-tax

(2)

Eagle Ford

71 MMBOE

Haynesville

~1 Tcfe

California

+100 MMBOE

Deepwater GOM

Shallow Water Ultra-Deep

Onshore U.S.

(1)

Based on \$100.00/bbl LLS oil

(2)

Based on \$4.50/MMbtu natural gas

Pro Forma
Combined
Company
Profile

FCX's Global Footprint
FCX's Global Footprint
Copper
Copper/Gold/Silver
Molybdenum
Cobalt
Oil/Natural Gas

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Note:

FCX

consolidated

reserves

and

annual

sales;

reserves

as

of

December

31,

2011.

Sales

figures

are

based

on

2013e.

1

Cu operations: Morenci (85%), Sierrita (100%), Bagdad (100%), Tyrone (100%), Safford (100%), Miami (100%) and Chino (

Oil & Gas operations: onshore/offshore CA, Madden, Eagle Ford, Haynesville, GOM shelf & Deepwater

2

PXP Reserves as of 12/31/11 except for reserves purchased in deepwater acquisitions which are as of 9/30/12; MMR reserves

3

Includes moly sales from South America

4

Cu operations: Candelaria/Ojos del Salado (80%), Cerro Verde (53.6%) and El Abra (51%)

Major Operations & Development Projects

All major mining assets majority-controlled and operated

e = estimate. See Cautionary Statement.

(a)

Estimated recoverable proven and probable copper reserves as of 12/31/11 using a long-term average copper price of \$2.00/lb;

(b)

Estimated
consolidated
contained
copper
resources
as
of
12/31/11
using
a
long-term
copper
price
of

\$2.20/lb.
Mineralized
Material
is
not
included
in
reserves
and

will not qualify as reserves until comprehensive engineering studies establish their economic feasibility. Accordingly, no assurance is given that the estimated mineralized material will become proven and probable reserves. See Cautionary Statement.

(c)
Includes PXP reserves as of 12/31/11 except for reserves purchased in deepwater acquisitions which are as of 9/30/12 and MMAR reserves for 2H12 divestitures. Excludes results from GOM shelf ultra-deep activities.

Combined Reserves and Resources
Combined Reserves and Resources
19
Reserves

(a)
(recoverable copper)
Reserves

(a)
&
Mineralized
Material

(b)
at \$2.00 Cu price
(billion lbs of copper)
at \$2.20 Cu price
Reserves

Mineralized
Material
(b)
(contained copper)

115
billion
lbs
2P Reserves

(c)
Reserves &
Resource Potential

Proved: 575
Proved: 575
~7,900
923

(million barrels of oil
equivalents)
Probable: 348
Probable: 348
Possible: 658

Possible: 658

Near-term

Potential: ~6,300

20

20

North

America*

*

excludes restarts currently in progress; incremental copper per annum

**

PT-FI s share, average per annum

*

excludes restarts currently in progress; incremental copper per annum

**

PT-FI s share, average per annum

20

Highly Attractive Brownfield

Copper Development Projects

Highly Attractive Brownfield

Copper Development Projects

South

America*

Tenke

Fungurume

Grasberg

150mm lbs Cu/yr oxide

expansion nearing completion

Potential sulfide expansions

Morenci Expansion

(225 mm lbs Cu) under way

Potential sulfide expansions

(~800 mm lbs Cu)

Mill Expansions

(t/d)

Cerro Verde (360K)

600

\$4.4

2016

Morenci (115K)

225

1.4

2014

Tenke (14K)

150

0.9

2013

TOTAL

975

\$6.7

Expansion Projects in Progress

Incr. Cu

(mm lbs/yr)

Capital*

(\$ blns)

Achieve

Full Rates

* excludes capitalized interest

Cerro Verde Expansion
(600 mm lbs Cu) under way

Potential El Abra Mill
(600 mm lbs Cu)
Underground
development under
way
1.1 bln lbs Cu**
1.4 mm ozs Au**

21

Copper Sales (billion lbs)

Gold Sales (million ozs)

Diverse Production Profile
with Strong Growth

Diverse Production Profile
with Strong Growth

0

1

2

3

4
 5
 2012e
 2013e
 2014e
 2015e
 1.0
 1.4
 1.8
 1.8
 0
 1
 2
 2012e
 2013e
 2014e
 2015e
 82
 90
 90
 100
 0
 25
 50
 75
 100
 2012e
 2013e
 2014e
 2015e

Molybdenum Sales (million lbs)

Note: Consolidated copper sales include approximately 705 mm lbs in 2012e, 800 mm lbs in 2013e,

* Includes Cerro Verde expansion (2016 full rates) & Morenci mill expansion, targeted for 2014.

e = estimate. See Cautionary Statement.

