VALUE AT OUR CORE

2014 ANNUAL REPORT

FREEPORT-MCMORAN

FREEPORT-MCMORAN

Freeport-McMoRan Inc. (FCX) is a 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 deposits; 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.

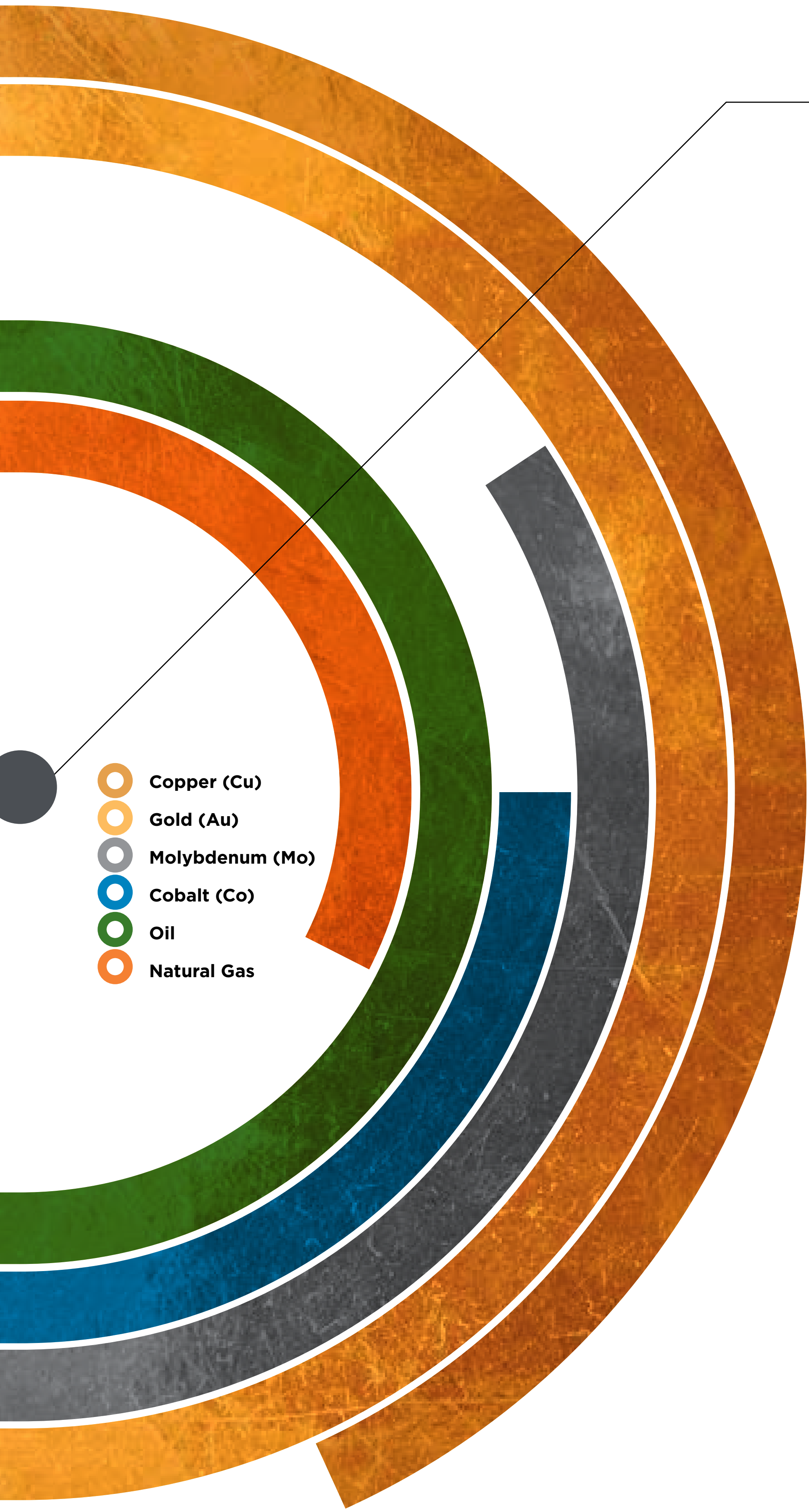
FCX's portfolio of oil and natural gas assets includes growth potential in the Deepwater Gulf of Mexico, established oil production facilities onshore and offshore California, large onshore natural gas resources in the Haynesville shale in Louisiana, natural gas production from the Madden area in central Wyoming and an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous gas trend located in the shallow waters of the Gulf of Mexico and onshore in South Louisiana.

In July 2014, the corporate name changed to Freeport-McMoRan Inc. to better reflect FCX's expanded portfolio of assets. Additional information about FCX is available on FCX's website at fcx.com.

SUMMARY FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31,	2014	2013	2012	2011	2010
(In millions, except per share amounts)					
Revenues	**$ 21,438**	$ 20,921	$ 18,010	$ 20,880	$ 18,982
Operating income	**97***	5,351	5,814	9,140	9,068
Net (loss) income attributable to FCX common stockholders	**(1,308)***	2,658	3,041	4,560	4,273
Diluted net (loss) income per common share	**(1.26)***	2.64	3.19	4.78	4.57
Dividends declared per common share	**1.25**	2.25	1.25	1.50	1.125
Operating cash flows	**5,631**	6,139	3,774	6,620	6,273
Capital expenditures	**7,215**	5,286	3,494	2,534	1,412
At December 31:					
Cash and cash equivalents	**464**	1,985	3,705	4,822	3,738
Total assets	**58,795**	63,473	35,440	32,070	29,386
Total debt, including current portion	**18,970**	20,706	3,527	3,537	4,755
Total FCX stockholders' equity	**18,287**	20,934	17,543	15,642	12,504

* Includes net charges totaling $4.7 billion ($3.6 billion to net loss attributable to FCX common stockholders or $3.43 per share) to reduce the carrying value of oil and gas properties pursuant to full cost accounting rules and to fully impair goodwill, partially offset by gains from the sale of assets. Refer to page 26 for further discussion.



VALUE AT OUR CORE

The mineral resources that the people of Freeport-McMoRan discover, responsibly develop and deliver to the markets are at the core of a company focused on long-term value. These minerals are the building blocks of infrastructure, critical elements of progress and fuel for the global economy. A diverse portfolio of long-lived reserves, attractive resource potential, strategic investments in growth, responsible management and strong stakeholder partnerships surround the core to create shareholder value.

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MINING

	NORTH AMERICA	SOUTH AMERICA	INDONESIA	AFRICA	CONSOLIDATED TOTALS
RESERVES AT 12/31/14	Cu 35.6 billion lbs Au 0.3 million ozs Mo 2.4 billion lbs	Cu 31.8 billion lbs Mo 0.7 billion lbs	Cu 29.0 billion lbs Au 28.2 million ozs	Cu 7.1 billion lbs Co 0.9 billion lbs	Cu 103.5 billion lbs Au 28.5 million ozs Mo 3.1 billion lbs Co 0.9 billion lbs
2014 SALES	Cu 1.66 billion lbs Mo 95 million lbs*	Cu 1.14 billion lbs Au 0.07 million ozs	Cu 0.66 billion lbs Au 1.17 million ozs	Cu 0.43 billion lbs Co 30 million lbs	Cu 3.89 billion lbs Au 1.25 million ozs Mo 95 million lbs Co 30 million lbs

* 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.

OIL AND GAS

UNITED STATES

Oil	278	MMBbls
Natural Gas	610	Bcf
Natural Gas Liquids	10	MMBbls
MMBOE	390	

Oil	40.1	MMBbls
Natural Gas	80.8	Bcf
Natural Gas Liquids	3.2	MMBbls
MMBOE	56.8	

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

TO OUR SHAREHOLDERS

We are pleased to present our 2014 Annual Report to highlight the value of our assets, report on our financial and operating results and share our vision for operating and developing our resources to generate attractive returns for shareholders. The theme of this year's annual report, "Value at our Core," captures our optimistic view of our large-scale, geographically diverse natural resource assets and our drive to generate long-term values from our portfolio of assets through continuing a track record of efficient management of our operations and executing development plans to provide future growth and financial returns.

During 2014, our organization achieved strong operating performance, important project development milestones and positive exploration results despite challenging commodity market conditions that emerged late in the year. We achieved a 17 percent increase in our North America copper sales volumes, which helped to offset a portion of the impacts of regulatory restrictions in Indonesia and the sale of our Candelaria/Ojos mining operations in the fourth quarter. Oil and gas production exceeded our forecasts and we were successful in expanding our oil and gas resource base despite the sale of our Eagle Ford shale properties during the year.

"Value at our Core" captures our optimistic view of our large-scale, geographically diverse natural resource assets and our drive to generate long-term values.

We progressed several large projects in our minerals and oil and gas businesses that set the stage for future growth. We completed a major expansion of our flagship Morenci mine in Arizona and advanced construction activities to triple the size of our Cerro Verde operations in Peru. As we evaluate our large minerals resource base, we are enthusiastic about opportunities for further expansion. Our oil and gas team advanced our strategy to establish new sources of oil production from reservoirs located near our major Gulf of Mexico production facilities. We achieved successful exploration results in the Deepwater Gulf of Mexico, including at Holstein Deep, Dorado and Power Nap, which expanded our resource base and enhanced the value and strategic importance of our large-scale production facilities. We added significant new production in early 2015 from the recently constructed large-scale Lucius oil facility in the Gulf of Mexico and established gas production at our onshore Highlander project following successful flow tests. The results of these and other activities provide confidence for future profitable growth. We look forward to reporting on the progress of these activities in 2015.

We faced volatile commodity market conditions during 2014, particularly in the second half of the year and continuing in 2015. In 2015, copper prices have averaged approximately 15 percent lower than the 2014 average and Brent crude oil prices have declined by about 50 percent. During 2014, we completed the sale of $5 billion in assets to strengthen our balance sheet and focus our capital and other resources on our assets with the best returns and long-term resource potential. We also completed financing transactions to improve our financial flexibility and debt maturity profile. In addition, we have taken aggressive actions to reduce our capital expenditures and our costs in response to market conditions and will continue to seek to strengthen our balance sheet and improve financial flexibility to protect our long-term asset values in a challenging global economic environment for copper, oil and other commodities. We have a strong track record of successfully responding to a challenging market environment. These actions, along with other ongoing initiatives, will better position us during the current weak environment while preserving our long-term resources for improved market conditions in the future.

During the year, we continued to enhance our partnerships with governments and stakeholders in the communities where we operate. At our core, we are committed to sustainable development and to providing significant long-term benefits from our operations to local communities

and governments. We achieved important progress in our efforts to secure our long-term operating rights in Indonesia and remain positive about our long-term partnership and the benefits that our Grasberg operations will continue to provide to all stakeholders.

The safety of the men and women in our over-80,000-member workforce continues to be our highest priority. We are pleased to report a significant improvement in our incident rate during 2014. Regrettably, seven fatal injuries occurred in 2014, including six at our Grasberg operations in Indonesia. Fatality prevention in our global operations continues to be a critical focus of our management team.

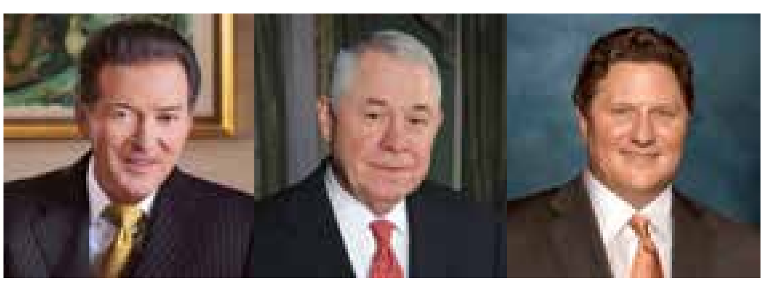
In closing, we would like to thank our employees for their hard work, dedication and commitment to FCX's success and extend our sincerest gratitude to our Board for their wisdom, judgment and advice as we work to achieve continued success in the future.

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 23, 2015

Photo: Exploration program drill core from the Tenke Fungurume minerals district in the Katanga province of the Democratic Republic of Congo

CONSOLIDATED UNIT CASH COSTS

	2013	2014
Mining (per lb of copper)		
Site Production and Delivery	$ 1.88	$ 1.90
By-product Credits	(0.57)	(0.60)
Treatment Charges	0.15	0.15
Royalties and Export Duties	0.03	0.06
Unit Net Cash Costs	$ 1.49	$ 1.51
Oil and Gas (per BOE)		
Cash Production Costs	$ 17.14*	$ 20.08

* For the seven-month period ending December 31, 2013.

CONSOLIDATED COPPER SALES

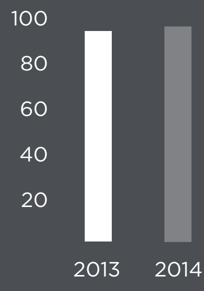
in billion lbs

CONSOLIDATED GOLD SALES

in million ozs

CONSOLIDATED MOLYBDENUM SALES

in million lbs



FCX achieved strong operating performance and project development milestones despite challenging market conditions that emerged late in the year.

CONSOLIDATED RESULTS

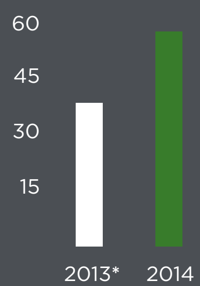
FCX's consolidated copper sales for 2014 of 3.9 billion pounds (at an average realized price of $3.09 per pound) were lower than 2013 sales of 4.1 billion pounds (at an average realized price of $3.30 per pound), reflecting decreased volumes in Indonesia resulting from export restrictions and labor-related work stoppages and in South America, partly offset by higher volumes from the North America copper mines. Consolidated copper sales for 2015 are expected to increase to approximately 4.3 billion pounds, reflecting higher mill rates from the Morenci expansion and higher production from Indonesia, partly offset by lower volumes in South America.

Consolidated gold sales totaled 1.25 million ounces (at an average realized price of $1,231 per ounce) for 2014 and 1.2 million ounces (at an average realized price of $1,315 per ounce) for 2013. Consolidated gold sales for 2015 are expected to increase to approximately 1.3 million ounces, primarily reflecting higher production rates in Indonesia.

Consolidated molybdenum sales totaled 95 million pounds (at an average realized price of $12.74 per pound) for 2014 and 93 million pounds (at an average realized price of $11.85 per pound) for 2013. Consolidated molybdenum sales volumes for 2015 are expected to approximate 95 million pounds.

Oil and gas sales volumes totaled 56.8 MMBOE (156 thousand barrels of oil equivalents (MBOE) per day) at an average realized price of $71.83 per BOE for 2014 and 38.1 MMBOE (178 MBOE per day) at an average realized price of $76.87 per BOE for the seven-month period ending December 31, 2013. Lower daily volumes in 2014 reflect the sale of the Eagle Ford shale assets. Oil and gas sales volumes for 2015 are expected to approximate 55.5 MMBOE and average 152 MBOE per day.

CONSOLIDATED OIL AND GAS SALES
MMBOE



* For the seven-month period ending December 31, 2013.

Photo: Energy-efficient ball mills are at the heart of the Morenci mill expansion in Arizona

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 and silver.

FCX has increased production from its North America copper mines by approximately 50 percent over the past five years and continues to evaluate a number of opportunities to add production capacity following positive exploration results. The Morenci mill expansion project commenced operations in May 2014 and is expected to achieve full rates in first-quarter 2015. The project targets average incremental annual copper production of approximately 225 million pounds 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. Morenci's copper production is expected to average over 900 million pounds per year for the next five years.

North America's consolidated copper sales of 1.66 billion pounds (at an average realized price of $3.13 per pound) in 2014 were higher than sales of 1.42 billion pounds (at an average realized price of $3.36 per pound) in 2013, primarily reflecting higher mining and milling rates at Morenci and higher ore grades at Chino. FCX expects copper sales from its North America copper mines to approximate 1.9 billion pounds in 2015 as a result of higher mill rates from the Morenci expansion.

Consolidated molybdenum sales totaled 95 million pounds in 2014 and 93 million pounds in 2013. FCX expects molybdenum sales to approximate 95 million pounds in 2015.

NORTH AMERICA COPPER RESERVES BY MINE

35.6 billion lbs

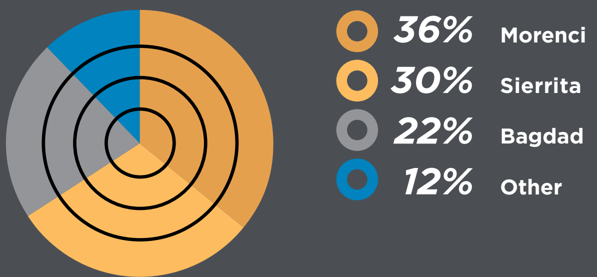
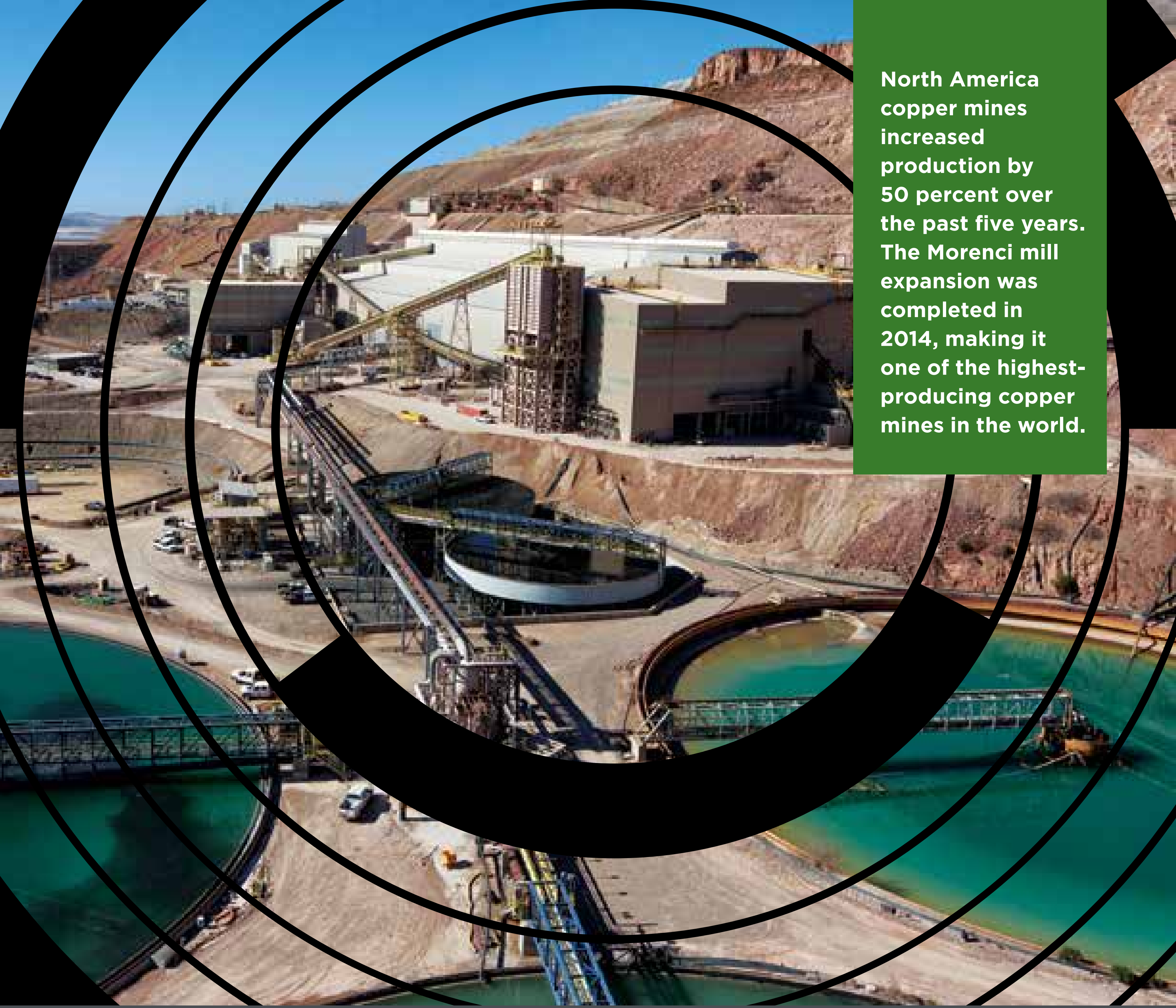


Photo: The Metcalf mill is the centerpiece of the recent expansion at the Morenci operations in Arizona



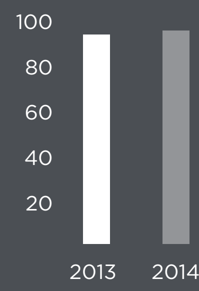
North America copper mines increased production by 50 percent over the past five years. The Morenci mill expansion was completed in 2014, making it one of the highest-producing copper mines in the world.

NORTH AMERICA UNIT CASH COSTS
per lb of copper

	2013	2014
UNIT CASH COSTS		
Site Production and Delivery	$ 2.00	$ 1.85
By-product Credits	(0.24)	(0.24)
Treatment Charges	0.11	0.12
Unit Net Cash Costs	$ 1.87	$ 1.73

NORTH AMERICA COPPER SALES
in billion lbs

NORTH AMERICA MOLYBDENUM SALES*
in million lbs

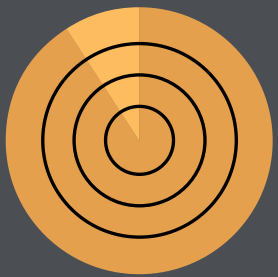


* Includes sales of molybdenum produced at FCX's South America copper mine.

A large-scale expansion at the Cerro Verde mine in Peru will add incremental annual production of approximately 600 million pounds of copper and 15 million pounds of molybdenum beginning in 2016.

SOUTH AMERICA COPPER RESERVES BY MINE

31.8 billion lbs



91% **Cerro Verde**

9% **El Abra**

SOUTH AMERICA UNIT CASH COSTS

per lb of copper

	2013	2014
UNIT CASH COSTS		
Site Production and Delivery	$ 1.53	$ 1.62
By-product Credits	(0.27)	(0.22)
Treatment Charges	0.17	0.17
Royalty on Metals	—	0.01
Unit Net Cash Costs	$ 1.43	$ 1.58

SOUTH AMERICA MINING

FCX operates two copper mines in South America — Cerro Verde in Peru and El Abra in Chile. In addition to copper, the Cerro Verde mine also produces molybdenum concentrates and silver. On November 3, 2014, FCX completed the sale of its 80 percent ownership interests in the Candelaria and Ojos del Salado mining operations.

Construction activities associated with the large-scale expansion at Cerro Verde are advancing toward completion in late 2015. The project will 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 in recent years at El Abra indicate a significant sulfide resource, which could potentially support a major mill project.

Consolidated copper sales from FCX's South America mines of 1.14 billion pounds (at an average realized price of $3.08 per pound) in 2014 were lower than 2013 sales of 1.33 billion pounds (at an average realized price of $3.30 per pound), primarily reflecting anticipated lower ore grades at Candelaria and Cerro Verde, and the sale of the Candelaria and Ojos del Salado mining operations in November 2014. FCX expects copper sales from its South America mines to approximate 0.9 billion pounds in 2015.

SOUTH AMERICA COPPER SALES*
in billion lbs

* Includes 424 million pounds in 2013 and 268 million pounds in 2014 from the Candelaria and Ojos del Salado mining operations, which FCX sold in November 2014.

Photo: Cerro Verde open-pit and concentrating facilities near Arequipa, Peru

INDONESIA MINING

Through its subsidiary, PT Freeport Indonesia (PT-FI), 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 open pit, the Deep Ore Zone underground mine and the Big Gossan underground mine. PT-FI 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, including the Common Infrastructure project, 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 process 240,000 metric tons of ore per day following the transition from the open pit. PT-FI updated its mine plans to incorporate lower-than-planned mining rates associated with work stoppages in late 2014 and the impact of export restrictions in the first half of 2014, which resulted in a deferral of completion of mining the open pit from mid-2017 to late 2017.

Consolidated sales from Indonesia mining totaled 664 million pounds of copper (at an average realized price of $3.01 per pound) and 1.17 million ounces of gold (at an average realized price of $1,229 per ounce) in 2014, compared with 885 million pounds of copper (at an average realized price of $3.28 per pound) and 1.10 million ounces of gold (at an average realized price of $1,312 per ounce) in 2013, reflecting lower mill throughput resulting from export restrictions and labor-related work stoppages, partly offset by higher gold ore grades. FCX expects sales from Indonesia mining to approximate 1.0 billion pounds of copper and 1.3 million ounces of gold in 2015.

Major expansion projects in the Grasberg minerals district center on development of large-scale, long-lived, high-grade underground ore bodies.

INDONESIA COPPER RESERVES BY MINE

29.0 billion lbs

7% Open Pit

93% Underground

INDONESIA UNIT CASH COSTS

per lb of copper

	2013	2014
UNIT CASH COSTS		
Site Production and Delivery	$ 2.46	$ 2.76
Gold and Silver Credits	(1.69)	(2.25)
Treatment Charges	0.23	0.26
Export Duties	—	0.12
Royalty on Metals	0.12	0.17
Unit Net Cash Costs	$ 1.12	$ 1.06

INDONESIA COPPER SALES

in billion lbs

INDONESIA GOLD SALES

in million ozs

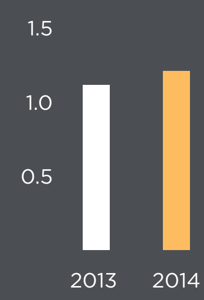


Photo: Development activities in the PT-FI underground ore bodies, which are linked by common infrastructure

AFRICA COPPER RESERVES

7.1 billion lbs

100% **Tenke Fungurume Minerals District**

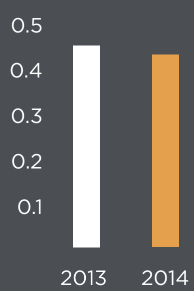
AFRICA UNIT CASH COSTS

per lb of copper

	2013	2014
UNIT CASH COSTS		
Site Production and Delivery	$ 1.43	$ 1.56
Cobalt Credits	(0.29)	(0.48)
Royalty on Metals	0.07	0.07
Unit Net Cash Costs	$ 1.21	$ 1.15

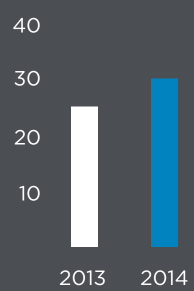
AFRICA COPPER SALES

in billion lbs



AFRICA COBALT SALES

in million lbs



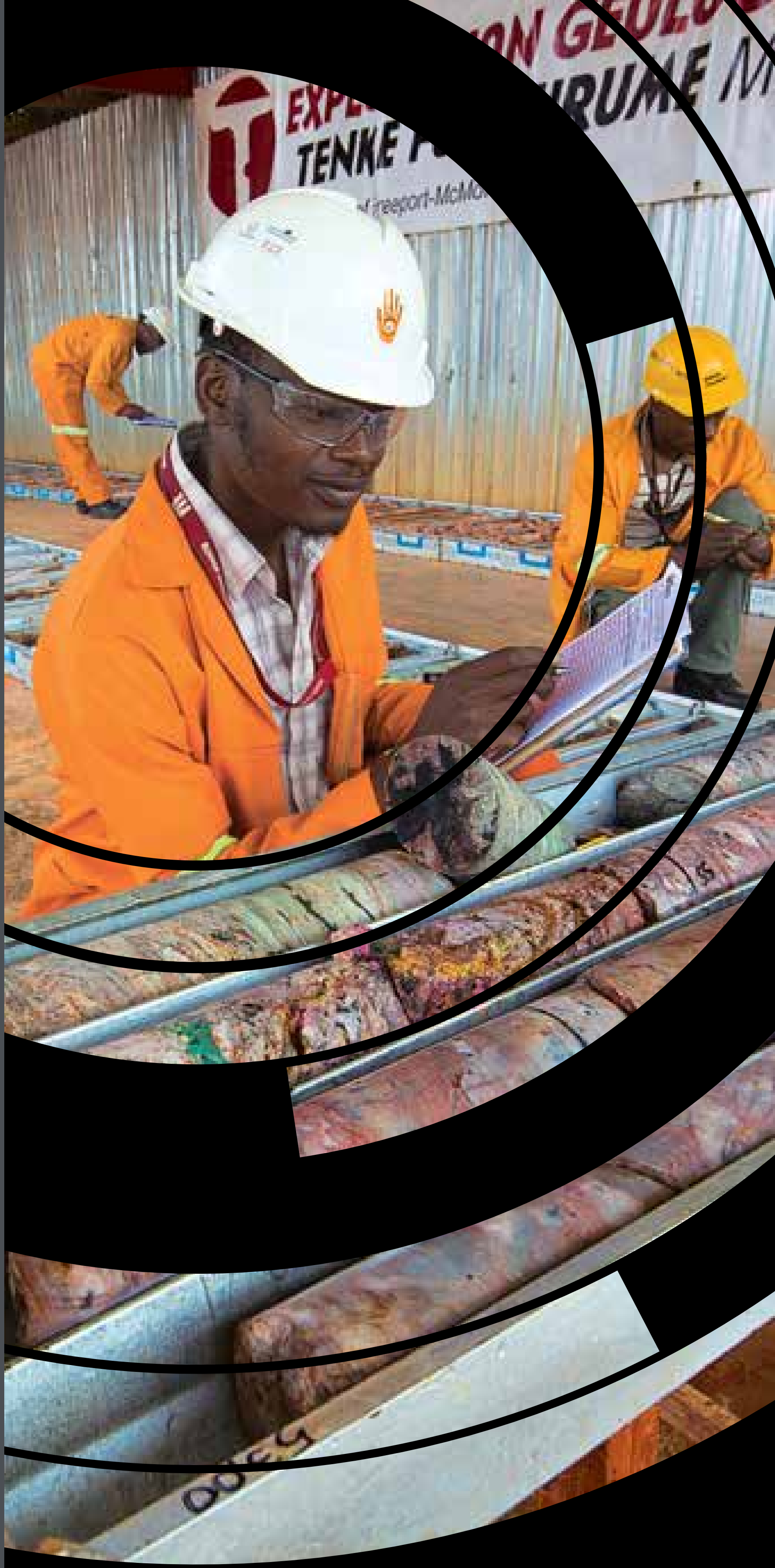


Photo: Drill core analyses at Tenke Fungurume in the Democratic Republic of Congo

AFRICA MINING

Through its subsidiary, Tenke Fungurume Mining S.A. (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 its second phase expansion project in early 2013, which included increasing mine, mill and processing capacity. Construction of a second sulphuric acid plant is under way, with completion expected in 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 425 million pounds of copper (at an average realized price of $3.06 per pound) and 30 million pounds of cobalt (at an average realized price of $9.66 per pound) in 2014, compared with 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. Lower copper sales volumes in 2014 primarily reflected lower ore grades. FCX expects sales from Africa to approximate 445 million pounds of copper and 32 million pounds of cobalt in 2015.

With the second phase expansion of Tenke Fungurume's mining and processing operations complete, exploration activities in the copper-rich African minerals belt target potential resources for future growth.

OIL AND GAS OPERATIONS

Through its wholly owned subsidiary, FCX Oil & Gas Inc. (FM O&G), FCX has a portfolio of oil and gas assets that includes oil production facilities and growth potential in the Deepwater Gulf of Mexico (GOM), established oil production facilities onshore and offshore California, large onshore natural gas resources in the Haynesville shale in Louisiana, natural gas production from the Madden area in central Wyoming and an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous natural gas trend located in the shallow waters of the GOM and onshore in South Louisiana.

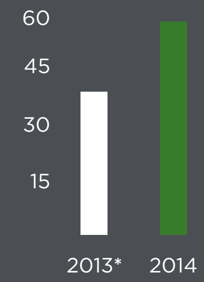
During 2014, FM O&G completed the sale of the Eagle Ford shale assets and acquired additional interests in the Deepwater GOM.

FCX's oil and gas business has significant proved, probable and possible reserves, a broad range of development opportunities and high-potential exploration prospects. The business is managed to reinvest its cash flows in projects with attractive rates of return and risk profiles. Following the recent sharp declines in oil prices, FCX has taken steps to significantly reduce capital spending plans and near-term oil and gas growth initiatives in order to preserve cash flows and resources for anticipated improved market conditions in the future.

Oil and gas sales volumes totaled 56.8 MMBOE (156 MBOE per day) at an average realized price of $71.83 per BOE for 2014 and 38.1 MMBOE (178 MBOE per day) at an average realized price of $76.87 per BOE for the seven-month period ending December 31, 2013. FCX expects 2015 sales volumes from its oil and gas operations to approximate 55.5 MMBOE and average 152 MBOE per day, comprised of approximately 67 percent oil, 28 percent natural gas and 5 percent natural gas liquids.

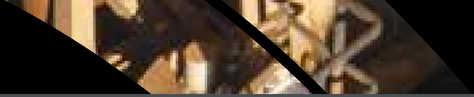
During fourth-quarter 2014, FM O&G achieved several positive results in its exploration and development program, including positive well results at Holstein Deep, Power Nap and Dorado in the Deepwater GOM. FM O&G also completed successful flow tests and commenced production in early 2015 at Highlander onshore in South Louisiana.

OIL AND GAS SALES
in MMBOE



* For the seven-month period ending December 31, 2013.

FM O&G's strong resource position and productive operations in the highly prospective Deepwater Gulf of Mexico provide an attractive platform for long-term growth.



CONSOLIDATED OIL AND GAS MARGINS

per BOE

	2013+	2014^
OPERATING MARGIN		
Realized Revenue	$ 76.87*	$ 71.83*
Cash Production Costs	17.14	20.08
Cash Operating Margin	$ 59.73	$ 51.75

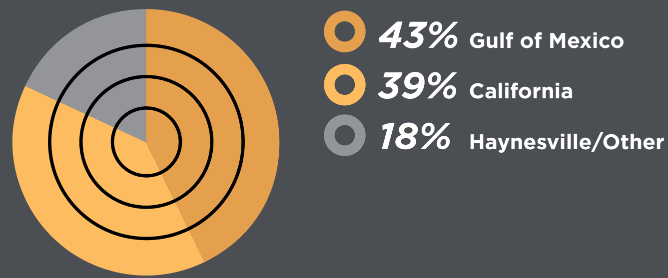
+ For the seven-month period from June 1, 2013, to December 31, 2013.

^ Includes Eagle Ford results through June 19, 2014.

* Includes realized cash losses on derivative contracts of $0.58 per BOE for 2013 and $2.15 per BOE for 2014.

PROVED OIL AND GAS RESERVES BY REGION

390 MMBOE



Photos: (left) FM O&G's Holstein platform in the Deepwater Gulf of Mexico, already a significant producer, provides existing infrastructure for future growth; (right) The Holstein platform, with a drill ship at upper left pursuing the Holstein Deep target

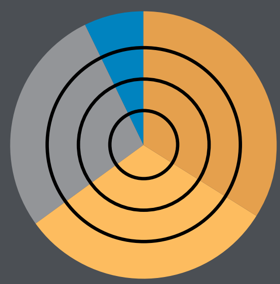
MINING RESERVES AND MINERALIZED MATERIAL

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, 2014, included 103.5 billion pounds of copper, 28.5 million ounces of gold, 3.11 billion pounds of molybdenum, 282.9 million ounces of silver and 0.85 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, 2014, FCX identified estimated mineralized material totaling 103 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

103.5 billion lbs



34% North America

31% South America

28% Indonesia

7% Africa

* 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.

At the core of future growth are FCX's significant reserves, resources and future development opportunities. Exploration drives our mine and oil and gas production plans, and secures long-term value.

PROVED, PROBABLE AND POSSIBLE OIL AND GAS RESERVES

973 MMBOE

40% **Proved**

25% **Probable**

35% **Possible**

OIL AND 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. Based on reference prices of $94.99 per barrel for crude oil and $4.35 per million British thermal units (MMBtu) for natural gas, at December 31, 2014, FCX's 3P reserves totaled 973 MMBOE, including 390 MMBOE of proved reserves, 245 MMBOE of probable reserves and 338 MMBOE of possible reserves. Approximately 75 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.

FINANCIAL PERFORMANCE

Operating Cash Flow and Cash Position

FCX generated operating cash flows of $5.6 billion in 2014, which were net of $0.6 billion in working capital uses and changes in other tax payments. At December 31, 2014, FCX had consolidated cash of $464 million (of which $357 million was available to the parent company, net of noncontrolling interests' share, taxes and other costs). At December 31, 2014, FCX had no borrowings under its revolving credit facility, resulting in availability of approximately $4.0 billion.

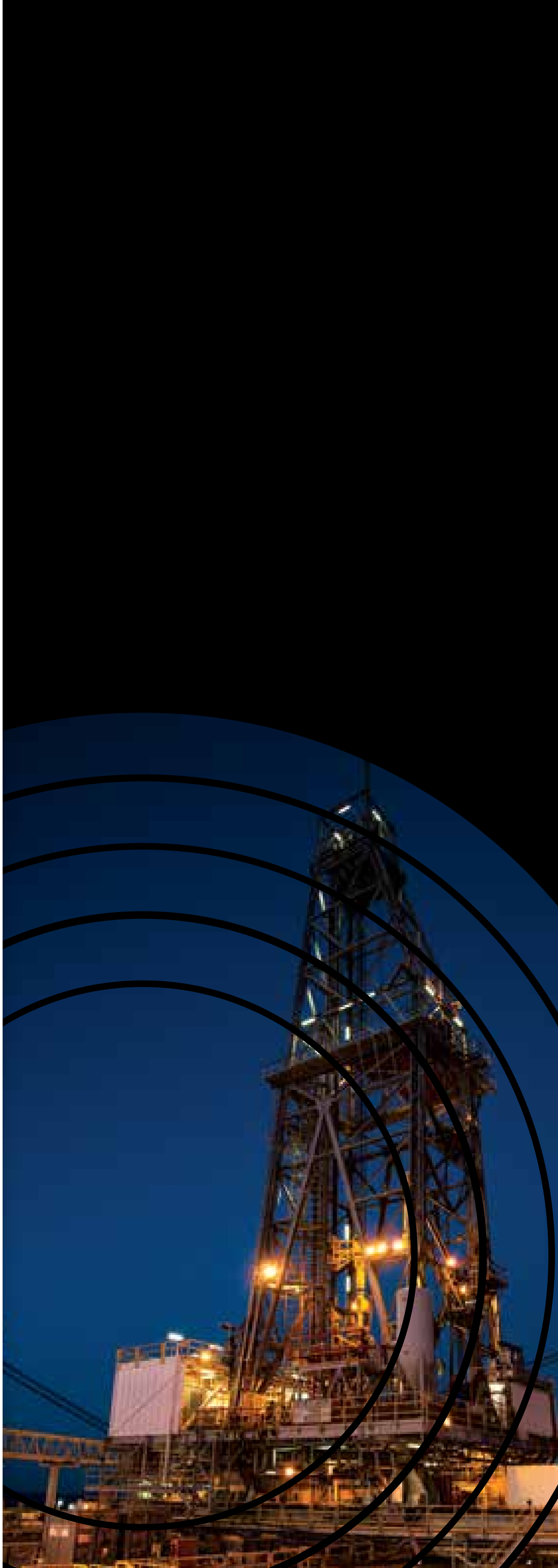
Investing Activities

FCX's capital expenditures totaled $7.2 billion in 2014, including $2.9 billion for major mining projects (primarily associated with the expansion projects at Morenci and Cerro Verde, and the underground development activities at Grasberg) and $3.2 billion for oil and gas operations.

During 2014, FCX completed the sale of the Eagle Ford shale assets for cash consideration of $3.1 billion and the sale of its 80 percent ownership interests in the Candelaria and Ojos del Salado mining operations for cash consideration of $1.8 billion. During 2014, FCX also paid $1.4 billion to acquire additional interests in the Deepwater GOM.

Financing Transactions

During 2014, FCX sold $3.0 billion of senior notes in four tranches with a weighted-average interest rate of 4.1 percent. Net proceeds from these borrowings were primarily used to fund the December 2014 tender offers for $1.14 billion aggregate principal of senior notes with a weighted-average interest rate of 6.5 percent, essentially all of FCX's 2015 scheduled maturities, $300 million in 7.625% Senior Notes and to repay borrowings under the revolving credit facility. Other senior note redemptions during 2014 included $400 million of 8.625% Senior Notes, $1.7 billion of the aggregate principal amount of certain senior notes with a weighted-average interest rate of 6.6 percent and $210 million of the aggregate principal amount of the 6.625% Senior Notes. Common stock dividends paid during 2014 totaled $1.3 billion.



Successful exploration results are providing a long-term pipeline for future growth in reserves and production capacity in established minerals districts and near existing infrastructure.

Photos: (left) Drilling at the Holstein Deep oil project in the Deepwater Gulf of Mexico; (right) Core drilling in the Safford/Lone Star district in Arizona

People are at the core of our operations around the world. Together with our neighbors and partners, we are working to build stronger, healthier, sustainable communities.

2014 COMMUNITY INVESTMENT

$198 million

24% Education and Training

21% Economic Development and Infrastructure

19% Community Trust Funds

16% Safety, Health and Environment

8% Administration

12% Other*

* Includes arts, culture, heritage, resettlement and employee programs such as matching gifts and United Way.

VALUES AT OUR CORE

Just as the natural resources that are at the core of our business are essential to the world's economies, our work with stakeholders on the critical areas of safety and environmental and social responsibility is at the core of our approach to sustainable development. In addition to operating a business that upholds and respects human rights, we engage openly and transparently while aiming to maximize the benefits that our operations deliver. Our community investment strategy is focused on addressing high-priority needs and facilitating local capacity building to sustain communities post-closure (see our 2014 Community Investment summary at left). Equally important is the dedication of our employees, along with our work with learning institutions and non-governmental organizations, to advance effective partnerships to provide a meaningful contribution to sustainable development around the world.

You can learn much more about our sustainable development programs and performance in FCX's annual Working Toward Sustainable Development Report, which is prepared in accordance with the Global Reporting Initiative and is available at fcx.com.

Photos: (left) PT-FI supports numerous economic development and capacity-building programs for local communities, including a major poultry business near Timika, Papua; (right) A community garden and environmental education program supported by our Cerro Verde mine in Uchumayo, Peru

BOARD OF DIRECTORS

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

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

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

Gerald J. Ford (1, 3, 5)
Lead Independent Director
Freeport-McMoRan 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

William E. Harris
President – Freeport-McMoRan Africa

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

Mark J. Johnson
President – Freeport-McMoRan
Indonesia

Maroef Sjamsoeddin
President Director – PT Freeport
Indonesia

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

Michael J. Kendrick
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

VALUE AT OUR CORE

Financial and Operating Information

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SELECTED FINANCIAL AND OPERATING DATA

Years Ended December 31,	2014	2013[a]	2012	2011	2010
(In millions, except per share amounts)					
CONSOLIDATED FINANCIAL DATA					
Revenues	**$21,438**[b]	$20,921[b]	$18,010	$20,880	$18,982
Operating income	**$ 97**[b,c]	$ 5,351[b,d,e]	$ 5,814	$ 9,140[e]	$ 9,068
Net (loss) income	**$ (745)**	$ 3,441	$ 3,980	$ 5,747	$ 5,544
Net (loss) income attributable to common stockholders	**$ (1,308)**[b,c,f,g]	$ 2,658[b,d,e,f,g,h]	$ 3,041[f,g]	$ 4,560[e,f,g]	$ 4,273[f]
Basic net (loss) income per share attributable to common stockholders	**$ (1.26)**	$ 2.65	$ 3.20	$ 4.81	$ 4.67
Basic weighted-average common shares outstanding	**1,039**	1,002	949	947	915
Diluted net (loss) income per share attributable to common stockholders	**$ (1.26)**[b,c,f,g]	$ 2.64[b,d,e,f,g,h]	$ 3.19[f,g]	$ 4.78[e,f,g]	$ 4.57[f]
Diluted weighted-average common shares outstanding	**1,039**	1,006	954	955	949
Dividends declared per share of common stock	**$ 1.25**	$ 2.25	$ 1.25	$ 1.50	$ 1.125
Operating cash flows	**$ 5,631**	$ 6,139	$ 3,774	$ 6,620	$ 6,273
Capital expenditures	**$ 7,215**	$ 5,286	$ 3,494	$ 2,534	$ 1,412
At December 31:					
Cash and cash equivalents	**$ 464**	$ 1,985	$ 3,705	$ 4,822	$ 3,738
Property, plant, equipment and mining development costs, net	**$26,220**	$24,042	$20,999	$18,449	$16,785
Oil and gas properties, net	**$19,274**	$23,359	$ —	$ —	$ —
Goodwill	**$ —**	$ 1,916	$ —	$ —	$ —
Total assets	**$58,795**	$63,473	$35,440	$32,070	$29,386
Total debt, including current portion	**$18,970**	$20,706	$ 3,527	$ 3,537	$ 4,755
Redeemable noncontrolling interest	**$ 751**	$ 716	$ —	$ —	$ —
Total stockholders' equity	**$18,287**	$20,934	$17,543	$15,642	$12,504

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

c. Includes (i) impairment charges of $5.5 billion ($4.0 billion to net loss attributable to common stockholders or $3.89 per share) to reduce the carrying value of oil and gas properties pursuant to full cost accounting rules and to fully impair goodwill and (ii) gains of $717 million ($481 million to net loss attributable to common stockholders or $0.46 per share) primarily from the sale of our 80 percent interests in the Candelaria and Ojos del Salado mining operations.

d. 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).

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 and $116 million ($50 million to net income attributable to common stockholders or $0.05 per share) at PT Freeport Indonesia (PT-FI), Cerro Verde and El Abra in 2011.

f. Includes after-tax net gains (losses) on early extinguishment of debt totaling $3 million (less than $0.01 per share) in 2014, $(28) million ($(0.03) per share) in 2013, $(149) million ($(0.16) per share) in 2012, $(60) million ($(0.06) per share) in 2011 and $(71) million ($(0.07) per share) in 2010.

g. As further discussed in "Consolidated Results — Provision for Income Taxes" contained in Part 7. and 7a. Management's Discussion and Analysis of Financial Condition and Results of Operations, net (loss) income attributable to common stockholders includes a net tax charge of $121 million ($103 million net of noncontrolling interests or $0.10 per share) in 2014, a net tax benefit of $199 million ($0.20 per share) in 2013 and a net tax benefit of $205 million ($98 million net of noncontrolling interests or $0.11 per share) in 2012. The year 2011 includes a tax charge of $53 million ($49 million net of noncontrolling interests or $0.05 per share) for additional taxes associated with Cerro Verde's election to pay a special mining burden during the remaining term of its 1998 stability agreement.

h. Includes a gain of $128 million to net income attributable to common stockholders ($0.13 per share) related to our preferred stock investments in and the subsequent acquisition of McMoRan Exploration Co.