Includes Projects

Currently

Under Way*

3.6
 5.0+
 4.5
 4.3
 0
 25
 50
 75
 100
 2012e
 2013e
 2014e

2015e
Oil & Gas Sales (MMBOE)

Note:
Consolidated
gold
sales
include
approximately
105k
ozs
in
2012e,
140k
ozs
in
2013e,

Note: 2012e includes sales from GOM acquisition beginning on December 1, 2012. Oil & Gas
Ultra-Deep
Expl./Dev.
Ultra-Deep
Expl./Dev.
46
64
78
94

180k ozs in 2014e and 175k ozs in 2015e for noncontrolling interest.
sales estimates include approximately 13.3 MMBOE in 2014e, and 22.6 MMBOE in 2015e from
potential success from ultra-deep Shelf exploration and development.
770 mm lbs in 2014e and 875+ mm lbs in 2015e for noncontrolling interest; excludes purchased copper.

Pro Forma
Combined
Company
Financials

2013e
2014e
2015e
\$0
\$5
\$10
\$15
\$20
\$25
\$3.00
\$3.50
\$4.00

FCX Pro forma EBITDA, Cash Flows &

Capital Expenditures

23

\$3.00

\$3.50

\$4.00

Operating Cash Flow*

EBITDA

CAPEX

Copper Prices

\$1,500 Au/\$12 Mo/\$100 Oil/\$4.50 Gas**

Copper Prices

\$1,500 Au/\$12 Mo/\$100 Oil/\$4.50 Gas**

* Excludes working capital changes

** See impacts of prices changes for gold, molybdenum, oil and gas on slide 32.

2015/

2016

Avg.

2013/

2014

Avg.

2013/

2014

Avg.

(Brent)

(Brent)

2015/

2016

Avg.

2013/

2014

Avg.

2013/

2014

Avg.

Mining

65%

O&G

35%

O&G

35%

60%

40%

40%

48%

52%

52%

~45%

Increase

~45%

Increase

24
Focused and Disciplined
Capital Allocation Philosophy
Allocate Capital to
Low Cost, Long-lived,
Expandable Assets
Focus on
Largest

Resources
Ensure
Potential
is Well
Understood
Establish Short,
Medium and Long
Term Potential for
Primary Assets
Quantify Risks
Technical, Political,
Social, Economic,
Market
Rigorous Economic
Analysis Under
Range of Assumptions
Protect Downside,
Leverage to Upside
Prioritize & Rank
Opportunities
Highest
Returns/NPV
per \$
Invested
Manageable
Risks
Overall Portfolio
Balance/Strategic Fit
Limit Number of
Projects
Focused
Management Attention
Repay
Debt
Return Excess Capital to
Shareholders
Maintain Strong Balance Sheet & Credit Profile

25
Capital Expenditures
(1)
(US\$ billions)
Other Mining
Major Mining Projects
Oil & Gas
3.0
1.6
1.4
1.0
2.5
3.0
2.0

3.3

2.9

\$0

\$2

\$4

\$6

\$8

2013e

2014e

2015e

(1)

Capital expenditure estimates include projects in progress. Project spending will continue to be reviewed and revised subject to

(2) Primarily includes Cerro Verde expansion, Morenci mill expansion and Grasberg underground development.

Note: Includes capitalized interest.

e= estimate. See Cautionary Statement.

\$7.1

\$7.3

\$6.3

(2)

(2)

Oil & Gas Cash Flows
Targeted to be Self-funding
Oil & Gas Cash Flows
Targeted to be Self-funding
26
\$0.0
\$1.0
\$2.0
\$3.0
\$4.0
2013e
2014e
2015e
Operating Cash Flow

CAPEX

NOTE: Assumes pricing of \$100/bbl Brent crude for oil and \$4.50/MMbtu for natural gas

e= estimate. See Cautionary Statement.

(US\$ billions)

\$16.3
\$7.7
\$2.0
(\$3.5)
-\$5
\$0
\$5
\$10
\$15
\$20

Significant Debt Reduction
Significant Debt Reduction
Year-End Net Debt at Varying Copper Prices

Pro Forma YE 2016e

(US\$ billions)

13- 16 Avg. Copper Price

Net Debt/ 13- 16 Avg. EBITDA

\$3.00

0.6x

\$3.50

0.1x

\$4.00

N/A

9/30/12

Pro Forma

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Note: Sensitivity assumes \$12 Molybdenum, \$1,500 Gold, \$100 Oil and \$4.50 Natural Gas; EBITDA equals operating income and amortization

e= estimate. See Cautionary Statement.