Years Ended December 31,	2014	2013	2012	2011	2010
CONSOLIDATED MINING OPERATING DATA					
Copper (recoverable)					
Production (millions of pounds)	3,904	4,131	3,663	3,691	3,908
Production (thousands of metric tons)	1,771	1,874	1,662	1,674	1,773
Sales, excluding purchases (millions of pounds)	3,888	4,086	3,648	3,698	3,896
Sales, excluding purchases (thousands of metric tons)	1,764	1,853	1,655	1,678	1,767
Average realized price per pound	$ 3.09	$ 3.30	$ 3.60	$ 3.86	$ 3.59
Gold (thousands of recoverable ounces)					
Production	1,214	1,250	958	1,383	1,886
Sales, excluding purchases	1,248	1,204	1,010	1,378	1,863
Average realized price per ounce	$ 1,231	$ 1,315	$ 1,665	$ 1,583	$ 1,271
Molybdenum (millions of recoverable pounds)					
Production	95	94	85	83	72
Sales, excluding purchases	95	93	83	79	67
Average realized price per pound	$ 12.74	$ 11.85	$ 14.26	$ 16.98	$ 16.47
NORTH AMERICA COPPER MINES					
Operating Data, Net of Joint Venture Interest					
Copper (recoverable)					
Production (millions of pounds)	1,670	1,431	1,363	1,258	1,067
Production (thousands of metric tons)	757	649	618	571	484
Sales, excluding purchases (millions of pounds)	1,664	1,422	1,351	1,247	1,085
Sales, excluding purchases (thousands of metric tons)	755	645	613	566	492
Average realized price per pound	$ 3.13	$ 3.36	$ 3.64	$ 3.99	$ 3.42
Molybdenum (millions of recoverable pounds)					
Production	33	32	36	35	25
100% Operating Data					
Solution extraction/electrowinning (SX/EW) operations					
Leach ore placed in stockpiles (metric tons per day)	1,005,300	1,003,500	998,600	888,300	648,800
Average copper ore grade (percent)	0.25	0.22	0.22	0.24	0.24
Copper production (millions of recoverable pounds)	963	889	866	801	746
Mill operations					
Ore milled (metric tons per day)	273,800	246,500	239,600	222,800	189,200
Average ore grade (percent):					
Copper	0.45	0.39	0.37	0.38	0.32
Molybdenum	0.03	0.03	0.03	0.03	0.03
Copper recovery rate (percent)	85.8	85.3	83.9	83.1	83.0
Copper production (millions of recoverable pounds)	828	642	592	549	398
SOUTH AMERICA MINING					
Copper (recoverable)					
Production (millions of pounds)	1,151	1,323	1,257	1,306	1,354
Production (thousands of metric tons)	522	600	570	592	614
Sales (millions of pounds)	1,135	1,325	1,245	1,322	1,335
Sales (thousands of metric tons)	515	601	565	600	606
Average realized price per pound	$ 3.08	$ 3.30	$ 3.58	$ 3.77	$ 3.68
Gold (thousands of recoverable ounces)					
Production	72	101	83	101	93
Sales	67	102	82	101	93
Average realized price per ounce	$ 1,271	$ 1,350	$ 1,673	$ 1,580	$ 1,263
Molybdenum (millions of recoverable pounds)					
Production	11	13	8	10	7
SX/EW operations					
Leach ore placed in stockpiles (metric tons per day)	275,200	274,600	229,300	245,200	268,800
Average copper ore grade (percent)	0.48	0.50	0.55	0.50	0.41
Copper production (millions of recoverable pounds)	491	448	457	439	504

Years Ended December 31,	2014	2013	2012	2011	2010
SOUTH AMERICA MINING *(continued)*					
Mill operations					
Ore milled (metric tons per day)	**180,500**	192,600	191,400	189,200	188,800
Average ore grade:					
Copper (percent)	**0.54**	0.65	0.60	0.66	0.65
Gold (grams per metric ton)	**0.10**	0.12	0.10	0.12	0.10
Molybdenum (percent)	**0.02**	0.02	0.02	0.02	0.02
Copper recovery rate (percent)	**88.1**	90.9	90.1	89.6	90.0
Copper production (millions of recoverable pounds)	**660**	875	800	867	850
INDONESIA MINING					
Operating Data, Net of Joint Venture Interest					
Copper (recoverable)					
Production (millions of pounds)	**636**	915	695	846	1,222
Production (thousands of metric tons)	**288**	415	315	384	554
Sales (millions of pounds)	**664**	885	716	846	1,214
Sales (thousands of metric tons)	**301**	401	325	384	551
Average realized price per pound	**$ 3.01**	$ 3.28	$ 3.58	$ 3.85	$ 3.69
Gold (thousands of recoverable ounces)					
Production	**1,130**	1,142	862	1,272	1,786
Sales	**1,168**	1,096	915	1,270	1,765
Average realized price per ounce	**$ 1,229**	$ 1,312	$ 1,664	$ 1,583	$ 1,271
100% Operating Data					
Ore milled (metric tons per day):[a]					
Grasberg open pit	**69,100**	127,700	118,800	112,900	149,800
Deep Ore Zone underground mine	**50,500**	49,400	44,600	51,700	79,600
Big Gossan underground mine	**900**	2,100	1,600	1,500	800
Total	**120,500**	179,200	165,000	166,100	230,200
Average ore grade:					
Copper (percent)	**0.79**	0.76	0.62	0.79	0.85
Gold (grams per metric ton)	**0.99**	0.69	0.59	0.93	0.90
Recovery rates (percent):					
Copper	**90.3**	90.0	88.7	88.3	88.9
Gold	**83.2**	80.0	75.7	81.2	81.7
Production (recoverable):					
Copper (millions of pounds)	**651**	928	695	882	1,330
Gold (thousands of ounces)	**1,132**	1,142	862	1,444	1,964
AFRICA MINING					
Copper (recoverable)					
Production (millions of pounds)	**447**	462	348	281	265
Production (thousands of metric tons)	**203**	210	158	127	120
Sales (millions of pounds)	**425**	454	336	283	262
Sales (thousands of metric tons)	**193**	206	152	128	119
Average realized price per pound	**$ 3.06**	$ 3.21	$ 3.51	$ 3.74	$ 3.45
Cobalt (millions of contained pounds)					
Production	**29**	28	26	25	20
Sales	**30**	25	25	25	20
Average realized price per pound	**$ 9.66**	$ 8.02	$ 7.83	$ 9.99	$ 10.95
Ore milled (metric tons per day)	**14,700**	14,900	13,000	11,100	10,300
Average ore grade (percent):					
Copper	**4.06**	4.22	3.62	3.41	3.51
Cobalt	**0.34**	0.37	0.37	0.40	0.40
Copper recovery rate (percent)	**92.6**	91.4	92.4	92.5	91.4

Years Ended December 31,	2014	2013	2012	2011	2010
MOLYBDENUM MINES					
Molybdenum production (millions of recoverable pounds)	**51**	49	41[b]	38	40
Ore milled (metric tons per day)[c]	**39,400**	35,700	20,800	22,300	22,900
Average molybdenum ore grade (percent)[c]	**0.19**	0.19	0.23	0.24	0.25
OIL AND GAS OPERATIONS[d]					
Sales Volumes:					
Oil (million barrels)	**40.1**	26.6	—	—	—
Natural gas (billion cubic feet)	**80.8**	54.2	—	—	—
Natural gas liquids (NGLs) (million barrels)	**3.2**	2.4	—	—	—
Million barrels of oil equivalents (MMBOE)	**56.8**	38.1	—	—	—
Average Realizations:					
Oil (per barrel)	**$90.00**	$98.32	—	—	—
Natural gas (per million British thermal units)	**$ 4.23**	$ 3.99	—	—	—
NGLs (per barrel)	**$39.73**	$38.20	—	—	—

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

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

c. The 2014 and 2013 periods reflect operating data for the Henderson and Climax mines; the prior periods reflect operating data of only the Henderson mine.

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

OVERVIEW

We are a premier United States (U.S.)-based natural resources company with an industry-leading global portfolio of mineral assets, significant oil and 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 the U.S., including reserves in the Deepwater Gulf of Mexico (GOM), onshore and offshore California, in the Haynesville shale play in Louisiana, in the Madden area in central Wyoming, and an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous natural gas trend in the shallow waters of the GOM and onshore in South Louisiana.

We have significant mineral reserves, resources and future development opportunities within our portfolio of mining assets. At December 31, 2014, our estimated consolidated recoverable proven and probable mineral reserves totaled 103.5 billion pounds of copper, 28.5 million ounces of gold and 3.11 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 2014 by geographic location follows:

	Copper	Gold	Molybdenum
North America	43%	1%	88%[a]
South America	30%	6%	12%
Indonesia	16%	93%	—
Africa	11%	—	—
	100%	100%	100%

a. For 2014, 61 percent of our consolidated molybdenum production in North America was from the Henderson and Climax primary molybdenum mines.

Copper production from the Grasberg mine in Indonesia, Morenci mine in North America and Cerro Verde mine in South America together totaled 47 percent of our consolidated copper production in 2014. During 2014, we commenced operations at the Morenci mill expansion and continued construction on the Cerro Verde mill expansion, with completion expected in late 2015. These projects are expected to significantly increase our copper 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, 2014, totaled 390 million barrels of oil equivalents (MMBOE), with 74 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 2014, our oil and gas sales volumes totaled 56.8 MMBOE, including 40.1 million barrels (MMBbls) of crude oil, 80.8 billion cubic feet (Bcf) of natural gas and 3.2 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.

During 2014, we completed approximately $5 billion in asset sales, including the June 2014 sale of our Eagle Ford shale assets for $3.1 billion and the November 2014 sale of our 80 percent ownership interests in the Candelaria and Ojos del Salado copper mining operations (Candelaria/Ojos) for $1.8 billion. Refer to Note 2 for further discussion of dispositions and acquisitions.

Our results for 2014, compared with 2013, reflect lower copper volumes and lower price realizations for copper and gold, offset by higher gold sales volumes and a full year of results from FCX Oil & Gas Inc. (FM O&G). Results for 2014 were also significantly impacted by impairment charges totaling $5.5 billion ($4.0 billion to net loss attributable to common stockholders) related to ceiling test impairment charges for our oil and gas properties pursuant to full cost accounting rules and a goodwill impairment charge (refer to Notes 1 and 2). These charges were partly offset by a gain on the sale of Candelaria/Ojos and net noncash mark-to-market gains on oil and gas derivative contracts. Refer to "Consolidated Results" for discussion of items impacting our consolidated results for the three years ended December 31, 2014.

At December 31, 2014, we had $19.0 billion in total debt and $464 million in consolidated cash and cash equivalents. During 2014, we continued our efforts to manage debt by completing several transactions that will reduce future interest costs and defer debt maturities. We remain committed to a strong balance sheet and are taking aggressive actions to reduce or defer capital expenditures and other costs and have initiated efforts to obtain third-party funding for a significant portion of our oil and gas capital expenditures to maintain financial strength and flexibility in response to recent sharp declines in oil prices. In addition, we are monitoring copper markets and will be responsive to market conditions. As a first step, we have reduced budgeted 2015 capital expenditures, exploration and other costs by a total of $2 billion. We have a broad set of natural resource assets that provide many alternatives for future actions to enhance our financial flexibility. Additional capital cost reductions, potential additional divestitures or monetizations and other actions will be pursued as required to maintain a strong balance sheet while preserving a strong resource position and portfolio of assets with attractive long-term growth prospects.

OUTLOOK

We view the long-term outlook for our business positively, supported by limitations on supplies of copper and by the requirements for copper and oil in the world's economy. Our financial results vary as a result of fluctuations in market prices primarily for copper, gold, molybdenum and oil, as well as other factors. World market prices for these commodities have fluctuated historically and are affected by numerous factors beyond our control. Because we cannot control the price of our products, the key measures that management focuses on in operating our business are sales volumes, unit net cash costs for our mining operations, cash production costs per 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 2015 and actual consolidated sales volumes for 2014:

	2015 (Projected)	2014 (Actual)
Copper (millions of recoverable pounds):		
North America copper mines	1,930	**1,664**
South America mining	935	**1,135**
Indonesia mining	960	**664**
Africa mining	445	**425**
	4,270	**3,888**
Gold (thousands of recoverable ounces):		
Indonesia mining	1,285	**1,168**
North and South America mining	—	**80**
	1,285	**1,248**
Molybdenum (millions of recoverable pounds)	95[a]	**95**
Oil Equivalents (MMBOE)	55.5	**56.8**

a. Projected molybdenum sales include 47 million pounds produced at our molybdenum mines and 48 million pounds produced at our North and South America copper mines.

Projected sales volumes are dependent on a number of factors, including operational performance and other factors. For other important factors that could cause results to differ materially from projections, refer to "Cautionary Statement."

Mining Unit Net Cash Costs. Assuming average prices of $1,300 per ounce of gold and $9 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 $1.53 per pound in 2015, compared with $1.51 per pound in 2014. Quarterly unit net cash costs vary with fluctuations in sales volumes and average realized prices (primarily gold and molybdenum prices). The impact of price changes in 2015 on consolidated unit net cash costs would approximate $0.015 per pound for each $50 per ounce change in the average price of gold and $0.02 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 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 $18 per BOE for 2015, compared with $20.08 per BOE in 2014. Refer to "Operations — Oil and Gas Operations" for further discussion of oil and gas production costs.

Consolidated Operating Cash Flow. Our consolidated operating cash flows vary with 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 $2.60 per pound of copper, $1,300 per ounce of gold, $9 per pound of molybdenum and $50 per barrel of Brent crude oil in 2015, consolidated operating cash flows are estimated to approximate $4 billion (including $0.2 billion of net working capital sources and changes in other tax payments) in 2015. First-quarter 2015 operating cash flows are expected to include net working capital uses and changes in other tax payments of approximately $0.6 billion. Projected consolidated operating cash flows for the year 2015 also reflect no tax provision (refer to "Consolidated Results — Provision for Income Taxes" for discussion of our projected annual consolidated effective tax rate for 2015). The impact of price changes in 2015 on consolidated operating cash flows would approximate $315 million for each $0.10 per pound change in the average price of copper, $40 million for each $50 per ounce change in the average price of gold, $135 million for each $2 per pound change in the average price of molybdenum and $115 million for each $5 per barrel change in the average Brent crude oil price.

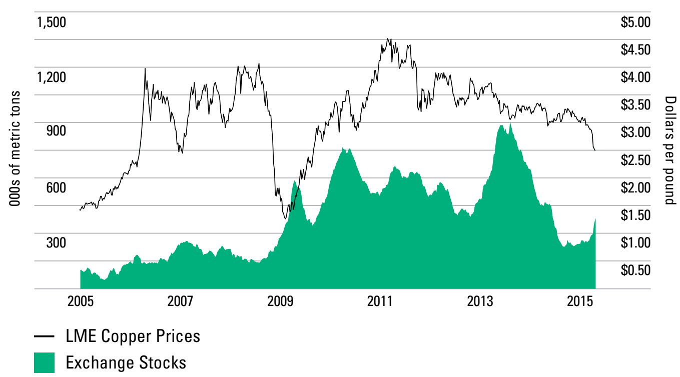
MARKETS

Metals. World prices for copper, gold and molybdenum can fluctuate significantly. During the period from January 2005 through January 2015, the London Metal Exchange (LME) spot copper price varied from a low of $1.26 per pound in 2008 to a record high of $4.60 per pound in 2011; the London Bullion Market Association

(London) PM gold price fluctuated from a low of $411 per ounce in 2005 to a record high of $1,895 per ounce in 2011; and the *Metals Week* Molybdenum Dealer Oxide weekly average price ranged from a low of $7.83 per pound in 2009 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, 2014.

Historical LME Copper Prices

Through January 31, 2015



This graph presents LME spot copper prices and combined reported stocks of copper at the LME, Commodity Exchange Inc. (COMEX), a division of the New York Mercantile Exchange (NYMEX), and the Shanghai Futures Exchange from January 2005 through January 2015. 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. We believe current copper prices are supported by a combination of demand from developing economies and pro-growth monetary fiscal policy decisions in Europe, China and the U.S. Since mid-2014, copper prices have declined because of concerns about slowing growth rates in China, a stronger U.S. dollar and a broad-based decline in commodity prices, led by a sharp decline in oil prices. Copper prices have also come under pressure as financial investors take positions in the metal consistent with a view on declining global growth and the resulting general weak commodity prices. During 2014, LME spot copper prices ranged from a low of $2.86 per pound to a high of $3.38 per pound, averaged $3.11 per pound and closed at $2.88 per pound on December 31, 2014. The LME spot copper price closed at $2.59 per pound on February 20, 2015.

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

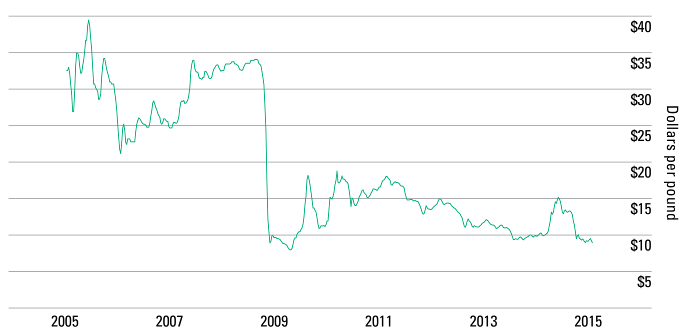
London Gold Prices

Through January 31, 2015

This graph presents London PM gold prices from January 2005 through January 2015. An improving economic outlook and positive global equity performance contributed to lower demand for gold in 2013 and 2014, resulting in generally lower prices. During 2014, gold prices ranged from a low of $1,142 per ounce to a high of $1,385 per ounce, averaged $1,266 per ounce and closed at $1,199 per ounce on December 31, 2014. Gold prices closed at $1,208 per ounce on February 20, 2015.

Metals Week Molybdenum Dealer Oxide Prices

Through January 31, 2015

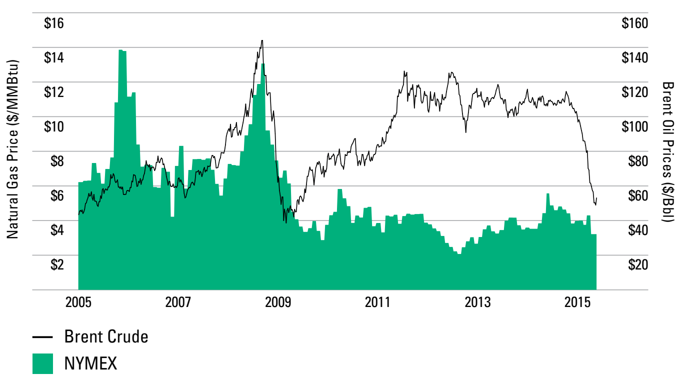


This graph presents the *Metals Week* Molybdenum Dealer Oxide weekly average price from January 2005 through January 2015. Molybdenum prices improved during most of 2014, resulting from improved demand in the metallurgical sector, but declined in fourth-quarter 2014 because of weaker demand from European steel and stainless steel producers. During 2014, the weekly average price for molybdenum ranged from a low of $8.82 per pound to a high of $15.00 per pound, averaged $11.41 per pound and was $9.00 per pound on December 31, 2014. The *Metals Week* Molybdenum Dealer Oxide weekly average price was $7.62 per pound on February 20, 2015.

Oil and Gas. Market prices for crude oil and natural gas can fluctuate significantly. During the period from January 2005 through January 2015, the Brent crude oil price ranged from a low of $36.61 per barrel 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, 2014.

Crude Oil and Natural Gas Prices

Through January 31, 2015



This graph presents Brent crude oil prices and NYMEX natural gas contract prices from January 2005 through January 2015. 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. Crude oil prices rebounded after 2008, supported by a gradually improving global economy and demand outlook. Since mid-2014, oil prices have significantly declined associated with global oversupply primarily attributable to U.S. shale production and increased Brazilian and Libyan output, coupled with weak economic data in Europe and slowing Chinese demand. During 2014, the Brent crude oil price ranged from a low of $57.33 per barrel to a high of $115.06 per barrel, averaged $99.45 per barrel and was $57.33 per barrel on December 31, 2014. The Brent crude oil price was $60.22 per barrel on February 20, 2015.

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 of Directors (the 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, 2014, 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 2014 and 2013:

	Copper[a] (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
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
Net additions/revisions	**(0.1)**	**(0.6)**	**(0.05)**
Production	**(3.9)**	**(1.2)**	**(0.10)**
Sale of Candelaria/Ojos	**(3.7)**	**(1.0)**	**—**
Consolidated reserves at December 31, 2014	**103.5**	**28.5**	**3.11**

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

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

As discussed in Note 1, we depreciate our life-of-mine mining and milling assets and values assigned to proven and probable mineral reserves using the unit-of-production (UOP) method based on our estimated recoverable proven and probable mineral reserves. Because the economic assumptions used to estimate mineral reserves may change from period to period and additional geological data is generated during the course of operations, estimates of reserves may change, which could have a significant impact on our results of operations, including changes to prospective depreciation rates and impairments of asset carrying values. Excluding impacts associated with changes in the levels of finished goods inventories and based on projected copper sales volumes for 2015, if estimated copper reserves at our mines were 10 percent higher at December 31, 2014, we estimate that our annual depreciation, depletion and amortization expense for 2015 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 $77 million ($40 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. Accounting for recoverable copper from mill and leach stockpiles represents a critical accounting estimate because (i) it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, thus requiring management to employ reasonable estimation methods and (ii) recovery rates from leach stockpiles can vary significantly. Refer to Note 1 for further discussion of our accounting policy for recoverable copper in stockpiles.

At December 31, 2014, estimated consolidated recoverable copper was 3.6 billion pounds in leach stockpiles (with a carrying value of $3.6 billion) and 0.9 billion pounds in mill stockpiles (with a carrying value of $446 million), compared with 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) at December 31, 2013.

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, 2014, our estimates were based on reference prices of $94.99 per barrel (West Texas Intermediate) and $4.35 per 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, but excluding derivatives. 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.

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

The average amortization rate per BOE was $39.74 in 2014 and $35.54 for the period from June 1, 2013, to December 31, 2013. Our oil and gas depreciation, depletion and amortization rate for 2015, after the effect of the ceiling test impairments recorded in 2014, is expected to be $36.39 per BOE. 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, 2014, a 10 percent increase in our costs subject to amortization would increase our amortization rate by approximately $3.63 per BOE and a 10 percent reduction to proved reserves would increase our amortization rate by approximately $4.04 per BOE. Changes in estimates of proved oil and natural gas reserves may also affect our ceiling test calculation. Refer to Note 1 and "Impairment of Oil and Gas Properties" below for further discussion.

Impairment of 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 rules 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 September 30, 2014, and December 31, 2014, net capitalized costs with respect to FM O&G's proved U.S. oil and gas properties exceeded the ceiling amount specified by SEC full cost accounting rules, which resulted in the recognition of impairment charges totaling $3.7 billion ($2.3 billion to net loss attributable to common stockholders) in 2014. The twelve-month average of the first-day-of-the-month historical reference oil price required to be used under SEC full cost accounting rules in determining the December 31, 2014, ceiling amount was $94.99 per barrel. Because the ceiling test limitation uses a twelve-month historical average price, if oil prices remain below the twelve-month 2014 average of $94.99 per barrel the ceiling limitation will decrease in 2015. In particular, the effect of weaker oil prices than the 2014 average is expected to result in significant additional ceiling test impairments of our oil and gas properties during 2015. Brent crude oil prices averaged $77.08 per barrel during fourth-quarter 2014 and were $57.33 per barrel at December 31, 2014, and $60.22 per barrel at February 20, 2015.

At December 31, 2014, we also had $10.1 billion of costs for unproved oil and gas properties, which are excluded from amortization. These costs will be transferred into the amortization base (*i.e.*, full cost pool) as the properties are evaluated and proved reserves are established or if impairment is determined. We assess our unproved properties at least annually, and if impairment is indicated, the cumulative drilling costs incurred to date for such property and all or a portion of the associated leasehold costs are transferred to the full cost pool and subject to amortization. Accordingly, an impairment of unproved properties does not immediately result in the recognition of a charge to the consolidated statements of income, but rather increases the costs subject to amortization and the costs subject to the ceiling limitation under the full cost accounting method. 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. In connection with our oil and gas acquisitions in 2013, we recorded goodwill, all of which was assigned to our U.S. oil and gas reporting unit.

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. During the fourth quarter of each year, we conduct a qualitative goodwill impairment assessment, which 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 2014, including the significant decline in oil prices, we determined that performing a quantitative goodwill impairment test was necessary. These evaluations resulted in impairment charges totaling $1.7 billion ($1.7 billion to net loss attributable to common stockholders) for the full carrying value of goodwill. Crude oil prices and our estimates of oil reserves at December 31, 2014, represent the most significant assumptions used in our evaluation of goodwill. Forward strip Brent oil prices used in our estimates as of December 31, 2014, ranged from approximately $62 per barrel to $80 per barrel for the years 2015 through 2021. Refer to Notes 1 and 2 for further discussion.

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, 2014, 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, 2014.

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 December 31, 2014, AROs recorded in our consolidated balance sheet totaled $2.8 billion, including $1.1 billion associated with our oil and gas operations. Refer to Notes 1 and 12 for further discussion of reclamation and closure costs, including a summary of changes in our AROs for the three years ended December 31, 2014.

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

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

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

A valuation allowance is provided for those deferred income tax assets for which 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 $2.4 billion at December 31, 2014, and covered a portion of our U.S. foreign tax credit carryforwards, foreign net operating loss carryforwards, U.S. state net operating loss carryforwards and U.S. state deferred tax assets. Valuation allowances totaled $2.5 billion at December 31, 2013, 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. Refer to Note 11 for further discussion.

CONSOLIDATED RESULTS

Years Ended December 31,	2014	2013[a]	2012
SUMMARY FINANCIAL DATA (in millions, except per share amounts)			
Revenues[b]	**$21,438**[c,d]	$20,921[c,d]	$18,010[c]
Operating income[b]	**$ 97**[c,d,e,f,g,h]	$ 5,351[c,d,g,h,i,j]	$ 5,814[c,g,h,i,j]
Net (loss) income attributable to common stockholders[k]	**$ (1,308)**[c,d,e,f,g,h,l,m]	$ 2,658[c,d,g,h,i,j,l,n]	$ 3,041[c,g,h,i,j,l,m]
Diluted net (loss) income per share attributable to common stockholders	**$ (1.26)**[c,d,e,f,g,h,l,m]	$ 2.64[c,d,g,h,i,j,l,n]	$ 3.19[c,g,h,i,j,l,m]
Diluted weighted-average common shares outstanding	**1,039**	1,006	954
Operating cash flows[o]	**$ 5,631**	$ 6,139	$ 3,774
Capital expenditures	**$ 7,215**	$ 5,286	$ 3,494
At December 31:			
Cash and cash equivalents	**$ 464**	$ 1,985	$ 3,705
Total debt, including current portion	**$18,970**	$20,706	$ 3,527

a. Includes the results of FM O&G beginning June 1, 2013.

b. As further detailed in Note 16, following is a summary of revenues and operating income (loss) by operating division (in millions):

Years Ended December 31,	2014	2013	2012
Revenues			
North America copper mines	**$ 5,616**	$ 5,183	$ 5,486
South America mining	**3,532**	4,485	4,728
Indonesia mining	**3,071**	4,087	3,921
Africa mining	**1,558**	1,637	1,359
Molybdenum mines	**587**	522	529
Rod & Refining	**4,655**	5,022	5,016
Atlantic Copper Smelting & Refining	**2,412**	2,041	2,709
U.S. oil & gas operations	**4,710**	2,616	—
Other mining, corporate, other & eliminations	**(4,703)**	(4,672)	(5,738)
Total revenues	**$21,438**	$20,921	$18,010
Operating income (loss)			
North America copper mines	**$ 1,698**	$ 1,506	$ 2,204
South America mining	**1,220**	2,063	2,321
Indonesia mining	**719**	1,420	1,298
Africa mining	**548**	625	562
Molybdenum mines	**167**	123	150
Rod & Refining	**12**	23	14
Atlantic Copper Smelting & Refining	**(2)**	(75)	8
U.S. oil & gas operations	**(4,479)**	450	—
Other mining, corporate, other & eliminations	**214**	(784)	(743)
Total operating income	**$ 97**	$ 5,351	$ 5,814

c. Includes (unfavorable) favorable adjustments to provisionally priced concentrate and cathode sales recognized in prior periods totaling $(118) million ($(65) million to net loss attributable to common stockholders or $(0.06) per share) in 2014, $(26) million ($(12) million to net income attributable to common stockholders or $(0.01) per share) in 2013 and $101 million ($43 million to net income attributable to common stockholders or $0.05 per share) in 2012. Refer to "Revenues" for further discussion.

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

e. Includes charges of $3.7 billion ($2.3 billion to net loss attributable to common stockholders or $2.24 per share) to reduce the carrying value of oil and gas properties pursuant to full cost accounting rules and a goodwill impairment charge of $1.7 billion ($1.7 billion to net loss attributable to common stockholders or $1.65 per share) for the full carrying value of goodwill.

f. Includes gains of $717 million ($481 million to net loss attributable to common stockholders or $0.46 per share) primarily from the sale of Candelaria/Ojos.

g. Includes net (charges) credits for adjustments to environmental obligations and related litigation reserves totaling $(76) million ($(50) million to net loss attributable to common stockholders or $(0.05) per share) in 2014, $(19) million ($(17) million to net income attributable to common stockholders or $(0.02) per share) in 2013 and $62 million ($40 million to net income attributable to common stockholders or $0.04 per share) in 2012.

h. The year 2014 includes charges totaling $37 million ($23 million to net loss attributable to common stockholders or $0.02 per share) associated with early rig termination and inventory write offs at our oil and gas operations. 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 in 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.

i. Includes transaction and related costs 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 principally associated with the oil and gas acquisitions.

j. 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 and $16 million ($8 million to net income attributable to common stockholders or $0.01 per share) at Candelaria in 2012.

k. 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.

l. Includes net gains (losses) on early extinguishment of debt totaling $73 million ($3 million to net loss attributable to common stockholders or less than $0.01 per share) in 2014, $(35) million ($(28) million to net income attributable to common stockholders or $(0.03) per share) in 2013 and $(168) million ($(149) million to net income attributable to common stockholders or $(0.16) per share) in 2012. Refer to Note 8 for further discussion.

m. The year 2014 includes a net tax charge of $103 million ($0.10 per share) and the year 2012 includes a net tax credit of $98 million, net of noncontrolling interests ($0.11 per share). Refer to Note 11 and "Provision for Income Taxes" below for further discussion of the net tax benefits (charges) impacting 2014 and 2012.

n. Includes gains associated with the oil and gas acquisitions, including (i) $199 million to net income attributable to common stockholders ($0.20 per share) associated with net reductions in our deferred tax liabilities and deferred tax asset valuation allowances, and (ii) $128 million to net income attributable to common stockholders ($0.13 per share) related to our preferred stock investment in and the subsequent acquisition of McMoRan Exploration Co. Refer to Note 11 and "Provision for Income Taxes" below for further discussion.

o. Includes net working capital uses and changes in other tax payments of $632 million in 2014, $377 million in 2013 and $1.4 billion in 2012.

Years Ended December 31,	2014	2013[a]	2012
SUMMARY OPERATING DATA			
Copper (recoverable)			
Production (millions of pounds)	3,904	4,131	3,663
Sales, excluding purchases (millions of pounds)	3,888	4,086	3,648
Average realized price per pound	$ 3.09	$ 3.30	$ 3.60
Site production and delivery costs per pound[b]	$ 1.90[c]	$ 1.88	$ 2.00
Unit net cash costs per pound[b]	$ 1.51[c,d]	$ 1.49	$ 1.48
Gold (recoverable)			
Production (thousands of ounces)	1,214	1,250	958
Sales, excluding purchases (thousands of ounces)	1,248	1,204	1,010
Average realized price per ounce	$1,231	$1,315	$1,665
Molybdenum (recoverable)			
Production (millions of pounds)	95	94	85
Sales, excluding purchases (millions of pounds)	95	93	83
Average realized price per pound	$12.74	$11.85	$14.26
Oil Equivalents			
Sales volumes:			
MMBOE	56.8	38.1	—
Thousand BOE (MBOE) per day	156	178	—
Cash operating margin per BOE:[e]			
Realized revenues	$71.83	$76.87	—
Cash production costs	20.08	17.14	—
Cash operating margin	$51.75	$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. Excludes $0.04 per pound of copper for fixed costs charged directly to cost of sales as a result of the impact of export restrictions on PT-FI's operating rates.

d. Includes $0.03 per pound of copper for export duties and increased royalty rates at PT-FI.

e. Cash operating margin for oil and gas operations reflects realized revenues less cash production costs. Realized revenues exclude noncash mark-to-market adjustments 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 $21.4 billion in 2014, $20.9 billion in 2013 and $18.0 billion in 2012. Revenues included the sale of copper concentrates, copper cathodes, copper rod, gold, molybdenum, silver, cobalt and beginning June 1, 2013, the sale of oil, natural gas and NGLs by our oil and gas operations. Our consolidated revenues for 2014 included sales of copper (60 percent), oil (20 percent), gold (7 percent) and molybdenum (6 percent). Following is a summary of changes in our consolidated revenues between periods (in millions):

	2014	2013
Consolidated revenues – prior year	$20,921	$ 18,010
Mining operations:		
(Lower) higher sales volumes from mining operations:		
Copper	(650)	1,576
Gold	58	323
Molybdenum	17	151
(Lower) higher price realizations from mining operations:		
Copper	(817)	(1,226)
Gold	(105)	(421)
Molybdenum	84	(225)
Unfavorable impact of net adjustments for prior year provisionally priced copper sales	(92)	(127)
(Lower) higher revenues from purchased copper	(361)	313
Higher (lower) Atlantic Copper revenues	371	(668)
Oil and gas operations:[a]		
Higher oil and gas revenues, including realized cash losses on derivative contracts	1,155	2,928
Favorable (unfavorable) impact of net noncash mark-to-market adjustments on derivative contracts	939	(312)
Other, including intercompany eliminations	(82)	599
Consolidated revenues – current year	$21,438	$20,921

a. Includes the results of FM O&G beginning June 1, 2013.

Mining Sales Volumes

Consolidated sales volumes totaled 3.9 billion pounds of copper, 1.25 million ounces of gold and 95 million pounds of molybdenum in 2014; 4.1 billion pounds of copper, 1.2 million ounces of gold and 93 million pounds of molybdenum in 2013; and 3.65 billion pounds of copper, 1.0 million ounces of gold and 83 million pounds of molybdenum in 2012. Lower consolidated copper sales volumes in 2014, compared with 2013, primarily reflected decreased volumes in Indonesia and South America, partly offset by higher volumes from our North America copper mines. Higher consolidated copper and gold sales volumes in 2013, compared with 2012, primarily reflected improved volumes throughout our global mining operations. Refer to "Operations" for further discussion of sales volumes at our operating divisions.

Metal Price Realizations

Our consolidated mining revenues can vary significantly as a result of fluctuations in the market prices of copper, gold, molybdenum, silver and cobalt. As presented above on the summary operating data table, we recognized lower copper and gold price realizations from our mining operations in 2014, compared with 2013, and also in 2013, compared with 2012. Refer to "Markets" for further discussion.

Provisionally Priced Sales

Impacts of net adjustments for prior year provisionally priced sales primarily relate 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 $(118) million in 2014, $(26) million in 2013 and $101 million in 2012.

Purchased Copper

We purchased copper cathode for processing by our Rod & Refining segment totaling 125 million pounds in 2014, 223 million pounds in 2013 and 125 million pounds in 2012.

Atlantic Copper Revenues

Lower Atlantic Copper revenues in 2013, compared with 2014 and 2012, primarily reflected the impact of a major maintenance turnaround in 2013.

Oil and Gas Revenues and Derivative Contracts

Oil and gas sales volumes totaled 56.8 MMBOE in 2014, and 38.1 MMBOE for the seven-month period from June 1, 2013, to December 31, 2013. Oil and gas realizations of $71.83 per BOE in 2014 were lower compared with $76.87 per BOE for the seven-month period from June 1, 2013, to December 31, 2013, primarily reflecting lower oil prices and higher realized cash losses on derivative contracts (realized cash losses totaled $122 million or $2.15 per BOE in 2014, compared with $22 million or $0.58 per BOE for the seven-month period from June 1, 2013, to December 31, 2013). Refer to "Operations" for further discussion of average realizations and sales volumes at our oil and gas operations.

In connection with the acquisition of Plains Exploration & Production Company (PXP), we have derivative contracts for 2015 consisting of crude oil options, and for 2013 and 2014, had derivative contracts that consisted of crude oil options and swaps 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 credits (charges) to revenues for net noncash mark-to-market gains (losses) on crude oil and natural gas derivative contracts totaled $627 million in 2014 and $(312) million for the seven-month period from June 1, 2013, to December 31, 2013. 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

Consolidated production and delivery costs totaled $11.9 billion in 2014, $11.8 billion in 2013 and $10.4 billion in 2012. Higher production and delivery costs for 2014, compared with 2013, were primarily associated with our oil and gas operations, which included a full year of results for 2014, partly offset by lower costs for our mining operations mostly associated with lower volumes in South America and Indonesia. Higher consolidated production and delivery costs in 2013, compared with 2012, primarily reflected the addition of costs from our oil and gas operations and higher copper purchases.

Mining Unit Site Production and Delivery Costs

Site production and delivery costs for our copper mining operations primarily include labor, energy and commodity-based inputs, such as sulphuric acid, reagents, liners, tires and explosives. Consolidated unit site production and delivery costs (before net noncash and other costs) for our copper mining operations averaged $1.90 per pound of copper in 2014, $1.88 per pound in 2013 and $2.00 per pound in 2012. Higher consolidated unit site production and delivery costs in 2014, compared with 2013, primarily reflect the impact of lower copper sales volumes in South America and Indonesia, partly offset by higher volumes in North America. Consolidated production and delivery costs for 2014 also exclude fixed costs charged directly to cost of sales as a result of the impact of export restrictions on PT-FI's operating rates totaling $0.04 per pound of copper. Lower consolidated unit site production and delivery costs in 2013, compared with 2012, primarily reflect higher copper sales volumes in Indonesia and South America.

Assuming achievement of current 2015 volume and cost estimates, consolidated site production and delivery costs are expected to average $1.81 per pound of copper for 2015. Refer to "Operations — Unit Net Cash Costs" for further discussion of unit net cash costs associated with our operating divisions, and to "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 costs approximated 20 percent of our consolidated copper production costs in 2014, including purchases of approximately 250 million gallons of diesel fuel; 7,600 gigawatt hours of electricity at our North America, South America and Africa copper mining operations (we generate all of our power at our Indonesia mining operation); 600 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. Based on current cost estimates, we estimate energy will approximate 16 percent of our consolidated copper production costs for 2015.

Oil and Gas Production Costs per BOE

Production costs for our oil and gas operations primarily include costs incurred to operate and maintain wells and related equipment and facilities, such as lease operating expenses, steam gas costs, electricity, production and ad valorem taxes, and gathering and transportation expenses. Cash production costs for our oil and gas operations of $20.08 per BOE were higher than $17.14 per BOE for the seven-month period from June 1, 2013, to December 31, 2013, primarily reflecting the sale of lower cost Eagle Ford properties in June 2014 and higher operating costs in California and the GOM.

Assuming achievement of current volume and cost estimates for 2015, cash production costs are expected to approximate $18 per BOE for the year 2015. Refer to "Operations" for further discussion of cash production costs at our oil and gas operations.

Depreciation, Depletion and Amortization

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. Consolidated depreciation, depletion and amortization (DD&A) totaled $3.9 billion in 2014, $2.8 billion in 2013 and $1.2 billion in 2012. Higher DD&A in 2014 was primarily associated with a full year of expense for oil and gas operations ($2.3 billion in 2014, compared with $1.4 billion for the seven-month period from June 1, 2013, to December 31, 2013). Higher DD&A in 2013, compared with 2012, primarily reflected the seven months of expense from our acquired oil and gas operations, and asset additions and higher production at our mining operations.

Impairment of Oil and Gas Properties

Under the full cost accounting rules, a "ceiling test" is conducted each quarter to review the carrying value of the oil and gas properties for impairment. At September 30, 2014, and December 31, 2014, net capitalized costs with respect to FM O&G's proved U.S. oil and gas properties exceeded the related ceiling limitation, which resulted in the recognition of impairment charges totaling $3.7 billion in 2014. Refer to Note 1 and "Critical Accounting Estimates — Impairment of Oil and Gas Properties" for further discussion.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses totaled $592 million in 2014, $657 million in 2013 and $431 million in 2012. Excluding amounts for our oil and gas operations, which totaled $207 million in 2014 and $120 million for the seven-month period from June 1, 2013, to December 31, 2013, selling, general and administrative expenses were lower in 2014, compared with 2013, primarily because of transaction and related costs totaling $80 million incurred during 2013 associated with the oil and gas acquisitions. Higher selling, general and administrative expenses in 2013, compared with 2012, primarily reflected the addition of costs associated with oil and gas operations, and transaction and related costs associated with the oil and gas acquisitions.

Consolidated selling, general and administrative expenses exclude capitalized general and administrative expenses at our oil and gas operations totaling $143 million in 2014 and $67 million for the seven-month period from June 1, 2013, to December 31, 2013.

Mining Exploration and Research Expenses

Consolidated exploration and research expenses for our mining operations totaled $126 million in 2014, $210 million in 2013 and $285 million in 2012. Our exploration activities are generally near our existing mines with a focus on opportunities to expand reserves and resources to support development of additional future production capacity in the large mineral districts where we currently operate. Exploration results continue to indicate opportunities for what we believe could be significant future potential reserve additions in North and South America, and in the Tenke minerals district. The drilling data in North America also continue to indicate the potential for significantly expanded sulfide production. Drilling results and exploration modeling in North America have identified large-scale potential sulfide resources in the Morenci and Safford/Lone Star districts, providing a long-term pipeline for future growth in reserves and production capacity in an established minerals district.

For the year 2015, mining exploration and research expenditures are expected to total approximately $140 million, including approximately $100 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 $119 million in 2014, compared with $66 million in 2013 and $(22) million in 2012. Refer to Note 12 for further discussion of environmental obligations and litigation matters.

Goodwill Impairment

We performed a goodwill assessment in fourth-quarter 2014, which resulted in an impairment charge of $1.7 billion for the full carrying value of goodwill. Refer to Notes 1 and 2, and "Critical Accounting Estimates — Impairment of Goodwill" for further discussion.

Net Gain on Sales of Assets

Net gain on sales of assets totaled $717 million for the year 2014, primarily related to the sale of Candelaria/Ojos. Refer to Note 2 for further discussion.

Interest Expense, Net

Consolidated interest expense (excluding capitalized interest) totaled $866 million in 2014, $692 million in 2013 and $267 million in 2012. Increased interest expense in 2014 and 2013 was primarily associated with acquisition-related debt and assumed debt of PXP. Refer to Note 8 for further discussion.

Capitalized interest is related to the level of expenditures for our development projects and average interest rates on our borrowings, and totaled $236 million in 2014, compared with $174 million in 2013 and $81 million in 2012.

Net Gain (Loss) on Early Extinguishment of Debt

During 2014, we recorded net gains on early extinguishment of debt totaling $73 million primarily related to the senior note redemptions and tender offers. During 2013, we recorded net losses on early extinguishment of debt totaling $35 million associated with the termination of the bridge loan facilities for the oil and gas acquisitions, partly offset by a gain on the redemption of McMoRan Exploration Co.'s (MMR) 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. Refer to Note 8 for further discussion of these transactions.

Gain on Investment in MMR

During 2013, we recorded a gain totaling $128 million related to the carrying value of our preferred stock investment in and the subsequent acquisition of MMR. Refer to Note 2 for further discussion.

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):

	2014			2013		
	Income (Loss)[a]	Effective Tax Rate	Income Tax (Provision) Benefit	Income[a]	Effective Tax Rate	Income Tax (Provision) Benefit
U.S.	**$ 1,857**	**30%**	**$ (550)[b,c]**	$ 1,080	23%	$ (243)
South America	**1,221**	**43%**	**(531)[d]**	2,021	36%	(720)
Indonesia	**709**	**41%**	**(293)**	1,370	44%	(603)
Africa	**379**	**31%**	**(116)**	425	31%	(131)
Impairment of oil and gas properties	**(3,737)**	**38%**	**1,413**	—	N/A	—
Gain on sale of Candelaria/Ojos	**671**	**33%**	**(221)**	—	N/A	—
Eliminations and other	**193**	**N/A**	**(26)**	17	N/A	23
	1,293	**25%[g]**	**(324)**	4,913	34%	(1,674)
Adjustments	**(1,717)[e]**	**N/A**	**—**	—	N/A	199[f]
Consolidated FCX	**$ (424)**	**(76)%**	**$ (324)**	$4,913	30%	$(1,475)

a. Represents income (loss) by geographic location before income taxes and equity in affiliated companies' net earnings.
b. Includes an $84 million charge for deferred taxes recorded in connection with the allocation of goodwill to the sale of Eagle Ford properties.
c. Includes a net benefit of $41 million, comprised of $57 million related to changes in U.S. state income tax filing positions, partly offset by a charge of $16 million for a change in U.S. federal income tax law.
d. Includes charges related to changes in Chilean and Peruvian tax rules totaling $78 million ($60 million net of noncontrolling interests).
e. Reflects goodwill impairment charges, which were non-deductible for tax purposes.
f. Reflects net reductions in our deferred tax liabilities and deferred tax asset valuation allowances resulting from the oil and gas acquisitions.
g. Our consolidated effective income tax rate is a function of the combined effective tax rates for the jurisdictions in which we conduct operations. Accordingly, variations in the relative proportions of jurisdictional income result in fluctuations to our consolidated effective income tax rate. Assuming average prices of $2.60 per pound for copper, $1,300 per ounce for gold, $9 per pound for molybdenum and Brent crude oil of $50 per barrel for the year ended 2015 and achievement of current sales volume and cost estimates, we estimate no tax provision for 2015. The effective tax rate at $3.00 per pound of copper and $65 per barrel of Brent crude oil for 2015 would approximate 30 percent.

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):

	2012		
	Income[a]	Effective Tax Rate	Income Tax (Provision) Benefit
U.S.	$ 1,571	23%	$ (357)
South America	2,211	36%	(791)[b]
Indonesia	1,287	39%	(497)
Africa	357	31%	(112)
Eliminations and other	61	N/A	13
	5,487	32%	(1,744)
Adjustments	—	N/A	234[c]
Consolidated FCX	$5,487	28%	$(1,510)

a. Represents income by geographic location before income taxes and equity in affiliated companies' net earnings.
b. 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) in 2012.
c. Reflects the reversal of a net deferred tax liability totaling $234 million ($123 million net of noncontrolling interest) related to reinvested profits at Cerro Verde that were not distributed prior to expiration of its 1998 stability agreement on December 31, 2013.

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 interest in the Morenci unincorporated joint venture 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 and silver are also produced by certain of our North America copper mines.

Operating and Development Activities. We have increased production from our North America copper mines by approximately 50 percent over the past five years and continue to evaluate a number of opportunities to add 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. At Morenci, the mill expansion project commenced operations in May 2014 and is expected to achieve full rates in first-quarter 2015. The project targets average incremental annual production of approximately 225 million pounds of copper 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. Morenci's mill rates averaged 100,900 metric tons per day in fourth-quarter 2014. Morenci's copper production is expected to average over 900 million pounds per year over the next five years, compared with 691 million pounds in 2014.

Construction of the expanded Morenci milling facility is substantially complete. Remaining items include completion of the molybdenum circuit, which adds capacity of approximately 9 million pounds of molybdenum per year, and the construction of an expanded tailings storage facility. Both are expected to be completed in 2015. At December 31, 2014, approximately $1.6 billion had been incurred for the Morenci mill expansion project ($0.6 billion during 2014), with approximately $55 million remaining to be incurred.

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

	2014	2013	2012
Operating Data, Net of Joint Venture Interest			
Copper (recoverable)			
Production (millions of pounds)	**1,670**	1,431	1,363
Sales, excluding purchases (millions of pounds)	**1,664**	1,422	1,351
Average realized price per pound	**$ 3.13**	$ 3.36	$ 3.64
Molybdenum (millions of recoverable pounds)			
Production[a]	**33**	32	36
100% Operating Data			
SX/EW operations			
Leach ore placed in stockpiles (metric tons per day)	**1,005,300**	1,003,500	998,600
Average copper ore grade (percent)	**0.25**	0.22	0.22
Copper production (millions of recoverable pounds)	**963**	889	866
Mill operations			
Ore milled (metric tons per day)	**273,800**	246,500	239,600
Average ore grade (percent):			
Copper	**0.45**	0.39	0.37
Molybdenum	**0.03**	0.03	0.03
Copper recovery rate (percent)	**85.8**	85.3	83.9
Copper production (millions of recoverable pounds)	**828**	642	592

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

2014 compared with 2013. Copper sales volumes from our North America copper mines increased to 1.66 billion pounds in 2014, compared with 1.42 billion pounds in 2013, primarily reflecting higher mining and milling rates at Morenci and higher ore grades at Chino.

Copper sales from North America are expected to approximate 1.9 billion pounds in 2015 as a result of higher mill rates from the Morenci expansion. Refer to "Outlook" for projected molybdenum sales volumes.

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.

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.