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Maintain Strong Balance Sheet & Liquidity Position

Reduce Debt Incurred in Acquisitions Using Substantial Cash Flows
Generated from Combined Business

Invest in Projects with Strong Financial Returns/Capital Discipline

Anticipate Continuing Current Common Stock Dividend Rate:

\$1.25/Share per Annum

Board to Review Financial Policy on an Ongoing Basis

Committed to Long-standing Tradition of Maximizing Value for
Shareholders

Financial Policy

Financial Policy

Combined Company Highlights
Combined Company Highlights
Creates A Premier U.S. Based Natural Resources Producer
World's Largest Publicly Traded Copper Producer
Significant Producer of Oil, Gold & Molybdenum
Significant Long-term Natural Gas Resources
Strong Margins & Cash Flows
High Quality, Long-lived and Geographically Diverse Assets
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Appendix

(1)
Includes ~ 7 MMcfe/d of natural gas
(2)
Includes ~ 4 MBOE/d of NGLs
(3)
Includes ~ 6 MBOE/d of NGLs
2013e Oil & Gas
Operating Estimates
2013e Oil & Gas
Operating Estimates
31

NOTE: e = estimate. See Cautionary Statement.

Oil

MBOE/D

40

(1)

California

Haynesville/

Rocky Mtns/Other

127

GOM

Eagle Ford

31

(2)

36

56

(3)

125

2013e Oil & Gas Sales by Region

2013e Oil & Gas Sales by Region

Operating Cost: \$27/bbl

Pricing: Brent Based

Operating Cost: \$15/bbl

Pricing: LLS

Operating Cost: \$10/bbl

Pricing: LLS/NYMEX

Operating Cost: \$1.65/Mcfe

Pricing: NYMEX

Gas

MMcfe/d

Gulf of Mexico Shelf/

Deepwater

Gulf of Mexico Shelf/

Deepwater

California

California

Eagle Ford

Eagle Ford

Rocky Mtns. &

Haynesville

Rocky Mtns. &

Haynesville

Copper: +/- \$0.10/lb

\$405

\$275

Molybdenum: +/- \$1.00/lb

\$80

\$65

Gold: +/- \$50/ounce

\$75

\$45

Oil Sales:

(1)

+ \$10/bbl

(2)

\$340

\$265

-

\$10/bbl

(3)

(\$275)

(\$280)

Oil

Sales

Net

of

Diesel

Costs:

(1,4)

+ \$10/bbl

\$260

\$205

-

\$10/bbl

(\$195)

(\$220)

Natural Gas:

(5)

+ \$1/Mcf

\$90

\$90

-

\$1/Mcf

(\$90)

(\$90)

Currencies:

(6)

+/-

10%

\$150

\$110

Operating

Change

EBITDA

Cash Flow

Sensitivities (US\$ millions)

Sensitivities (US\$ millions)

32

(1)

Oil sales sensitivity calculated using base Brent price assumption of \$106/bbl in 2013, \$101/bbl in 2014.

(2)

Amounts are net of \$73 mm change related to hedging loss in 2013/2014; no hedging impacts will be applicable above \$126/bbl

(3)

Amounts

are

net

of

\$141

mm

changes

related

to

hedging

gain;

no

hedging

impacts

below

\$70/bbl

because

of

limits

in

place

on

2013

2014
puts
and
collars.

(4)
Amounts are net of \$80 mm (EBITDA) and \$60 mm (c/f) for FCX stand-alone cost impacts of a \$10/bbl change in oil prices.

(5)
Natural
gas
sensitivity
calculated
using
base
NYMEX
price
assumption
of
\$3.93/MMbtu
in
2013
and
\$4.23/MMbtu
in
2014.

Amounts
net
of
\$38
mm
impact
from
hedging.

(6) U.S. Dollar Exchange Rates: 500 Chilean peso, 9,500 Indonesian rupiah, \$1.00 Australian dollar, \$1.26 Euro, 2.70 Peruvian
Each +10% equals a 10% strengthening of the U.S. dollar; a strengthening of the U.S. dollar against foreign currencies equates

NOTE:

Based
on
2013e/2014e
averages.

Operating
cash
flow
amounts
exclude
working
capital
changes.

e
=
estimate.