	2014			2013		
	By-Product Method	Co-Product Method: Copper	Co-Product Method: Molybdenum[a]	By-Product Method	Co-Product Method: Copper	Co-Product Method: Molybdenum[a]
Revenues, excluding adjustments	$ 3.13	$ 3.13	$11.52	$ 3.36	$ 3.36	$10.79
Site production and delivery, before net noncash and other costs shown below	1.85	1.81	2.74	2.00	1.94	3.79
By-product credits	(0.24)	—	—	(0.24)	—	—
Treatment charges	0.12	0.12	—	0.11	0.11	—
Unit net cash costs	1.73	1.93	2.74	1.87	2.05	3.79
Depreciation, depletion and amortization	0.29	0.28	0.14	0.28	0.27	0.22
Noncash and other costs, net	0.09	0.09	0.03	0.14[b]	0.14	0.04
Total unit costs	2.11	2.30	2.91	2.29	2.46	4.05
Revenue adjustments, primarily for pricing on prior period open sales	—	—	—	—	—	—
Gross profit per pound	$ 1.02	$ 0.83	$ 8.61	$ 1.07	$ 0.90	$ 6.74
Copper sales (millions of recoverable pounds)	1,657	1,657		1,416	1,416	
Molybdenum sales (millions of recoverable pounds)[a]			33			32

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 2014, average unit net cash costs (net of by-product credits) for the North America copper mines ranged from $1.24 per pound to $2.32 per pound at the individual mines and averaged $1.73 per pound. Lower average unit net cash costs (net of by-product credits) in 2014, compared with $1.87 per pound in 2013, primarily reflected 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 per pound of molybdenum for 2015, average unit net cash costs (net of by-product credits) for our North America copper mines are expected to approximate $1.67 per pound of copper in 2015. North America's average unit net cash costs for 2015 would change by approximately $0.04 per pound for each $2 per pound change in the average price of molybdenum during 2015.

	2013			2012		
	By-Product Method	Co-Product Method: Copper	Co-Product Method: Molybdenum[a]	By-Product Method	Co-Product Method: Copper	Co-Product Method: 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.

Unit net cash costs (net of by-product credits) for our North America copper mines increased to $1.87 per pound of copper in 2013, compared with $1.67 per pound in 2012, primarily reflecting lower molybdenum credits and increased mining and milling activities, partly offset by higher copper sales volumes.

South America Mining

We operate two copper mines in South America — Cerro Verde in Peru (in which we own a 53.56 percent interest) and El Abra in Chile (in which we own a 51 percent interest). All operations in South America are consolidated in our financial statements.

On November 3, 2014, we completed the sale of our 80 percent ownership interests in Candelaria/Ojos for $1.8 billion in cash. Refer to Note 2 for further discussion.

South America mining includes open-pit 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 also ship a portion of their copper concentrate inventories to Atlantic Copper. In addition to copper, the Cerro Verde mine produces molybdenum concentrates and silver.

Operating and Development Activities. *Cerro Verde Expansion.* Construction activities associated with a large-scale expansion at Cerro Verde are advancing toward completion in late 2015. Detailed engineering and major procurement activities are complete and construction progress is more than 50 percent complete. The project will 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. As of December 31, 2014, $3.1 billion had been incurred for this project ($1.6 billion during 2014), with approximately $1.5 billion remaining to be incurred.

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

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

	2014[a]	2013	2012
Copper (recoverable)			
Production (millions of pounds)	**1,151**	1,323	1,257
Sales (millions of pounds)	**1,135**	1,325	1,245
Average realized price per pound	**$ 3.08**	$ 3.30	$ 3.58
Gold (recoverable)			
Production (thousands of ounces)	**72**	101	83
Sales (thousands of ounces)	**67**	102	82
Average realized price per ounce	**$ 1,271**	$ 1,350	$ 1,673
Molybdenum (millions of recoverable pounds)			
Production[b]	**11**	13	8
SX/EW operations			
Leach ore placed in stockpiles (metric tons per day)	**275,200**	274,600	229,300
Average copper ore grade (percent)	**0.48**	0.50	0.55
Copper production (millions of recoverable pounds)	**491**	448	457
Mill operations			
Ore milled (metric tons per day)	**180,500**	192,600	191,400
Average ore grade:			
Copper (percent)	**0.54**	0.65	0.60
Gold (grams per metric ton)	**0.10**	0.12	0.10
Molybdenum (percent)	**0.02**	0.02	0.02
Copper recovery rate (percent)	**88.1**	90.9	90.1
Copper production (millions of recoverable pounds)	**660**	875	800

a. Includes the results of Candelaria/Ojos through November 3, 2014.
b. Refer to "Consolidated Results" for our consolidated molybdenum sales volumes, which includes sales of molybdenum produced at Cerro Verde.

2014 compared with 2013. Consolidated copper sales volumes from South America totaled 1.14 billion pounds in 2014, compared with 1.33 billion in 2013, primarily reflecting anticipated lower ore grades at Candelaria and Cerro Verde, and the sale of Candelaria/Ojos in November 2014.

For the year 2015, consolidated sales volumes from South America mines are expected to approximate 0.9 billion pounds of copper. Refer to "Outlook" for projected gold and molybdenum sales volumes.

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

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.

	2014[a]		2013	
	By-Product Method	Co-Product Method	By-Product Method	Co-Product Method
Revenues, excluding adjustments	**$ 3.08**	**$ 3.08**	$ 3.30	$ 3.30
Site production and delivery, before net noncash and other costs shown below	**1.62**	**1.50**	1.53[b]	1.42
By-product credits	**(0.22)**	—	(0.27)	—
Treatment charges	**0.17**	**0.17**	0.17	0.17
Royalty on metals	**0.01**	**0.01**	—	—
Unit net cash costs	**1.58**	**1.68**	1.43	1.59
Depreciation, depletion and amortization	**0.32**	**0.30**	0.26	0.24
Noncash and other costs, net	**0.06**	**0.07**	0.04	0.03
Total unit costs	**1.96**	**2.05**	1.73	1.86
Revenue adjustments, primarily for pricing on prior period open sales	**(0.05)**	**(0.05)**	(0.03)	(0.03)
Gross profit per pound	**$ 1.07**	**$ 0.98**	$ 1.54	$ 1.41
Copper sales (millions of recoverable pounds)	**1,135**	**1,135**	1,325	1,325

a. Includes the results of Candelaria/Ojos through November 3, 2014.
b. Includes labor agreement costs totaling $36 million ($0.03 per pound) at Cerro Verde.

Our South America mines have varying cost structures because of differences in ore grades and characteristics, processing costs, by-products and other factors. During 2014, unit net cash costs (net of by-product credits) for the South America mines ranged from $1.47 per pound to $1.96 per pound at the individual mines and averaged $1.58 per pound. Average unit net cash costs (net of by-product credits) for our South America mining operations increased to $1.58 per pound of copper in 2014, compared with $1.43 per pound in 2013, primarily reflecting lower sales volumes and by-product credits.

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. The increase in unit depreciation in 2014, compared with 2013, primarily relates to asset additions at Cerro Verde.

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 $9 per pound of molybdenum in 2015, we estimate that average unit net cash costs (net of by-product credits) for our South America mining operations would approximate $1.70 per pound of copper in 2015.

	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.

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.

Indonesia Mining

Indonesia mining includes PT-FI's Grasberg minerals district, one of the world's largest copper and gold deposits, in Papua, Indonesia. 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 an unincorporated joint venture with Rio Tinto plc (Rio Tinto) established in 1996, under which Rio Tinto has a 40 percent interest in certain assets and a 40 percent interest through 2021 in production exceeding specified annual amounts of copper, gold and silver. After 2021, all production and related revenues and costs are shared 60 percent PT-FI and 40 percent Rio Tinto. As of December 31, 2014, the amounts allocated 100 percent to PT-FI remaining to be produced totaled 7.5 billion pounds of copper, 10.9 million ounces of gold and 20.8 million ounces of silver. Based on the current mine plans, PT-FI anticipates that it will be allocated most of the production and related revenues and costs through 2021. Under the joint venture arrangements, PT-FI's share of copper production and sales totaled 98 percent in 2014, 99 percent in 2013 and 100 percent in 2012, and of gold production and sales totaled nearly 100 percent for the last three years. Refer to Note 3 for further discussion of our joint venture with Rio Tinto. Refer to "Regulatory Matters" below and Note 13 for further discussion of PT-FI's Contract of Work (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, 2014, for discussion of risks associated with operations in Indonesia.

Regulatory Matters. On July 25, 2014, PT-FI entered into a Memorandum of Understanding (MOU) with the Indonesian government under which PT-FI and the government agreed to negotiate an amended COW to address provisions related to the size of PT-FI's concession area, royalties and taxes, domestic processing and refining, divestment, local content, and continuation of operations post-2021. Execution of the MOU enabled the resumption of concentrate exports in August 2014, which had been suspended since January 2014. The MOU has been extended to July 25, 2015. PT-FI is engaged in active discussions with the Indonesian government regarding an amended COW.

Provisions being addressed include the development of new copper smelting and refining capacity in Indonesia, provisions for divestment to the Indonesian government and/or Indonesian nationals of up to a 30 percent interest (an additional 20.64 percent interest) in PT-FI at fair value, and timely granting rights for the continuation of operations from 2022 through 2041. Negotiations are taking into consideration PT-FI's need for assurance of legal and fiscal terms post-2021 for PT-FI to continue with its large-scale investment program for the development of its underground reserves.

Effective with the signing of the MOU, PT-FI provided a $115 million assurance bond to support its commitment for smelter development, agreed to increase royalties to 4.0 percent for copper and 3.75 percent for gold from the previous rates of 3.5 percent for copper and 1.0 percent for gold, and to pay export duties as set forth in a new regulation. PT-FI's royalties totaled $115 million in 2014, $109 million in 2013 and $93 million in 2012. The Indonesian government revised its January 2014 regulations regarding export duties, which are now set at 7.5 percent, declining to 5.0 percent when smelter development progress exceeds 7.5 percent and are eliminated when development progress exceeds 30 percent. PT-FI's export duties totaled $77 million in 2014.

Under the MOU, no terms of the COW other than those relating to the export duties, the smelter bond and royalties described above will be changed until the completion of an amended COW.

PT-FI is advancing plans for the construction of new smelter capacity in parallel with completing negotiations of its long-term operating rights and will also discuss the possibility of expanding industrial activities in Papua in connection with its long-term development plans. PT-FI has identified a site adjacent to the existing PT Smelting site in Gresik, Indonesia, for the construction of additional smelter capacity.

PT-FI is required to apply for renewal of export permits at six-month intervals. In January 2015, PT-FI obtained a renewal of its export license through July 25, 2015.

Operating and Development Activities. We have several projects in progress in the Grasberg minerals district related to the development of large-scale, long-lived, high-grade underground ore bodies. In aggregate, these underground ore bodies are expected to ramp up over several years to process approximately 240,000 metric tons of ore per day following the transition from the Grasberg open pit, currently anticipated to occur in late 2017. Development of the Grasberg Block Cave and Deep Mill Level Zone (DMLZ) underground mines is advancing to enable DMLZ to commence production in late 2015 and the Grasberg Block Cave mine to commence production in early 2018. 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 size of these projects, actual costs could vary from these estimates. Additionally, PT-FI may reduce or defer these activities pending resolution of negotiations for an amended COW.

The following provides additional information on the continued development of the Common Infrastructure project, the Grasberg Block Cave underground mine and development of the 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 early 2018, 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 $5.7 billion (incurred between 2008 to 2021), with PT-FI's share totaling approximately $5.1 billion. Aggregate project costs totaling $1.8 billion have been incurred through December 31, 2014 ($0.5 billion during 2014).

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 late 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 $2.7 billion (incurred between 2009 to 2020), with PT-FI's share totaling approximately $1.6 billion. Aggregate project costs totaling $1.2 billion have been incurred through December 31, 2014 ($0.3 billion during 2014).

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

	2014	2013	2012
Operating Data, Net of Joint Venture Interest			
Copper (recoverable)			
Production (millions of pounds)	636	915	695
Sales (millions of pounds)	664	885	716
Average realized price per pound	$ 3.01	$ 3.28	$ 3.58
Gold (recoverable)			
Production (thousands of ounces)	1,130	1,142	862
Sales (thousands of ounces)	1,168	1,096	915
Average realized price per ounce	$ 1,229	$ 1,312	$ 1,664
100% Operating Data			
Ore milled (metric tons per day):[a]			
Grasberg open pit	69,100	127,700	118,800
DOZ underground mine[b]	50,500	49,400	44,600
Big Gossan underground mine[c]	900	2,100	1,600
Total	120,500	179,200	165,000
Average ore grade:			
Copper (percent)	0.79	0.76	0.62
Gold (grams per metric ton)	0.99	0.69	0.59
Recovery rates (percent):			
Copper	90.3	90.0	88.7
Gold	83.2	80.0	75.7
Production (recoverable):			
Copper (millions of pounds)	651	928	695
Gold (thousands of ounces)	1,132	1,142	862

a. Amounts represent the approximate average daily throughput processed at PT-FI's mill facilities from each producing mine.
b. Ore milled from the DOZ underground mine is expected to ramp up to 70,000 metric tons of ore per day in the second half of 2015.
c. Ore milled from the Big Gossan underground mine is expected to ramp up to 7,000 metric tons of ore per day in 2018.

2014 compared with 2013. Indonesia's sales volumes totaled 664 million pounds of copper and 1.2 million ounces of gold in 2014, compared with 885 million pounds of copper and 1.1 million ounces of gold in 2013, reflecting lower mill throughput resulting from the export restrictions and labor-related work stoppages, partly offset by higher gold ore grades. During fourth-quarter 2014, reduced workforce attendance levels in certain operating areas (primarily in the Grasberg open pit) unfavorably impacted productivity. Following discussions with union leadership and other stakeholders, attendance levels improved significantly by year-end 2014 and in January 2015.

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 1.0 billion pounds of copper and 1.3 million ounces of gold for 2015. PT-FI has updated its mine plans to incorporate lower than planned mining rates associated with work stoppages in late 2014 and the impact of export restrictions in the first half of 2014, resulting in a deferral of completion of mining the open pit from mid-2017 to late 2017.

2013 compared with 2012. Sales volumes from our Indonesia mining operations 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.

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.

	2014			2013		
	By-Product Method	Co-Product Method Copper	Co-Product Method Gold	By-Product Method	Co-Product Method Copper	Co-Product Method Gold
Revenues, excluding adjustments	$ 3.01	$ 3.01	$1,229	$ 3.28	$ 3.28	$1,312
Site production and delivery, before net noncash and other costs shown below	2.76[a]	1.59	648	2.46	1.62	648
Gold and silver credits	(2.25)	—	—	(1.69)	—	—
Treatment charges	0.26	0.15	61	0.23	0.15	61
Export duties	0.12	0.06	27	—	—	—
Royalty on metals	0.17[b]	0.10	41	0.12	0.08	33
Unit net cash costs	1.06	1.90	777	1.12	1.85	742
Depreciation and amortization	0.40	0.23	94	0.28	0.19	73
Noncash and other costs, net	0.29	0.17	68	0.13	0.09	35
Total unit costs	1.75	2.30	939	1.53	2.13	850
Revenue adjustments, primarily for pricing on prior period open sales	(0.08)	(0.08)	15	—	—	(1)
PT Smelting intercompany profit (loss)	0.05	0.03	12	(0.02)	(0.01)	(6)
Gross profit per pound/ounce	$ 1.23	$ 0.66	$ 317	$ 1.73	$ 1.14	$ 455
Copper sales (millions of recoverable pounds)	664	664		885	885	
Gold sales (thousands of recoverable ounces)			1,168			1,096

a. Excludes fixed costs totaling $0.22 per pound of copper charged directly to cost of sales as a result of the impact of export restrictions on PT-FI's operating rates.
b. Includes $0.05 per pound of copper associated with increased royalty rates.

A significant portion of PT-FI's costs are fixed and unit costs vary depending on sales volumes. Indonesia's unit net cash costs (including gold and silver credits) averaged $1.06 per pound of copper in 2014, compared with $1.12 per pound in 2013, primarily reflecting lower copper sales volumes, the impact of export duties and increased royalty rates, which were more than offset by higher gold and silver credits as a result of lower copper sales 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.

PT Smelting intercompany profit (loss) represents the change in the deferral of 25 percent of PT-FI's profit on sales to PT Smelting. Refer to "Operations — Smelting & Refining" for further discussion.

Assuming achievement of current sales volume and cost estimates, and an average gold price of $1,300 per ounce for 2015, we estimate that Indonesia's unit net cash costs (net of gold and silver credits) are expected to approximate $1.19 per pound of copper for the year 2015. Indonesia's projected unit net cash costs would change by approximately $0.06 per pound for each $50 per ounce change in the average price of gold during 2015. 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.

	2013			2012		
	By-Product	Co-Product Method		By-Product	Co-Product Method	
	Method	Copper	Gold	Method	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

Unit net cash costs (net of gold and silver credits) for our Indonesia mining operations averaged $1.12 per pound of copper in 2013, compared with $1.24 per pound in 2012, primarily reflecting higher volumes.

Africa Mining

Africa mining includes Tenke Fungurume Mining S.A.'s (TFM) 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 increasing mine, mill and processing capacity. Construction of a second sulphuric acid plant is under way, with completion expected in 2016. We continue to engage in exploration activities and metallurgical testing to evaluate the potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in future plans for potential expansions of production capacity. Future expansions are subject to a number of factors, including power availability, economic and market conditions, and the business and investment climate in the DRC.

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

	2014	2013	2012
Copper (recoverable)			
Production (millions of pounds)	**447**	462	348
Sales (millions of pounds)	**425**	454	336
Average realized price per pound[a]	**$ 3.06**	$ 3.21	$ 3.51
Cobalt (contained)			
Production (millions of pounds)	**29**	28	26
Sales (millions of pounds)	**30**	25	25
Average realized price per pound	**$ 9.66**	$ 8.02	$ 7.83
Ore milled (metric tons per day)	**14,700**	14,900	13,000
Average ore grade (percent):			
Copper	**4.06**	4.22	3.62
Cobalt	**0.34**	0.37	0.37
Copper recovery rate (percent)	**92.6**	91.4	92.4

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

2014 compared with 2013. Copper sales volumes from TFM decreased to 425 million pounds in 2014, compared with 454 million pounds in 2013, primarily because of lower ore grades.

Consolidated sales volumes from our Africa mining operations are expected to approximate 445 million pounds of copper and 32 million pounds of cobalt in 2015.

2013 compared with 2012. Copper sales volumes from our Africa mining operations increased to 454 million pounds of copper in 2013, compared with 336 million pounds of copper in 2012, primarily reflecting increased mining and milling rates resulting from the expansion project completed in early 2013 and higher 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 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.

	2014			2013		
	By-Product Method	Co-Product Method		By-Product Method	Co-Product Method	
		Copper	Cobalt		Copper	Cobalt
Revenues, excluding adjustments[a]	$ 3.06	$ 3.06	$ 9.66	$ 3.21	$ 3.21	$ 8.02
Site production and delivery, before net noncash and other costs shown below	1.56	1.39	5.30	1.43	1.35	4.35
Cobalt credits[b]	(0.48)	—	—	(0.29)	—	—
Royalty on metals	0.07	0.06	0.16	0.07	0.06	0.14
Unit net cash costs	1.15	1.45	5.46	1.21	1.41	4.49
Depreciation, depletion and amortization	0.54	0.46	1.13	0.54	0.48	1.00
Noncash and other costs, net	0.05	0.04	0.11	0.06	0.06	0.11
Total unit costs	1.74	1.95	6.70	1.81	1.95	5.60
Revenue adjustments, primarily for pricing on prior period open sales	—	—	0.07	—	—	0.09
Gross profit per pound	$ 1.32	$ 1.11	$ 3.03	$ 1.40	$ 1.26	$ 2.51
Copper sales (millions of recoverable pounds)	425	425		454	454	
Cobalt sales (millions of contained pounds)			30			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 $1.15 per pound of copper in 2014, compared with $1.21 per pound of copper in 2013, primarily reflected higher cobalt credits, partly offset by higher site production and delivery costs associated with input and mine logistics support costs.

Assuming achievement of current sales volume and cost estimates, and an average cobalt market price of $13 per pound for 2015, average unit net cash costs (net of cobalt credits) are expected to approximate $1.31 per pound of copper in 2015. Africa's projected unit net cash costs for 2015 would change by $0.09 per pound for each $2 per pound change in the average price of cobalt during 2015.

	2013			2012		
	By-Product Method	Co-Product Method Copper	Co-Product Method Cobalt	By-Product Method	Co-Product Method Copper	Co-Product Method 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.

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

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 molybdenum concentrates produced at the Henderson and Climax mines, as well as from North and South America copper mines, are processed at our own conversion facilities.

Production from our molybdenum mines totaled 51 million pounds of molybdenum in 2014, 49 million pounds in 2013 and 41 million pounds in 2012. 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 Per Pound of Molybdenum. 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.

Average unit net cash costs for our molybdenum mines totaled $7.08 per pound of molybdenum in 2014, compared with $7.15 per pound in 2013 and with Henderson's unit net cash costs of $7.07 per pound in 2012. Assuming achievement of current sales volume and cost estimates, we estimate unit net cash costs for the molybdenum mines to average $7.60 per pound of molybdenum in 2015. 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.

Smelting & Refining

We wholly own and operate a smelter in Miami, Arizona, and Atlantic Copper, a smelter and refinery in Spain. Additionally, PT-FI owns 25 percent of PT Smelting, a smelter and refinery in Gresik, Indonesia. Treatment charges for smelting and refining copper concentrates consist of a base rate and, in certain contracts, price participation based on copper prices. Treatment charges represent a cost to our mining operations and income to Atlantic Copper and PT Smelting. Thus, higher treatment charges benefit our smelter operations and adversely affect our mining operations. Our North America copper mines are less significantly affected by changes in treatment charges because these operations are largely integrated with our Miami smelter. Through this form of downstream integration, we are assured placement of a significant portion of our concentrate production. During 2014, approximately half of our consolidated concentrate production was processed through the Miami smelter, Atlantic Copper and PT Smelting's facilities.

Atlantic Copper smelts and refines copper concentrates and markets refined copper and precious metals in slimes. Following is a summary of Atlantic Copper's concentrate purchases from our copper mining operations and third parties for the three years ended December 31:

	2014	2013	2012
North America copper mines	**21%**	13%	16%
South America mining	**21%**	32%	31%
Indonesia mining	**8%**	16%	10%
Third parties	**50%**	39%	43%
	100%	100%	100%

PT-FI's contract with PT Smelting provides for PT-FI to supply 100 percent of the copper concentrate requirements (subject to a minimum or maximum rate) necessary for PT Smelting to produce 205,000 metric tons of copper annually on a priority basis. PT-FI also sells copper concentrate to PT Smelting at market rates for quantities in excess of 205,000 metric tons of copper annually. PT-FI supplied 81 percent in 2014, 83 percent in 2013 and 99 percent in 2012 of PT Smelting's concentrate requirements, and PT Smelting processed 58 percent in 2014, 41 percent in 2013 and 52 percent in 2012 of PT-FI's concentrate production.

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 loss attributable to common stockholders totaling $43 million ($0.04 per share) in 2014, compared with net reductions to net income attributable to common stockholders of $17 million ($0.02 per share) in 2013 and $80 million ($0.08 per share) in 2012. 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 $73 million at December 31, 2014. 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. Refer to Note 6 for further discussion.

Oil and Gas Operations

Our portfolio of oil and gas assets includes significant oil production facilities and growth potential in the Deepwater GOM, established oil production facilities onshore and offshore California, large 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 Inboard Lower Tertiary/Cretaceous natural gas trend located in the shallow waters of the GOM and onshore in South Louisiana. Approximately 90 percent of our oil and gas revenues are from oil and NGLs.

Exploration, Operating and Development Activities. Our oil and gas business has significant proved, probable and possible reserves, a broad range of development opportunities and high-potential exploration prospects. The business is managed to reinvest its cash flows in projects with attractive rates of return and risk profiles. Following the recent sharp decline in oil prices, we have taken steps to significantly reduce capital spending plans and near-term oil and gas growth initiatives in order to preserve cash flows and resources for anticipated improved market conditions in the future. We are also evaluating third-party participation in our oil and gas projects to provide additional funding.

FM O&G has a large, strategic position in the Deepwater GOM with significant current oil production, strong cash margins and existing infrastructure and facilities with excess capacity. These assets, combined with FM O&G's large leasehold interests in an established geologic basin, provide financially attractive investment opportunities for high-impact growth in oil production and cash margins. FM O&G's capital allocation strategy is principally focused on drilling and development opportunities that can be tied back to existing facilities.

Capital expenditures for our oil and gas operations totaled $3.2 billion for the year ended December 31, 2014, including $2.1 billion incurred for the Deepwater GOM and $0.7 billion for the Inboard Lower Tertiary/Cretaceous natural gas trend. Capital expenditures for oil and gas operations for the year 2015 are currently estimated to total $2.3 billion. Approximately 80 percent of the 2015 capital budget is expected to be directed to the highest return focus areas in the GOM. We are committed to achieving our objective of funding oil and gas capital expenditures with oil and gas cash flows, third-party joint venture transactions or asset sales. FM O&G is engaged in discussions to obtain funding from industry partners and other oil and gas market participants for a substantial portion of its 2015 capital expenditures to achieve this objective. Third-party funding could also enable FM O&G to complete additional development wells for production.

Sale and Purchase Transactions. In June 2014, FM O&G completed the sale of its Eagle Ford shale assets for cash consideration of $3.1 billion and the acquisition of Deepwater GOM interests for $0.9 billion, including interests in the Lucius and Heidelberg oil fields and several exploration leases. In September 2014, FM O&G acquired additional Deepwater GOM interests for $0.5 billion, including an 18.67 percent interest in the Vito oil discovery in the Mississippi Canyon area (Blocks 940, 941, 984 and 985) and a significant lease position in the Vito area. Refer to Note 2 for further discussion of this disposition and these acquisitions.

International Oil and Gas Operations. *International Exploration (Morocco).* FM O&G has a farm-in arrangement to earn interests in exploration blocks located in the Mazagan permit area offshore Morocco. The exploration area covers 2.2 million gross acres in water depths of 4,500 to 9,900 feet. FM O&G expects to commence drilling the first prospect in the first half of 2015. FM O&G currently has no proved reserves or production in Morocco.

U.S. Oil and Gas Operations. Following is summary operating results for the U.S. oil and gas operations for the years 2014 and 2013.

	2014[a]	2013[b]
Sales Volumes		
Oil (MMBbls)	**40.1**	26.6
Natural gas (Bcf)	**80.8**	54.2
NGLs (MMBbls)	**3.2**	2.4
MMBOE	**56.8**	38.1
Average Realizations[c]		
Oil (per barrel)	**$ 90.00**	$98.32
Natural gas (per MMBtu)	**$ 4.23**	$ 3.99
NGLs (per barrel)	**$ 39.73**	$38.20
Gross (Loss) Profit per BOE		
Realized revenues[c]	**$ 71.83**	$76.87
Less: cash production costs[c]	**20.08**	17.14
Cash operating margin[c]	**51.75**	59.73
Less: depreciation, depletion and amortization	**40.34**	35.81
Less: impairment of oil and gas properties	**65.80**	—
Less: accretion and other costs	**1.69**	0.79
Plus: net noncash mark-to-market gains (losses) on derivative contracts	**11.03**	(8.20)
Plus: other net adjustments	**0.06**	0.04
Gross (loss) profit	**$(44.99)**	$14.97

a. Includes results from Eagle Ford through June 19, 2014.
b. Include the results of FM O&G beginning June 1, 2013.
c. Cash operating margin for oil and gas operations reflects realized revenues less cash production costs. Realized revenues exclude noncash mark-to-market adjustments 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 to revenues and production and delivery costs reported in our consolidated financial statements, refer to the supplemental schedule, "Product Revenues and Production Costs."

FM O&G's average realized price for crude oil was $90.00 per barrel, including $2.76 per barrel of realized cash losses on derivative contracts, for the year 2014. Excluding the impact of derivative contracts, the 2014 average realized price for crude oil was $92.76 per barrel (93 percent of the average Brent crude oil price of $99.45 per barrel).

FM O&G has derivative contracts that provide price protection between $70 and $90 per barrel of Brent crude oil for more than 80 percent of estimated 2015 oil production. At current Brent crude oil prices approximating $50 per barrel, we would receive a benefit of $20 per barrel on 2015 volumes of 30.7 million barrels, before taking into account premiums of $6.89 per barrel. Refer to Note 14 for further discussion.

FM O&G's average realized price for natural gas was $4.23 per MMBtu for the year 2014. Excluding the impact of derivative contracts, the average realized price for natural gas was $4.37 per MMBtu, compared to the NYMEX natural gas price average of $4.41 per MMBtu for the January through December 2014 contracts. As of December 31, 2014, FM O&G has no remaining derivative contracts for natural gas.

Realized revenues for oil and gas operations of $71.83 per BOE for the year 2014 were lower than realized revenues of $76.87 per BOE for the seven-month period from June 1, 2013, to December 31, 2013, primarily reflecting lower oil prices and higher realized cash losses on derivative contracts (realized losses were $122 million or $2.15 per BOE for the year 2014, compared with $22 million or $0.58 per BOE for the seven-month period from June 1, 2013, to December 31, 2013).

Cash production costs of $20.08 per BOE for the year 2014 were higher than cash production costs of $17.14 per BOE for the seven-month period from June 1, 2013, to December 31, 2013, primarily reflecting the sale of lower cost Eagle Ford properties in June 2014 and higher operating costs in California and the GOM.

Based on current sales volume and cost estimates, cash production costs are expected to approximate $18 per BOE for the year 2015.

Following is a summary of average sales volumes per day by region for oil and gas operations for the years ended 2014 and 2013:

	2014	2013[a]
Sales Volumes (MBOE per day):		
GOM[b]	**73**	72
California	**39**	39
Haynesville/Madden/Other	**20**[c]	21
Eagle Ford	**24**[d]	46
Total oil and gas operations	**156**	178

a. Reflects the results of FM O&G beginning June 1, 2013.
b. Includes sales from properties on the GOM Shelf and in the Deepwater GOM. Production from the GOM Shelf totaled 13 MBOE per day for 2014 (17 percent of the GOM total) and 13 MBOE per day (18 percent of the GOM total) for the seven-month period from June 1, 2013, to December 31, 2013.
c. Results include volume adjustments related to Eagle Ford's pre-close sales.
d. FM O&G completed the sale of Eagle Ford on June 20, 2014.

Daily sales volumes averaged 156 MBOE for the year 2014, including 110 MBbls of crude oil, 221 MMcf of natural gas and 9 MBbls of NGLs, compared to 178 MBOE for the seven-month period from June 1, 2013, to December 31, 2013, including 124 MBbls of crude oil, 254 MMcf of natural gas and 11 MBbls of NGLs. Oil and gas sales volumes are expected to average 152 MBOE per day for the year 2015, comprised of 67 percent oil, 28 percent natural gas and 5 percent NGLs.

Deepwater Gulf of Mexico. Multiple development and exploration opportunities have been identified in the Deepwater GOM that are expected to benefit from tieback opportunities to available production capacity at the FM O&G-operated large-scale Holstein, Marlin and Horn Mountain deepwater production platforms. In addition, FM O&G has interests in the Lucius and Heidelberg oil fields and in the Vito basin area.

In January 2015, first oil production commenced from the Lucius oil field in Keathley Canyon, and the operator is continuing to ramp up production. Lucius is a subsea development consisting of six subsea wells tied back to a truss spar hull located in 7,200 feet of water. The spar has a design capacity of 80 MBbls of oil per day and 450 MMcf of natural gas per day. The Lucius field was discovered in November 2009, and the subsequent development project was sanctioned in late 2011. FM O&G has a 25.1 percent working interest in Lucius.

During fourth-quarter 2014, installation operations for flow lines, export lines and suction piles for Heidelberg's mooring system commenced. Fabrication of the main topsides module is more than 70 percent complete. The Heidelberg truss spar was designed as a Lucius-look-alike facility with capacity of 80 MBbls of oil per day. Development drilling is in progress and the project remains on track for first production in 2016. Heidelberg is a large, high-quality oil development project located in 5,300 feet of water in the Green Canyon area. FM O&G has a 12.5 percent working interest in Heidelberg.

In December 2014, FM O&G announced successful results from the 100-percent-owned Holstein Deep delineation well in the Green Canyon area. The well, which is approximately one mile south of the discovery well, was drilled to a total depth of 31,100 feet, and wireline logs and core data confirmed 234 net feet of Miocene oil pay with excellent reservoir characteristics and good correlation to the discovery well and previous confirmation sidetrack penetration.

In December 2014, FM O&G commenced drilling the second delineation well at Holstein Deep. The well, which is updip to the discovery well, is currently drilling below 24,800 feet toward a proposed total depth of 31,500 feet. Production from the planned three-well development program is expected to reach approximately 15 MBOE per day. The timing of tying in this production will be subject to partner arrangements and general market conditions.

Recent data supports the potential for additional development opportunities at Holstein Deep to achieve production of up to 75 MBOE per day by 2020. The Holstein Deep development is located in Green Canyon Block 643, west of the Holstein platform in 3,890 feet of water. FM O&G has identified multiple additional development opportunities in the Green Canyon area that could be tied back to the Holstein facility.

Marlin, in which FM O&G has a 100 percent working interest, is located in Viosca Knoll and has production facilities capable of producing in excess of 90 MBOE per day. Several tieback opportunities in the area have been identified including the Dorado and King development projects.

In December 2014, FM O&G announced positive drilling results from the 100-percent-owned Dorado development project. This well is the first of three planned subsea tieback wells to the Marlin facility targeting undrained fault blocks and updip resource potential south of the Marlin facility. The well is expected to commence production in second-quarter 2015. Drilling operations for the second and third wells are expected to begin in the second half of 2015. The Dorado development is located on Viosca Knoll Block 915 in 3,860 feet of water.

FM O&G commenced drilling at the 100-percent-owned King prospect in late 2014, and the well was drilled to a true vertical depth of 12,250 feet in January 2015. Log results indicated 71 net feet of gas pay, and FM O&G is preparing a downdip sidetrack to pursue an optimum oil take point below the gas-oil contact in the reservoir. King is located in Mississippi Canyon, south of the Marlin facility, in 5,200 feet of water.

Horn Mountain, in which FM O&G has a 100 percent working interest, is located in Mississippi Canyon and has production facilities capable of producing in excess of 80 MBOE per day. Several tieback opportunities in the area have been identified, including Kilo/Oscar/Quebec/Victory (KOQV), which are expected to commence in mid-2015. This infill drilling program will target undrained fault blocks and updip resource potential just east of the Horn Mountain facility. KOQV is located in approximately 5,500 feet of water.

In December 2014, the Power Nap exploration well in the Vito area encountered positive drilling results. The well was drilled to a total depth of 30,970 feet, and wireline logs and core data indicated that the well encountered hydrocarbons in multiple subsalt Miocene sand packages. The operator is preparing to drill a sidetrack well to delineate the reservoir and test the downdip limit of the oil accumulation. Power Nap, in which FM O&G has a 50 percent working interest, is located in 4,200 feet of water and is operated by Shell Offshore Inc., which has a 50 percent working interest.

FM O&G has an 18.67 percent interest in the Vito oil discovery in the Mississippi Canyon area and a significant lease position in the Vito basin in the Mississippi Canyon and Atwater Valley areas. Vito, a large, deep subsalt Miocene oil discovery made in 2009, is located in approximately 4,000 feet of water and is operated by Shell Offshore Inc. Exploration and appraisal drilling in recent years confirmed a significant resource in high-quality, subsalt Miocene sands. Development options are under evaluation.

Inboard Lower Tertiary/Cretaceous. FM O&G has an industry-leading position in the emerging Inboard Lower Tertiary/Cretaceous natural gas trend, located on the Shelf of the GOM and onshore in South Louisiana. FM O&G believes that 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.

In February 2015, we announced the results of additional production testing on FM O&G's Highlander discovery, located onshore in South Louisiana in the Inboard Lower Tertiary/Cretaceous trend. The production test, which was performed in the Cretaceous/Tuscaloosa section, utilized expanded testing equipment and indicated a flow rate of approximately 75 MMcf/d, approximately 37 MMcf/d net to FM O&G, on a 42/64th choke with flowing tubing pressure of 10,300 pounds per square inch. Highlander began production on February 25, 2015, using FM O&G facilities in the immediate area. FM O&G plans to install additional amine processing facilities to accommodate the higher rates.

A second well location has been identified, and future plans will be determined pending review of well performance from the first well. FM O&G is the operator and has a 72 percent working interest and an approximate 49 percent net revenue interest in Highlander. FM O&G has identified multiple prospects in the Highlander area where it controls rights to more than 50,000 gross acres.

The Farthest Gate West onshore exploration prospect commenced drilling in October 2014 and is currently drilling below 18,500 feet toward a proposed total depth of 24,000 feet. Farthest Gate West is located onshore in Cameron Parish, Louisiana, and is a Lineham Creek analog prospect with Paleogene objectives.

In response to current oil and gas market conditions, future activities at other Inboard Lower Tertiary/Cretaceous prospects have been deferred.

California. FM O&G's California assets benefit from an established oil production base with a stable production profile and access to favorably priced crude markets. Development plans are principally focused on maintaining stable production levels through continued drilling in the long-established producing fields onshore in California. FM O&G's position in California is located onshore in the San Joaquin Valley and Los Angeles Basin and offshore in the Point Arguello and Point Pedernales fields.

Haynesville. FM O&G has rights to a substantial natural gas resource located in the Haynesville shale play in North Louisiana. Drilling activities in recent years have been reduced to maximize cash flows in a low natural gas price environment.

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 remain committed to a strong balance sheet and will take prudent actions in response to market conditions. We have taken steps to sell assets, defer capital spending and will continue to evaluate opportunities to strengthen our financial position.

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 millions):

	2014	2013
Cash at domestic companies	$ 78	$ 410
Cash at international operations	386	1,575
Total consolidated cash and cash equivalents	464	1,985
Less: Noncontrolling interests' share	(91)	(602)
Cash, net of noncontrolling interests' share	373	1,383
Less: Withholding taxes and other	(16)	(75)
Net cash available	$357	$1,308

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

Following is a summary of our total debt and related weighted-average interest rates at December 31 (in billions, except percentages):

	2014		2013	
		Weighted-Average Interest Rate		Weighted-Average Interest Rate
FCX Senior Notes	$12.0	3.8%	$ 9.5	3.6%
FM O&G Senior Notes	2.6	6.6%	6.7	6.8%
FCX Term Loan	3.1	1.7%	4.0	1.7%
Other FCX debt	1.3	3.3%	0.5	6.4%
Total debt	$19.0	3.8%	$20.7	4.2%

On May 30, 2014, we amended our revolving credit facility, extending the maturity date by one year to May 31, 2019, and increased the aggregate principal amount available from $3.0 billion to $4.0 billion. At December 31, 2014, we had no borrowings and $45 million of letters of credit issued under our revolving credit facility.

We have uncommitted and short-term lines of credit with certain financial institutions that are unsecured, which have terms and pricing that are generally more favorable than our revolving credit facility. As of December 31, 2014, there were $474 million of borrowings drawn on these lines of credit.

In March 2014, Cerro Verde entered into a five-year, $1.8 billion senior unsecured credit facility. Amounts may be drawn or letters of credit issued over a two-year period to fund a portion of the expansion project (see "Operations — South America Mining") and for Cerro Verde's general corporate purposes. At December 31, 2014, there were $425 million of borrowings and no letters of credit issued under Cerro Verde's credit facility.

Refer to Note 8 and "Financing Activities" below for further discussion of our debt and Note 18 for discussion of February 2015 modifications to our revolving credit facility and unsecured bank term loan (Term Loan).

Operating Activities

We generated consolidated operating cash flows totaling $5.6 billion in 2014 (net of $0.6 billion for working capital uses and changes in other tax payments), $6.1 billion in 2013 (net of $0.4 billion for working capital uses and changes in other tax payments) and $3.8 billion in 2012 (net of $1.4 billion for working capital uses and changes in other tax payments).

Lower consolidated operating cash flows for 2014, compared with 2013, reflect the impact of lower copper and gold price realizations and lower copper sales volumes, partly offset by a full year of our oil and gas operations.

Higher consolidated operating cash flows for 2013, compared with 2012, resulted from our oil and gas operations, 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.

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 2015, plus available cash and availability under our credit facilities, 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 operating cash flows for the year 2015.

Investing Activities

Capital Expenditures. Capital expenditures, including capitalized interest, totaled $7.2 billion in 2014 (including $2.9 billion for major projects at mining operations and $3.2 billion for oil and gas operations), $5.3 billion in 2013 (including $2.3 billion for major projects at mining operations and $1.45 billion for oil and gas operations) and $3.5 billion in 2012 (including $2.2 billion for major projects at mining operations).

Increased capital expenditures at mining operations in 2014, compared with 2013, were primarily associated with the expansion project at Cerro Verde. Increased capital expenditures at mining operations in 2013, compared with 2012, 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.

Capital expenditures are expected to approximate $6.0 billion for the year 2015, including $2.5 billion for major projects at our mining operations (primarily for the Cerro Verde expansion and underground development at Grasberg) and $2.3 billion for our oil and gas operations.

We are taking aggressive actions to reduce or defer capital expenditures and other costs and have initiated efforts to obtain third-party funding for a significant portion of our oil and gas capital expenditures to maintain financial strength and flexibility in response to recent sharp declines in oil prices. In addition, we are monitoring copper markets and will be responsive to the market conditions. As a first step, we have reduced budgeted 2015 capital expenditures, exploration and other costs by a total of $2 billion. We have a broad set of natural resource assets that provide many alternatives for future actions to enhance our financial flexibility. Additional capital cost reductions, potential additional divestitures or monetizations, potential reduction or suspension in common dividend payments and other actions will be pursued as required to maintain a strong balance sheet while preserving a strong resource position and portfolio of assets with attractive long-term growth prospects. Refer to "Operations" for further discussion.

Dispositions and Acquisitions. In November 2014, we completed the sale of our 80 percent ownership interests in Candelaria/Ojos to Lundin Mining Corporation (Lundin) for $1.8 billion in cash and contingent consideration of up to $200 million. Excluding contingent consideration, after-tax net proceeds from the transaction approximated $1.5 billion.

In June 2014, we completed the sale of the Eagle Ford shale assets for cash consideration of $3.1 billion. A portion of the proceeds was reinvested in additional oil and gas interests and the remaining net proceeds were used to repay debt. In June 2014 and September 2014, we completed acquisitions of Deepwater GOM interests totaling $1.4 billion.

In June 2013, we paid $3.5 billion in cash (net of cash acquired) for the acquisition of PXP and $1.6 billion in cash (net of cash acquired) for the acquisition of MMR.

In March 2013, we paid $348 million (net of cash acquired) for the acquisition of 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, our joint venture partner.

Refer to Note 2 for further discussion of these dispositions and acquisitions.

Financing Activities

Debt Transactions. In November 2014, we completed the sale of $3.0 billion of senior notes, which were comprised of four tranches with a weighted-average interest rate of 4.1 percent. The proceeds from these senior notes were used to fund our December 2014 tender offers for $1.14 billion aggregate principal of senior notes (with a weighted-average interest rate of 6.5 percent), essentially all of our 2015 scheduled maturities (including scheduled term loan amortization and $500 million of 1.40% Senior Notes due 2015), $300 million in 7.625% Senior

Notes, and to repay borrowings under our revolving credit facility. Other senior note redemptions during 2014 included $400 million of our 8.625% Senior Notes, $1.7 billion of the aggregate principal amount of certain senior notes (with a weighted-average interest rate of 6.6 percent) and $210 million of the aggregate principal amount of our 6.625% Senior Notes.

During 2013, we 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 of London Interbank Offered Rate (LIBOR) plus 1.75 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, which were assumed in the acquisitions.

During 2012, we sold $3.0 billion of senior notes in three tranches with a weighted-average interest rate of 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.

Refer to Note 8 for further discussion of these transactions.

Dividends and Other Equity Transactions. We paid dividends on our common stock totaling $1.3 billion in 2014, $2.3 billion in 2013 (including $1.0 billion for a supplemental dividend of $1.00 per share paid in July 2013) and $1.1 billion in 2012. 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, 2014, and the current dividend rate, our estimated regular common stock dividend for 2015 approximates $1.3 billion. As a result of the recent sharp decline in copper and oil prices, our Board is reviewing the effect of market conditions on our financial position. We have reduced capital spending and other costs and are seeking third-party funding for a significant portion of our oil and gas expenditures. In addition, the Board is reviewing our financial policy and may take further steps to enhance the Company's liquidity and financial position, including a potential reduction or suspension in common dividend payments. For information about a special dividend expected to be paid in 2015 associated with the proposed settlement of the stockholder derivative litigation, refer to Note 12. 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 $424 million in 2014, $256 million in 2013 and $113 million in 2012. Higher noncontrolling interest payments in 2014, compared with 2013, primarily reflected higher dividends to the noncontrolling interest holders of El Abra and Tenke. Higher noncontrolling interest payments in 2013, compared with 2012, primarily reflected higher dividends to the noncontrolling interest holders of El Abra and Candelaria. 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 based on the principal amounts, 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, 2014, follows (in millions):

	Total	2015	2016 to 2017	2018 to 2019	Thereafter
Debt maturities	$18,752	$ 478	$2,102	$4,363	$11,809
Scheduled interest payment obligations[a]	7,720	704	1,382	1,186	4,448
ARO and environmental obligations[b]	8,062	319	728	428	6,587
Take-or-pay contracts[c]	4,273	2,128	1,711	230	204
Operating lease obligations	354	44	86	59	165
Total[d]	$39,161	$3,673	$6,009	$6,266	$23,213

a. Scheduled interest payment obligations were calculated using stated coupon rates for fixed-rate debt and interest rates applicable at December 31, 2014, for variable-rate debt.

b. Represents estimated cash payments, on an undiscounted and unescalated basis, associated with ARO and environmental activities (including $1.9 billion for our 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 deepwater drillships to be utilized in the GOM drilling campaign ($1.8 billion), transportation services ($732 million), the procurement of copper concentrates ($572 million), electricity ($316 million) and deferred premium costs and future interest on the crude oil derivative contracts ($231 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 contracted ocean freight and FM O&G contracted gathering. 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, commitments and contingencies totaling $191 million and unrecognized tax benefits totaling $68 million 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.

Refer to Note 18 for discussion of February 2015 modifications to our revolving credit facility and Term Loan.

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, 2014, we had $1.2 billion recorded in our consolidated balance sheet for environmental obligations attributed to CERCLA or analogous state programs and for estimated future costs associated with environmental obligations that are considered probable based on specific facts and circumstances.

During 2014, we incurred environmental capital expenditures and other environmental costs (including our joint venture partners' shares) of $405 million for programs to comply with applicable environmental laws and regulations that affect our operations, compared with $595 million in 2013 and $612 million in 2012. Lower spending in 2014 primarily reflects the completion of a water treatment facility in 2013 and extended project timelines. For 2015, we expect to incur approximately $500 million of aggregate environmental capital expenditures and other environmental costs, which are part of our overall 2015 operating budget, and are higher than 2014 because of timing of expenditures. 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 and as a related asset retirement cost (ARC) (included in property, plant, equipment and development costs) in the period of disturbance. Oil and gas plugging and abandonment costs are 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. 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, 2014, we had $2.8 billion recorded in our consolidated balance sheet for AROs, including $1.1 billion related to our oil and gas properties. Spending on AROs totaled $99 million in 2014, $107 million in 2013 and $47 million in 2012, including $74 million in 2014 and $64 million in 2013 for our oil and gas operations. For 2015, we expect to incur approximately $191 million for aggregate ARO payments. Refer to Note 12 for further discussion.

Litigation and Other Contingencies

Refer to Notes 2 and 12 and "Legal Proceedings" contained in Part I, Item 3 of our annual report on Form 10-K for the year ended December 31, 2014, 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.