See
Cautionary
Statement.
2013e/2014e

Oil & Natural Gas Hedging Positions

33

Oil Indexed to Brent

Swaps

Puts

Collars

15%

Unhedged

Puts

15%

Unhedged

Puts

84k bbls/d

\$90 floor

\$70 limit

\$6.90 ADP

43%

Unhedged

Natural Gas Indexed to Henry Hub

2013

2014

2015

Swaps

100/d @ \$4.09

117k bbls/d*

129k bbls/d*

147k bbls/d*

2013

2014

2015

40k bbls/d

@ \$109.23

30k bbls/d

\$95 floor

\$75 limit

\$6.09 ADP

75k bbls/d

\$90 floor

\$70 limit

\$5.74 ADP

5k bbls/d

\$100 floor

\$80 limit

\$7.11 ADP

25k bbls/d

\$100 floor

\$80 limit

\$124 Ceiling

5k bbls/d

\$90 floor

\$70 limit

\$126 Ceiling

13k bbls/d

\$100 floor

\$80 limit

\$6.80 ADP

17k bbls/d

\$90 floor

\$70 limit

\$6.25 ADP

Swaps

110/d @ \$4.27

No Hedges

NOTE: As of October 19, 2012; ADP = average deferred premium.

* Estimated annual production for MMR & PXP. See Cautionary Statement.

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Pro Forma Balance Sheet &
Credit Statistics
Pro Forma Balance Sheet &
Credit Statistics
Pro Forma September 30, 2012 Capitalization
Pro Forma September 30, 2012 Capitalization
(US\$ billions)
Amount
%
Cash and Cash Equivalents
\$ 3.7
--

Revolver

(1)

\$ 0.0

0%

FCX New Sr. Unsecured Notes

5.5

9%

FCX

New

(Unsecured)

Term

Loans

(Refinance

PXP

Secured

Debt)

4.0

7%

FCX Sr. Unsecured Notes

3.0

5%

FCX Subsidiary Public Debt

0.4

1%

Other Debt

0.2

0%

PXP Existing Sr. Unsecured Notes

6.6

11%

MMR Existing Sr. Unsecured Notes

0.3

0%

Total Debt

\$20.0

33%

Market Value of Existing Equity

(2)

\$39.8

67%

Total Market Capitalization

\$59.8

100%

Total Debt / Market Capitalization

33.5%

2013e Credit Statistics

Debt / EBITDA

(3)

1.7x

EBITDA

(3)

/ Interest

(4)

11.1x

(1) Revolving Credit Facility commitment of \$3.0 billion available to FCX

(2) Based on 1.041 billion pro forma shares outstanding and FCX's closing stock price of \$38.28 on December 4, 2012

(3) Based on 2013e EBITDA of \$11.8 billion (Based on pricing assumptions of \$3.50/lb Cu, \$1,500/oz Au, \$12/lb Mo, \$100/b

(4) Based on 2013e Interest of \$1.1 billion (includes capitalized interest)

e = estimate. See Cautionary Statement.

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FCX Pro Forma Debt Maturities 9/30/12

\$0

\$2,000

\$4,000

\$6,000

\$8,000

\$10,000

\$12,000

2013

2014

2015

2016

2017
2018
2019
2020
2021
Thereafter
\$300
\$500
\$4,500
\$400
(US\$ millions)
\$1,800
\$10,600
PXP
6.75%
&
6.875%
Sr. Notes
New
Term
Loans
Pro Forma Total Debt & Cash at 9/30/12
New Term Loans
\$4.0
New Notes
5.5
Public Debt
10.3
Other Debt
0.2
Total Debt
\$20.0
Consolidated Cash
\$3.7
(US\$ billions)
New FCX
Sr. Notes
\$200
\$1,100
\$600
MMR
11.875%
Sr. Notes
FCX
1.4%
Sr. Notes
PXP
10%
Sr. Notes
FCX

2.15%
Sr. Notes
PXP
7.625%
Sr. Notes
PXP
6.125% &
8.625%
Sr. Notes
PXP
6.625%
Sr. Notes
PXP
7.625% &
6.5%
Sr. Notes
FCX
3.55%
Sr. Notes
PD
Sr. Notes
\$0
FCX Sr. Notes
MMR Sr. Notes
PXP Sr. Notes
Other Debt
New FCX Debt

Royalty Trust Terms
Royalty Trust Terms
5% Gross Royalty Override on MMR's Ultra-Deep Exploration
Portfolio
20-Year Term

Non-callable for First 5 Years

Callable at FCX's Option in Years 6-20 at \$10 per Unit
Shares Risk/UpSide Between FCX and MMR Shareholders
MMR Shareholders Would Receive 1.15 Units per MMR Share

Units FCX Would Otherwise Receive on its MMR Convertible Will be
Issued to Other MMR Shareholders as Merger Consideration
Trust Listed for Trading
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