For 2014, 44 percent of our mined copper was sold in concentrate, 31 percent as cathode and 25 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):

	2014	2013	2012
Revenues	$ (118)	$ (26)	$ 101
Net (loss) income attributable to common stockholders	$ (65)	$ (12)	$ 43
Net (loss) income per share of common stockholders	$ (0.06)	$ (0.01)	$ 0.05

At December 31, 2014, we had provisionally priced copper sales at our copper mining operations, primarily South America and Indonesia, totaling 405 million pounds of copper (net of intercompany sales and noncontrolling interests) recorded at an average price of $2.86 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, 2014, provisional price recorded would have a net impact on our 2015 consolidated revenues of approximately $26 million ($13 million to net income attributable to common stockholders). The LME spot copper price closed at $2.59 per pound on February 20, 2015.

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.

Our oil and gas operations have used various derivative contracts to manage exposure to oil and gas price risk. Realized cash losses on crude oil and natural gas derivative contracts totaled $122 million for the year 2014 and $22 million for the seven-month period from June 1, 2013, to December 31, 2013. Additionally, following is a summary of the net noncash mark-to-market gains (losses) on crude oil and natural gas derivative contracts for the years ended December 31 (in millions, except per share amounts):

	2014	2013[a]
Revenues	$ 627	$ (312)
Net (loss) income attributable to common stockholders	$ 389	$ (194)
Net (loss) income per share attributable to common stockholders	$0.37	$ (0.19)

a. Reflects the seven-month period from June 1, 2013, to December 31, 2013.

At December 31, 2014, the fair value of the crude oil derivative contracts totaled a $526 million asset; partly offsetting the fair value is $210 million in deferred premiums and interest to be settled in future periods. The estimated increase in the net asset on our balance sheet of a 10 percent decrease in Brent crude oil prices on the fair values of outstanding crude oil derivative contracts, compared with forward prices used to determine the December 31, 2014, fair values approximates $38 million. The estimated decrease in the net asset on our balance sheet of a 10 percent increase in Brent crude oil prices on the fair values of outstanding crude oil derivative contracts, compared with the forward prices used to determine the December 31, 2014, fair values approximates $51 million. Refer to Note 14 for further discussion of our crude oil and natural gas derivative contracts.

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]	
	2014	2013	2012	(in local currency)	(in millions)[b]	Increase	Decrease
Indonesia							
Rupiah	12,378	12,128	9,622	7.6 trillion	$614	$ (56)	$68
Australian dollar	1.22	1.12	0.93	225 million	$185	$ (17)	$21
South America							
Chilean peso	607	525	480	170 billion	$280	$ (25)	$31
Peruvian nuevo sol	2.99	2.80	2.55	600 million	$201	$ (18)	$22
Atlantic Copper							
Euro	0.82	0.73	0.76	135 million	$164	$ (15)	$18

a. Reflects the estimated impact on annual operating costs assuming a 10 percent increase or decrease in the exchange rate reported at December 31, 2014.
b. Based on December 31, 2014, exchange rates.

Interest Rate Risk

At December 31, 2014, we had total debt maturities based on the principal amounts of $18.8 billion, of which approximately 22 percent was variable-rate debt with interest rates based on the LIBOR 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, 2014 (in millions, except percentages):

	2015	2016	2017	2018	2019	Thereafter	Fair Value
Fixed-rate debt	$ 4	$ 1	$1,251	$1,501	$ 237	$11,702	$14,679
Average interest rate	1.1%	3.9%	2.2%	2.4%	6.1%	4.8%	4.4%
Variable-rate debt	$474	$ 650	$ 200	$2,200	$ 425	$ 107	$ 4,056
Average interest rate	1.3%	1.7%	1.7%	1.7%	2.1%	3.9%	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, 2014	By-Product Method	Co-Product Method: Copper	Co-Product Method: Molybdenum[a]	Co-Product Method: Other[b]	Co-Product Method: Total
(In millions)					
Revenues, excluding adjustments	$5,186	$5,186	$ 379	$127	$ 5,692
Site production and delivery, before net noncash and other costs shown below	3,057	2,999	90	75	3,164
By-product credits	(399)	—	—	—	—
Treatment charges	203	198	—	5	203
Net cash costs	2,861	3,197	90	80	3,367
Depreciation, depletion and amortization	473	462	4	7	473
Noncash and other costs, net	149	147	1	1	149
Total costs	3,483	3,806	95	88	3,989
Revenue adjustments, primarily for pricing on prior period open sales	(7)	(7)	—	—	(7)
Gross profit	$1,696	$1,373	$ 284	$ 39	$ 1,696
Copper sales (millions of recoverable pounds)	1,657	1,657			
Molybdenum sales (millions of recoverable pounds)[a]			33		
Gross profit per pound of copper/molybdenum:					
Revenues, excluding adjustments	$ 3.13	$ 3.13	$11.52		
Site production and delivery, before net noncash and other costs shown below	1.85	1.81	2.74		
By-product credits	(0.24)	—	—		
Treatment charges	0.12	0.12	—		
Unit net cash costs	1.73	1.93	2.74		
Depreciation, depletion and amortization	0.29	0.28	0.14		
Noncash and other costs, net	0.09	0.09	0.03		
Total unit costs	2.11	2.30	2.91		
Revenue adjustments, primarily for pricing on prior period open sales	—	—	—		
Gross profit per pound	$ 1.02	$ 0.83	$ 8.61		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 5,692	$ 3,164	$ 473
Treatment charges	—	203	—
Noncash and other costs, net	—	149	—
Revenue adjustments, primarily for pricing on prior period open sales	(7)	—	—
Eliminations and other	(69)	(76)	11
North America copper mines	5,616	3,440	484
Other mining & eliminations[c]	11,112	7,225	1,074
Total mining	16,728	10,665	1,558
U.S. oil & gas operations	4,710	1,237	6,028[d]
Corporate, other & eliminations	—	2	14
As reported in FCX's consolidated financial statements	$21,438	$11,904	$7,600[d]

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.
d. Includes impairment of oil and gas properties of $3.7 billion.

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

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/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	—
Noncash and other costs, net	—	202[c]	—
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/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	—
Noncash and other costs, net	—	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.

South America Mining Product Revenues and Production Costs

Year Ended December 31, 2014	By-Product Method	Co-Product Method Copper	Other	Total
(In millions)				
Revenues, excluding adjustments	$3,498	$3,498	$269[a]	$3,767
Site production and delivery, before net noncash and other costs shown below	1,839	1,708	153	1,861
By-product credits	(247)	—	—	—
Treatment charges	191	191	—	191
Royalty on metals	6	5	1	6
Net cash costs	1,789	1,904	154	2,058
Depreciation, depletion and amortization	367	345	22	367
Noncash and other costs, net	67	78	(11)	67
Total costs	2,223	2,327	165	2,492
Revenue adjustments, primarily for pricing on prior period open sales	(65)	(65)	—	(65)
Gross profit	$1,210	$1,106	$104	$1,210
Copper sales (millions of recoverable pounds)	1,135	1,135		
Gross profit per pound of copper:				
Revenues, excluding adjustments	$ 3.08	$ 3.08		
Site production and delivery, before net noncash and other costs shown below	1.62	1.50		
By-product credits	(0.22)	—		
Treatment charges	0.17	0.17		
Royalty on metals	0.01	0.01		
Unit net cash costs	1.58	1.68		
Depreciation, depletion and amortization	0.32	0.30		
Noncash and other costs, net	0.06	0.07		
Total unit costs	1.96	2.05		
Revenue adjustments, primarily for pricing on prior period open sales	(0.05)	(0.05)		
Gross profit per pound	$ 1.07	$ 0.98		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 3,767	$ 1,861	$ 367
Treatment charges	(191)	—	—
Royalty on metals	(6)	—	—
Noncash and other costs, net	—	67	—
Revenue adjustments, primarily for pricing on prior period open sales	(65)	—	—
Eliminations and other	27	11	—
South America mining	3,532	1,939	367
Other mining & eliminations[b]	13,196	8,726	1,191
Total mining	16,728	10,665	1,558
U.S. oil & gas operations	4,710	1,237	6,028[c]
Corporate, other & eliminations	—	2	14
As reported in FCX's consolidated financial statements	$21,438	$11,904	$ 7,600[c]

a. Includes gold sales of 67 thousand ounces ($1,271 per ounce average realized price) and silver sales of 2.9 million ounces ($18.54 per ounce average realized price). Also reflects sales of molybdenum produced by Cerro Verde to our molybdenum sales company at market-based pricing.

b. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.

c. Includes impairment of oil and gas properties of $3.7 billion.

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

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)	—	—
Noncash and other costs, net	—	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 $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	Co-Product Method Other	Co-Product Method 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)	—	—
Noncash and other costs, net	—	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.

Indonesia Mining Product Revenues and Production Costs

Year Ended December 31, 2014	By-Product Method	Co-Product Method Copper	Gold	Silver	Total
(In millions)					
Revenues, excluding adjustments	$1,998	$ 1,998	$1,434	$ 39[a]	$3,471
Site production and delivery, before net noncash and other costs shown below	1,831	1,054	757	20	1,831
Gold and silver credits	(1,491)	—	—	—	—
Treatment charges	171	99	70	2	171
Export duties	77	44	32	1	77
Royalty on metals	115	66	48	1	115
Net cash costs	703	1,263	907	24	2,194
Depreciation and amortization	266	153	110	3	266
Noncash and other costs, net	191[b]	110	79	2	191
Total costs	1,160	1,526	1,096	29	2,651
Revenue adjustments, primarily for pricing on prior period open sales	(55)	(55)	18	—	(37)
PT Smelting intercompany profit	34	20	14	—	34
Gross profit	$ 817	$ 437	$ 370	$ 10	$ 817
Copper sales (millions of recoverable pounds)	664	664			
Gold sales (thousands of recoverable ounces)			1,168		
Gross profit per pound of copper/per ounce of gold:					
Revenues, excluding adjustments	$ 3.01	$ 3.01	$1,229		
Site production and delivery, before net noncash and other costs shown below	2.76	1.59	648		
Gold and silver credits	(2.25)	—	—		
Treatment charges	0.26	0.15	61		
Export duties	0.12	0.06	27		
Royalty on metals	0.17	0.10	41		
Unit net cash costs	1.06	1.90	777		
Depreciation and amortization	0.40	0.23	94		
Noncash and other costs, net	0.29[b]	0.17	68		
Total unit costs	1.75	2.30	939		
Revenue adjustments, primarily for pricing on prior period open sales	(0.08)	(0.08)	15		
PT Smelting intercompany profit	0.05	0.03	12		
Gross profit per pound/ounce	$ 1.23	$ 0.66	$ 317		

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 3,471	$ 1,831	$ 266
Treatment charges	(171)	—	—
Export duties	(77)	—	—
Royalty on metals	(115)	—	—
Noncash and other costs, net	—	191[b]	—
Revenue adjustments, primarily for pricing on prior period open sales	(37)	—	—
PT Smelting intercompany profit	—	(34)	—
Indonesia mining	3,071	1,988	266
Other mining & eliminations[c]	13,657	8,677	1,292
Total mining	16,728	10,665	1,558
U.S. oil & gas operations	4,710	1,237	6,028[d]
Corporate, other & eliminations	—	2	14
As reported in FCX's consolidated financial statements	$21,438	$11,904	$7,600[d]

a. Includes silver sales of 2.2 million ounces ($17.42 per ounce average realized price).
b. Includes $143 million ($0.22 per pound) of fixed costs charged directly to cost of sales as a result of the impact of export restrictions on PT- FI's operating rates.
c. Represents the combined total for all other mining operations and the related eliminations, as presented in Note 16.
d. Includes impairment of oil and gas properties of $3.7 billion.

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

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)	—	—
Noncash and other costs, net	—	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)	—	—
Noncash and other costs, net	—	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.

Africa Mining Product Revenues and Production Costs

Year Ended December 31, 2014	By-Product Method	Co-Product Method Copper	Cobalt	Total
(In millions)				
Revenues, excluding adjustments[a]	$1,301	$1,301	$285	$1,586
Site production and delivery, before net noncash and other costs shown below	665	591	157	748
Cobalt credits[b]	(204)	—	—	—
Royalty on metals	29	24	5	29
Net cash costs	490	615	162	777
Depreciation, depletion and amortization	228	195	33	228
Noncash and other costs, net	22	19	3	22
Total costs	740	829	198	1,027
Revenue adjustments, primarily for pricing on prior period open sales	(1)	(1)	2	1
Gross profit	$ 560	$ 471	$ 89	$ 560
Copper sales (millions of recoverable pounds)	425	425		
Cobalt sales (millions of contained pounds)			30	
Gross profit per pound of copper and cobalt:				
Revenues, excluding adjustments[a]	$ 3.06	$ 3.06	$9.66	
Site production and delivery, before net noncash and other costs shown below	1.56	1.39	5.30	
Cobalt credits[b]	(0.48)	—	—	
Royalty on metals	0.07	0.06	0.16	
Unit net cash costs	1.15	1.45	5.46	
Depreciation, depletion and amortization	0.54	0.46	1.13	
Noncash and other costs, net	0.05	0.04	0.11	
Total unit costs	1.74	1.95	6.70	
Revenue adjustments, primarily for pricing on prior period open sales	—	—	0.07	
Gross profit per pound	$ 1.32	$ 1.11	$3.03	

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 1,586	$ 748	$ 228
Royalty on metals	(29)	—	—
Noncash and other costs, net	—	22	—
Revenue adjustments, primarily for pricing on prior period open sales	1	—	—
Africa mining	1,558	770	228
Other mining & eliminations[c]	15,170	9,895	1,330
Total mining	16,728	10,665	1,558
U.S. oil & gas operations	4,710	1,237	6,028[d]
Corporate, other & eliminations	—	2	14
As reported in FCX's consolidated financial statements	$ 21,438	$11,904	$ 7,600[d]

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.
d. Includes impairment of oil and gas properties of $3.7 billion.

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

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 and 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)	—	—
Noncash and other costs, net	—	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	Co-Product Method Cobalt	Co-Product Method 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 and 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)	—	—
Noncash and other costs, net	—	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.

Molybdenum Mines Product Revenues and Production Costs

Years Ended December 31,	2014[a]	2013[a]	2012[a]
(In millions)			
Revenues, excluding adjustments[b]	**$ 630**	$ 566	$ 484
Site production and delivery, before net noncash and other costs shown below	**321**	303	210
Treatment charges and other	**43**	44	30
Net cash costs	**364**	347	240
Depreciation, depletion and amortization	**92**	82	33
Noncash and other costs, net	**7**	14	8
Total costs	**463**	443	281
Gross profit	**$ 167**	$ 123	$ 203
Molybdenum sales (millions of recoverable pounds)[b]	**51**	49	34
Gross profit per pound of molybdenum:			
Revenues, excluding adjustments[b]	**$12.28**	$11.65	$14.27
Site production and delivery, before net noncash and other costs shown below	**6.24**	6.24	6.19
Treatment charges and other	**0.84**	0.91	0.88
Unit net cash costs	**7.08**	7.15	7.07
Depreciation, depletion and amortization	**1.80**	1.68	0.97
Noncash and other costs, net	**0.15**	0.29	0.24
Total unit costs	**9.03**	9.12	8.28
Gross profit per pound	**$ 3.25**	$ 2.53	$ 5.99

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Year Ended December 31, 2014			
Totals presented above	**$ 630**	**$ 321**	**$ 92**
Treatment charges and other	**(43)**	**—**	**—**
Noncash and other costs, net	**—**	**7**	**—**
Molybdenum mines	**587**	**328**	**92**
Other mining & eliminations[c]	**16,141**	**10,337**	**1,466**
Total mining	**16,728**	**10,665**	**1,558**
U.S. oil & gas operations	**4,710**	**1,237**	**6,028**[d]
Corporate, other & eliminations	**—**	**2**	**14**
As reported in FCX's consolidated financial statements	**$21,438**	**$11,904**	**$7,600**[d]
Year Ended December 31, 2013			
Totals presented above	$ 566	$ 303	$ 82
Treatment charges and other	(44)	—	—
Noncash and other costs, net	—	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)	—	—
Noncash and other costs, net	—	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

a. The years 2014 and 2013 include the combined results of the Henderson and Climax mines; the year 2012 reflects the results of only the Henderson mine as start-up activities were still under way at the Climax mine.

b. Reflects sales of the molybdenum mines' production to the 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, our 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 the molybdenum sales company, which includes sales of molybdenum produced by the molybdenum mines and by certain of the North and South America copper mines.

d. Includes impairment of oil and gas properties of $3.7 billion.

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

Year Ended December 31, 2014	Oil	Natural Gas	NGLs	Total U.S. Oil & Gas
(In millions)				
Oil and gas revenues before derivatives	$3,721	$353	$128	$ 4,202
Realized cash losses on derivative contracts	(111)	(11)	—	(122)
Realized revenues	$3,610	$342	$128	4,080
Less: cash production costs				1,140
Cash operating margin				2,940
Less: depreciation, depletion and amortization				2,291
Less: impairment of oil and gas properties				3,737
Less: accretion and other costs				97
Plus: net noncash mark-to-market gains on derivative contracts				627
Plus: other net adjustments				3
Gross loss				$(2,555)
Oil (MMBbls)	40.1			
Gas (Bcf)		80.8		
NGLs (MMBbls)			3.2	
Oil Equivalents (MMBOE)				56.8

	Oil (per barrel)	Natural Gas (per MMBtu)	NGLs (per barrel)	Per BOE
Oil and gas revenues before derivatives	$92.76	$ 4.37	$39.73	$ 73.98
Realized cash losses on derivative contracts	(2.76)	(0.14)	—	(2.15)
Realized revenues	$90.00	$ 4.23	$39.73	71.83
Less: cash production costs				20.08
Cash operating margin				51.75
Less: depreciation, depletion and amortization				40.34
Less: impairment of oil and gas properties				65.80
Less: accretion and other costs				1.69
Plus: net noncash mark-to-market gains on derivative contracts				11.03
Plus: other net adjustments				0.06
Gross loss				$(44.99)

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 4,202	$ 1,140	$2,291
Realized cash losses on derivative contracts	(122)	—	—
Net noncash mark-to-market gains on derivative contracts	627	—	—
Accretion and other costs	—	97	—
Impairment of oil and gas properties	—	—	3,737
Other net adjustments	3	—	—
U.S. oil & gas operations	4,710	1,237	6,028
Total mining[a]	16,728	10,665	1,558
Corporate, other & eliminations	—	2	14
As reported in FCX's consolidated financial statements	$21,438	$11,904	$7,600

a. Represents the combined total for mining operations and the related eliminations, as presented in Note 16.

U.S. Oil & Gas Product Revenues, Cash Production Costs and Realizations *(continued)*

Seven months from June 1, 2013, to December 31, 2013	Oil	Natural Gas	NGLs	Total U.S. Oil & Gas
(In millions)				
Oil and gas revenues before derivatives	$2,655	$202	$92	$2,949
Realized cash (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 noncash mark-to-market losses on derivative contracts				(312)
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 cash (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 noncash mark-to-market losses on derivative contracts				(8.20)
Plus: other net adjustments				0.04
Gross profit				$14.97

Reconciliation to Amounts Reported

	Revenues	Production and Delivery	Depreciation, Depletion and Amortization
(In millions)			
Totals presented above	$ 2,949	$ 653	$1,364
Realized cash losses on derivative contracts	(22)	—	—
Net noncash mark-to-market losses on derivative contracts	(312)	—	—
Accretion and other costs	—	29	—
Other net adjustments	1	—	—
U.S. oil & gas operations	2,616	682	1,364
Total mining[a]	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. 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; 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 the 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 that 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 supply of and demand for, and prices of copper, gold, molybdenum, cobalt, oil and gas, mine sequencing, production rates, industry risks, regulatory changes, political risks, drilling results, the outcome of negotiations with the Indonesian government regarding an amendment to PT-FI's COW, PT-FI's ability to obtain renewal of its export license after July 25, 2015, 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 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, 2014, 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.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Freeport-McMoRan 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 (2013 framework) (the COSO criteria). Based on our management's assessment, management concluded that, as of December 31, 2014, 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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Freeport-McMoRan Inc.'s (formerly Freeport-McMoRan Copper & Gold Inc.) internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Freeport-McMoRan 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 Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, 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 Inc. as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive (loss) income, equity and cash flows for each of the three years in the period ended December 31, 2014, and our report dated February 27, 2015 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Phoenix, Arizona
February 27, 2015

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

We have audited the accompanying consolidated balance sheets of Freeport-McMoRan Inc. (formerly Freeport-McMoRan Copper & Gold Inc.) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive (loss) income, equity and cash flows for each of the three years in the period ended December 31, 2014. 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 Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, 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 Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2015 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Phoenix, Arizona
February 27, 2015

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31,	2014	2013	2012
(In millions, except per share amounts)			
Revenues	$21,438	$20,921	$18,010
Cost of sales:			
Production and delivery	11,904	11,840	10,382
Depreciation, depletion and amortization	3,863	2,797	1,179
Impairment of oil and gas properties	3,737	—	—
Total cost of sales	19,504	14,637	11,561
Selling, general and administrative expenses	592	657	431
Mining exploration and research expenses	126	210	285
Environmental obligations and shutdown costs	119	66	(22)
Goodwill impairment	1,717	—	—
Net gain on sales of assets	(717)	—	—
Gain on insurance settlement	—	—	(59)
Total costs and expenses	21,341	15,570	12,196
Operating income	97	5,351	5,814
Interest expense, net	(630)	(518)	(186)
Net gain (loss) on early extinguishment of debt	73	(35)	(168)
Gain on investment in McMoRan Exploration Co. (MMR)	—	128	—
Other income (expense), net	36	(13)	27
(Loss) income before income taxes and equity in affiliated companies' net earnings	(424)	4,913	5,487
Provision for income taxes	(324)	(1,475)	(1,510)
Equity in affiliated companies' net earnings	3	3	3
Net (loss) income	(745)	3,441	3,980
Net income attributable to noncontrolling interests	(523)	(761)	(939)
Preferred dividends attributable to redeemable noncontrolling interest	(40)	(22)	—
Net (loss) income attributable to FCX common stockholders	$ (1,308)	$ 2,658	$ 3,041
Net (loss) income per share attributable to FCX common stockholders:			
Basic	$ (1.26)	$ 2.65	$ 3.20
Diluted	$ (1.26)	$ 2.64	$ 3.19
Weighted-average common shares outstanding:			
Basic	1,039	1,002	949
Diluted	1,039	1,006	954
Dividends declared per share of common stock	$ 1.25	$ 2.25	$ 1.25

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

Years Ended December 31,	2014	2013	2012
(In millions)			
Net (loss) income	$ (745)	$3,441	$3,980
Other comprehensive (loss) income, net of taxes:			
Defined benefit plans:			
Actuarial (losses) gains arising during the period	(161)	73	(69)
Prior service costs arising during the period	—	(21)	—
Amortization of unrecognized amounts included in net periodic benefit costs	25	30	26
Foreign exchange gains	1	12	3
Adjustment to deferred tax valuation allowance	(5)	—	(1)
Translation adjustments and unrealized losses on securities	(1)	4	(1)
Other comprehensive (loss) income	(141)	98	(42)
Total comprehensive (loss) income	(886)	3,539	3,938
Total comprehensive income attributable to noncontrolling interests	(521)	(758)	(938)
Preferred dividends attributable to redeemable noncontrolling interest	(40)	(22)	—
Total comprehensive (loss) income attributable to FCX common stockholders	$ (1,447)	$2,759	$3,000

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2014	2013	2012
(In millions)			
Cash flow from operating activities:			
Net (loss) income	$ (745)	$ 3,441	$ 3,980
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation, depletion and amortization	3,863	2,797	1,179
Impairment of oil and gas properties and goodwill	5,454	—	—
Net (gains) losses on crude oil and natural gas derivative contracts	(504)	334	—
Gain on investment in MMR	—	(128)	—
Stock-based compensation	106	173	100
Net charges for environmental and asset retirement obligations, including accretion	200	164	22
Payments for environmental and asset retirement obligations	(176)	(237)	(246)
Net (gain) loss on early extinguishment of debt	(73)	35	168
Net gain on sales of assets	(717)	—	—
Deferred income taxes	(929)	277	269
Increase in long-term mill and leach stockpiles	(233)	(431)	(269)
Other, net	17	91	(12)
Decreases (increases) in working capital and changes in other tax payments, excluding amounts from acquisitions and dispositions:			
Accounts receivable	215	49	(365)
Inventories	(249)	(288)	(729)
Other current assets	—	26	(76)
Accounts payable and accrued liabilities	(394)	(359)	209
Accrued income taxes and changes in other tax payments	(204)	195	(456)
Net cash provided by operating activities	5,631	6,139	3,774
Cash flow from investing activities:			
Capital expenditures:			
North America copper mines	(969)	(1,066)	(825)
South America	(1,785)	(1,145)	(931)
Indonesia	(948)	(1,030)	(843)
Africa	(159)	(205)	(539)
Molybdenum mines	(54)	(164)	(245)
United States oil and gas operations	(3,205)	(1,436)	—
Other	(95)	(240)	(111)
Acquisition of Deepwater Gulf of Mexico interests	(1,426)	—	—
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)	—
Net proceeds from sale of Candelaria and Ojos del Salado	1,709	—	—
Net proceeds from sale of Eagle Ford shale assets	2,910	—	—
Other, net	221	(181)	31
Net cash used in investing activities	(3,801)	(10,908)	(3,463)
Cash flow from financing activities:			
Proceeds from debt	8,710	11,501	3,029
Repayments of debt	(10,306)	(5,476)	(3,186)
Redemption of MMR preferred stock	—	(228)	—
Cash dividends and distributions paid:			
Common stock	(1,305)	(2,281)	(1,129)
Noncontrolling interests	(424)	(256)	(113)
Stock-based awards net proceeds (payments), including excess tax benefit	9	(98)	7
Debt financing costs and other, net	(35)	(113)	(36)
Net cash (used in) provided by financing activities	(3,351)	3,049	(1,428)
Net decrease in cash and cash equivalents	(1,521)	(1,720)	(1,117)
Cash and cash equivalents at beginning of year	1,985	3,705	4,822
Cash and cash equivalents at end of year	$ 464	$ 1,985	$ 3,705

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

December 31,	2014	2013
(In millions, except par value)		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 464	$ 1,985
Trade accounts receivable	953	1,728
Income and other tax receivables	1,322	695
Other accounts receivable	288	139
Inventories:		
Mill and leach stockpiles	1,914	1,705
Materials and supplies, net	1,886	1,730
Product	1,561	1,583
Other current assets	657	407
Total current assets	9,045	9,972
Property, plant, equipment and mining development costs, net	26,220	24,042
Oil and gas properties, net – full cost method:		
Subject to amortization, less accumulated amortization of $7,360 and $1,357, respectively	9,187	12,472
Not subject to amortization	10,087	10,887
Long-term mill and leach stockpiles	2,179	2,386
Goodwill	—	1,916
Other assets	2,077	1,798
Total assets	$58,795	$63,473
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,653	$ 3,708
Current portion of debt	478	312
Accrued income taxes	410	184
Dividends payable	335	333
Current portion of environmental and asset retirement obligations	296	236
Total current liabilities	5,172	4,773
Long-term debt, less current portion	18,492	20,394
Deferred income taxes	6,398	7,410
Environmental and asset retirement obligations, less current portion	3,647	3,259
Other liabilities	1,861	1,690
Total liabilities	35,570	37,526
Redeemable noncontrolling interest	751	716
Equity:		
Stockholders' equity:		
Common stock, par value $0.10, 1,167 shares and 1,165 shares issued, respectively	117	117
Capital in excess of par value	22,281	22,161
Retained earnings	128	2,742
Accumulated other comprehensive loss	(544)	(405)
Common stock held in treasury – 128 shares and 127 shares, respectively, at cost	(3,695)	(3,681)
Total stockholders' equity	18,287	20,934
Noncontrolling interests	4,187	4,297
Total equity	22,474	25,231
Total liabilities and equity	$58,795	$63,473

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

CONSOLIDATED STATEMENTS OF EQUITY

	Stockholders' Equity									
	Common Stock					Common Stock Held in Treasury				
(In millions)	Number of Shares	At Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Number of Shares	At Cost	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2012	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
Net income attributable to FCX common stockholders	—	—	—	3,041	—	—	—	3,041	—	3,041
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	939	939
Other comprehensive loss	—	—	—	—	(41)	—	—	(41)	(1)	(42)
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 of 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	—
Net income attributable to FCX common stockholders	—	—	—	2,658	—	—	—	2,658	—	2,658
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	761	761
Other comprehensive income (loss)	—	—	—	—	101	—	—	101	(3)	98
Balance at December 31, 2013	1,165	117	22,161	2,742	(405)	127	(3,681)	20,934	4,297	25,231
Exercised and issued stock-based awards	2	—	12	—	—	—	—	12	—	12
Stock-based compensation	—	—	98	—	—	—	—	98	—	98
Tax benefit for stock-based awards	—	—	5	—	—	—	—	5	1	6
Tender of shares for stock-based awards	—	—	6	—	—	1	(14)	(8)	—	(8)
Dividends on common stock	—	—	—	(1,306)	—	—	—	(1,306)	—	(1,306)
Dividends to noncontrolling interests	—	—	—	—	—	—	—	—	(396)	(396)
Noncontrolling interests' share of contributed capital in subsidiary	—	—	(1)	—	—	—	—	(1)	7	6
Sale of Candelaria and Ojos del Salado	—	—	—	—	—	—	—	—	(243)	(243)
Net loss attributable to FCX common stockholders	—	—	—	(1,308)	—	—	—	(1,308)	—	(1,308)
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—	—	523	523
Other comprehensive loss	—	—	—	—	(139)	—	—	(139)	(2)	(141)
Balance at December 31, 2014	1,167	$117	$22,281	$ 128	$ (544)	128	$(3,695)	$18,287	$4,187	$ 22,474

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. Effective July 14, 2014, Freeport-McMoRan Copper & Gold Inc. changed its name to Freeport-McMoRan Inc. (FCX) to simplify the corporate name and better reflect FCX's expanded portfolio of assets. The consolidated financial statements of FCX include the accounts of those subsidiaries where it 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 the following wholly owned subsidiaries: Freeport Minerals Corporation (FMC, formerly Freeport-McMoRan Corporation), Atlantic Copper, S.L.U. (Atlantic Copper) and FCX Oil & Gas Inc. (FM O&G).

FCX acquired mining assets in North America, South America and Africa when it acquired Phelps Dodge Corporation (now known as FMC) in 2007. FCX acquired oil and gas operations when it 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. The results included in these financial statements for the year ended December 31, 2013, 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). 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. All significant intercompany transactions have been eliminated. Dollar amounts in tables are stated in millions, except per share amounts.

Business Segments. 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.

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

Inventories. Inventories include mill and leach stockpiles, materials and supplies, and product inventories. Inventories 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 or raw materials) 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. Refer to Note 4 for further discussion.

Mill and Leach Stockpiles. Mill and leach stockpiles are work-in-process inventories for FCX's mining operations. Both mill and leach stockpiles generally contain lower grade ores that have been extracted from an ore body and are available for copper recovery. Mill stockpiles contain sulfide ores and recovery of metal is through milling, concentrating, smelting and refining or, alternatively, by concentrate leaching. Leach stockpiles contain oxide ores and certain secondary sulfide ores and recovery of metal is through exposure to acidic solutions that dissolve contained copper and deliver it in solution to extraction processing facilities (*i.e.*, solution extraction and electrowinning (SX/EW)). 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.

Product Inventories. Raw materials are primarily unprocessed concentrate at Atlantic Copper's smelting and refining operations. Work-in-process inventories primarily are copper concentrates at various stages of conversion into anodes and cathodes at Atlantic Copper's operations. 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 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. Refer to Note 5 for further discussion.

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. 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. 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. 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 also include 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 escalation and discount rates. FCX believes its estimates and models used to determine fair value are similar to what a market participant would use.

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 if 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 $88 million in 2014 and $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, excluding derivatives. 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 September 30, 2014, and December 31, 2014, the net capitalized costs with respect to FCX's U.S. oil and gas properties exceeded the related ceiling; therefore, impairment charges of $3.7 billion were recorded in 2014 primarily because of higher capitalized costs and the lower twelve-month average of the first-day-of-the-month historical reference oil price at such dates.

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 was allocated to the U.S. oil and gas reporting unit. 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. Events affecting crude oil and natural gas prices caused a decrease in the fair value of the reporting unit in 2014, which resulted in the full impairment of goodwill (refer to Note 2 for further discussion).

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 initially 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.

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 2014 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, Tenke Fungurume Mining S.A. (TFM or Tenke) metal sales and certain Sociedad Minera Cerro Verde S.A.A. (Cerro Verde) metal sales are subject to certain royalties, which are recorded as a reduction to revenues. In addition, PT-FI concentrate sales are also subject to export duties beginning in 2014, 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 40 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, 2014.

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 of the performance share units (PSUs) and the performance-based RSUs are determined using a Monte-Carlo simulation model. 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 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 computed by dividing net income attributable to FCX common stockholders by the weighted-average shares of common stock outstanding during the year. Diluted net income per share of common stock was computed using the most dilutive of (a) the two-class method or (b) the treasury stock method. Under the two-class method, net income is allocated to each class of common stock and participating securities as if all of the earnings for the period had been distributed. FCX's participating securities consist of vested RSUs for which the underlying common shares are not yet issued and entitle holders to non-forfeitable dividends.

A reconciliation of net income and weighted-average shares of common stock outstanding for purposes of calculating basic and diluted net income per share for the years ended December 31 follows:

	2014	2013	2012
Net (loss) income	$ (745)	$ 3,441	$ 3,980
Net income attributable to noncontrolling interests	(523)	(761)	(939)
Preferred dividends on redeemable noncontrolling interest	(40)	(22)	—
Undistributed earnings allocable to participating securities	(3)	—	—
Net (loss) income allocable to FCX common stockholders	$ (1,311)	$ 2,658	$ 3,041
Basic weighted-average shares of common stock outstanding (millions)	1,039	1,002	949
Add shares issuable upon exercise or vesting of dilutive stock options and RSUs (millions)	—[a]	4[a]	5[a]
Diluted weighted-average shares of common stock outstanding (millions)	1,039	1,006	954
Basic net (loss) income per share attributable to FCX common stockholders	$ (1.26)	$ 2.65	$ 3.20
Diluted net (loss) income per share attributable to FCX common stockholders	$ (1.26)	$ 2.64	$ 3.19

a. Excludes shares of common stock associated with outstanding stock options with exercise prices less than the average market price of FCX's common stock and RSUs that were anti-dilutive, with related amounts totaling approximately ten million for the year ended December 31, 2014, and one million for the years ended December 31, 2013 and 2012.

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 31 million with a weighted-average exercise price of $40.52 per option in 2014; 30 million with a weighted-average exercise price of $40.23 per option in 2013; and 17 million with a weighted-average exercise price of $44.73 per option in 2012.

NOTE 2. DISPOSITIONS AND ACQUISITIONS

Candelaria and Ojos del Salado Disposition. On November 3, 2014, FCX completed the sale of its 80 percent ownership interests in the Candelaria and Ojos del Salado copper mining operations and supporting infrastructure (Candelaria/Ojos) located in Chile to Lundin Mining Corporation (Lundin) for $1.8 billion in cash, before closing adjustments, and contingent consideration of up to $200 million. Contingent consideration is calculated as five percent of net copper revenues in any annual period over the next five years when the average realized copper price exceeds $4.00 per pound. Excluding contingent consideration, after-tax net proceeds totaled $1.5 billion, and FCX recorded a gain of $671 million ($450 million after tax) associated with this transaction. The transaction had an effective date of June 30, 2014. FCX used the proceeds from this transaction to repay indebtedness.

This sale did not meet the criteria for classification as a discontinued operation under the April 2014 Accounting Standards Update issued by the Financial Accounting Standards Board, which FCX early adopted in the first quarter of 2014. The following table provides balances of the major classes of assets and liabilities for Candelaria/Ojos at November 3, 2014:

Current assets	$ 482
Long-term assets	1,155
Current liabilities	129
Long-term liabilities	89
Noncontrolling interests	242

The following table provides net income before income taxes and net income attributable to FCX common stockholders for Candelaria/Ojos:

	January 1, 2014, to November 3, 2014	Years Ended December 31, 2013	2012
Net income before income taxes	**$270**	$689	$547
Net income attributable to FCX common stockholders	**144**	341	304

Eagle Ford Disposition. On June 20, 2014, FCX completed the sale of its Eagle Ford shale assets to a subsidiary of Encana Corporation for cash consideration of $3.1 billion, before closing adjustments from the April 1, 2014, effective date. Under full cost accounting rules, the proceeds were recorded as a reduction of capitalized oil and gas properties, with no gain or loss recognition, except for $84 million of deferred tax expense recorded in connection with the allocation of $221 million of goodwill (for which deferred taxes were not previously provided) to the Eagle Ford shale assets. Approximately $1.3 billion of proceeds from this transaction was placed in a like-kind exchange escrow and was used to reinvest in additional oil and gas interests, as discussed below. The remaining proceeds were used to repay debt.

Deepwater Gulf of Mexico (GOM) Acquisitions. On June 30, 2014, FCX completed the acquisition of interests in the Deepwater GOM from a subsidiary of Apache Corporation, including interests in the Lucius and Heidelberg oil fields and several exploration leases, for $918 million ($451 million for oil and gas properties subject to amortization and $477 million for costs not subject to amortization, including transaction costs and $10 million of asset retirement costs). The Deepwater GOM acquisition was funded by the like-kind exchange escrow.

On September 8, 2014, FCX completed the acquisition of additional Deepwater GOM interests for $496 million, including an interest in the Vito oil discovery in the Mississippi Canyon area and a significant lease position in the Vito basin area. Based on preliminary valuations, and including purchase price adjustments and transaction costs, FCX recorded capitalized costs for oil and gas properties not subject to amortization of $509 million. This acquisition was funded in part with the remaining $414 million of funds from the like-kind exchange escrow.

PXP and MMR Acquisitions. 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 included oil production facilities and growth potential in the 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 Inboard Lower Tertiary/Cretaceous natural gas trend in the shallow waters of the GOM and onshore in South Louisiana. 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. FCX issued 91 million shares of its common stock and paid $3.8 billion in cash (which included $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 includes 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 stockholders 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 were 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 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. Excludes 51 million shares of MMR common stock owned by FCX through its acquisition of PXP on May 31, 2013.

The following table summarizes the final purchase price allocations for PXP and MMR:

	PXP	MMR	Eliminations	Total
Current assets	$ 1,193	$ 98	$ —	$ 1,291
Oil and gas properties – full cost method:				
Subject to amortization	11,447	751	—	12,198
Not subject to amortization	9,401	1,711	—	11,112
Property, plant and equipment	261	1	—	262
Investment in MMR[a]	848	—	(848)	—
Other assets	12	382	—	394
Current liabilities	(906)	(174)	—	(1,080)
Debt (current and long-term)	(10,631)	(620)	—	(11,251)
Deferred income taxes[b]	(3,917)	—	—	(3,917)
Other long-term liabilities	(799)	(262)	—	(1,061)
Redeemable noncontrolling interest	(708)	(259)	—	(967)
Total fair value, excluding goodwill	6,201	1,628	(848)	6,981
Goodwill	438	1,500	—	1,938
Total purchase price	$ 6,639	$ 3,128	$ (848)	$ 8,919

a. PXP owned 51 million shares of MMR common stock, which were 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 a 35 percent federal statutory rate and a 3 percent weighted-average of the applicable statutory state tax rates (net of federal benefit).

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 assigned to the identifiable assets acquired, liabilities assumed and redeemable noncontrolling interest was recorded as goodwill. Goodwill recorded in connection with the acquisitions is not deductible for income tax purposes.

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.

During second-quarter 2014, FCX finalized the purchase price allocations, which resulted in a decrease of $5 million to oil and gas properties subject to amortization, an increase of $25 million to oil and gas properties not subject to amortization, a net decrease of $42 million to deferred income tax assets and an increase of $22 million to goodwill.

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 estimated 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.

A summary of changes in the carrying amount of goodwill follows:

Balance at January 1, 2013	$ —
Acquisitions of PXP and MMR	1,916
Balance at December 31, 2013	1,916
Purchase accounting adjustments	22
Disposal of Eagle Ford (see above)	(221)
Impairment charge	(1,717)
Balance at December 31, 2014	$ —

During fourth-quarter 2014, FCX conducted a goodwill impairment assessment because of the significant decline in oil prices, which resulted in a goodwill impairment charge of $1.7 billion for the full carrying value of goodwill. Crude oil prices and FCX's estimates of oil reserves at December 31, 2014, represent the most significant assumptions used in FCX's evaluation of goodwill (*i.e.,* Level 3 measurement). Forward strip Brent oil prices used in FCX's estimates at December 31, 2014, ranged from approximately $62 per barrel to $80 per barrel for the years 2015 through 2021, compared with a range from approximately $90 per barrel to $98 per barrel at the acquisition date.

Refer to Note 16 for the revenue and operating (loss) income that FM O&G contributed to FCX's consolidated results for the year ended December 31, 2014, and for the seven-month period from June 1, 2013, to December 31, 2013. FCX's acquisition-related costs for the PXP and MMR acquisitions totaled $74 million for the year ended December 31, 2013, and were included in selling, general and administrative expenses in the consolidated statement of operations. In addition, FCX deferred debt issuance costs of $96 million in connection with the debt financings for the acquisitions (refer to Note 8 for further discussion of the debt financings), which, net of amortization, are included in other assets in the consolidated balance sheets.

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 ($34 million of accumulated deferred dividends as of December 31, 2014). 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. 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 a liquidation preference as defined in the agreement. 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 as defined in the agreement.

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 sheets and are adjusted to fair value each reporting period with adjustments recorded in other income (expense).

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 $751 million as of December 31, 2014, and $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. 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 above the original recorded value are accreted over the period from the date FCX acquired PXP to the earliest redemption date. The redemption value has not exceeded the original recorded value; therefore, no amounts have been accreted.

Redeemable Noncontrolling Interest — MMR. Following FCX's acquisition of MMR, MMR's 8% Convertible Perpetual Preferred Stock and 5.75% Convertible Perpetual Preferred Stock, Series 1 (totaling $259 million) 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 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, 2014, 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 Democratic Republic of Congo (DRC). At December 31, 2014, 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, 2014, operating mines in South America were Cerro Verde (53.56 percent owned) located in Peru and El Abra (51 percent owned) located in Chile. At December 31, 2014, 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, 2014, FMC's net assets totaled $19.6 billion and its accumulated deficit totaled $9.7 billion. FCX had no loans outstanding to FMC at December 31, 2014.

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, 2014, PT-FI's net assets totaled $5.4 billion and its retained earnings totaled $5.2 billion. FCX had $213 million in intercompany loans outstanding to PT-FI at December 31, 2014.

FCX owns 100 percent of the outstanding Atlantic Copper common stock. At December 31, 2014, Atlantic Copper's net liabilities totaled $145 million and its accumulated deficit totaled

$552 million. FCX had $579 million in intercompany loans outstanding to Atlantic Copper at December 31, 2014.

FCX owns 100 percent of FM O&G, which has a portfolio of oil and gas assets. At December 31, 2014, FM O&G's net assets totaled $7.2 billion and its accumulated deficit totaled $4.4 billion. FCX had $4.6 billion in intercompany loans to FM O&G at December 31, 2014.

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

Rio Tinto. PT-FI and Rio Tinto have established an unincorporated joint venture pursuant to which Rio Tinto has a 40 percent interest in PT-FI's Contract of Work (COW) 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 COW, and, after 2021, a 40 percent interest in all production from Block A. All of PT-FI's proven and probable reserves and all its mining operations are located in the Block A area. PT-FI receives 100 percent of production and related revenues from reserves established as of December 31, 1994 (27.1 billion pounds of copper, 38.4 million ounces of gold and 75.8 million ounces of silver), divided into annual portions subject to reallocation for events causing changes in the anticipated production schedule. Production and related revenues exceeding those annual amounts (referred to as incremental expansion revenues) are shared 60 percent PT-FI and 40 percent Rio Tinto. Operating, nonexpansion capital and administrative costs are shared 60 percent PT-FI and 40 percent Rio Tinto based on the ratio of (i) the incremental expansion revenues to (ii) total revenues from production from Block A, with PT-FI responsible for the rest of such costs. 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. Expansion capital costs are shared 60 percent PT-FI and 40 percent Rio Tinto. The payable to Rio Tinto for its share of joint venture cash flows was $29 million at December 31, 2014, and $33 million at December 31, 2013.

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 82 million pounds of Morenci's copper cathode from Sumitomo at market prices for $257 million during 2014. FCX had a receivable from Sumitomo of $11 million at December 31, 2014, and $12 million at December 31, 2013.

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

The components of inventories follow:

December 31,	2014	2013
Current inventories:		
Mill stockpiles	$ 86	$ 91
Leach stockpiles	1,828	1,614[a]
Total current mill and leach stockpiles	$1,914	$1,705
Total materials and supplies, net[b]	$1,886	$1,730
Raw materials (primarily concentrates)	$ 288	$ 238
Work-in-process	174	199
Finished goods	1,099	1,146
Total product inventories	$1,561	$1,583
Long-term inventories:		
Mill stockpiles	$ 360	$ 698
Leach stockpiles	1,819	1,688
Total long-term mill and leach stockpiles[c]	$2,179	$2,386

a. 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.
b. Materials and supplies inventory was net of obsolescence reserves totaling $20 million at December 31, 2014, and $24 million at December 31, 2013.
c. 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,	2014	2013
Proven and probable mineral reserves	$ 4,651	$ 4,651
VBPP	1,042	1,044
Mining development and other	4,712	4,335
Buildings and infrastructure	5,100	4,334
Machinery and equipment	11,251	10,379
Mobile equipment	3,926	3,903
Construction in progress	6,802	5,603
Property, plant, equipment and mining development costs	37,484	34,249
Accumulated depreciation, depletion and amortization	(11,264)	(10,207)
Property, plant, equipment and mining development costs, net	$ 26,220	$ 24,042

FCX recorded $2.2 billion for VBPP in connection with the FMC acquisition in 2007 and transferred $2 million to proven and probable mineral reserves during 2014, $22 million during 2013 and $762 million prior to 2013. Cumulative impairments of VBPP total $482 million, which were primarily recorded in 2008.

Capitalized interest, which primarily related to FCX's mining operations' capital projects, totaled $148 million in 2014, $105 million in 2013 and $81 million in 2012.

NOTE 6. OTHER ASSETS

The components of other assets follow:

December 31,	2014	2013
Disputed tax assessments:[a]		
PT-FI	$ 279	$ 255
Cerro Verde	232	72
Intangible assets[b]	334	380
Investments:		
Assurance bond[c]	115	—
PT Smelting[d]	107	71
Available-for-sale securities	46	44
Other	60	63
Legally restricted funds[e]	172	392
Loan to a DRC public electric utility	164	152
Debt issue costs	141	107
Deferred drillship costs	113	—
Long-term receivable for income tax refunds	63	77
Loan to Gécamines (related party)	37	34
Other	214	151
Total other assets	$2,077	$1,798

a. Refer to Note 12 for further discussion.
b. Intangible assets were net of accumulated amortization totaling $62 million at December 31, 2014, and $57 million at December 31, 2013.
c. Relates to PT-FI's commitment for smelter development in Indonesia at December 31, 2014 (refer to Note 13 for further discussion).
d. 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 $24 million at December 31, 2014, and $58 million at December 31, 2013.
e. Includes $168 million for AROs related to properties in New Mexico at December 31, 2014, and a $210 million time deposit that secured a bank guarantee (until the time deposit was released as security for the bank guarantee in 2014) associated with the Cerro Verde royalty dispute and $158 million for AROs related to properties in New Mexico at December 31, 2013 (refer to Note 12 for further discussion).

NOTE 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Additional information regarding accounts payable and accrued liabilities follows:

December 31,	2014	2013
Accounts payable	$2,439	$2,144
Salaries, wages and other compensation	373	352
Accrued interest[a]	166	210
Other accrued taxes	137	142
Pension, postretirement, postemployment and other employee benefits[b]	106	161
Deferred revenue	105	115
Oil and gas royalty and revenue payable	76	169
Commodity derivative contracts	43	205
Rio Tinto's share of joint venture cash flows	29	33
Other	179	177
Total accounts payable and accrued liabilities	$3,653	$3,708

a. Third-party interest paid, net of capitalized interest, was $637 million in 2014, $397 million in 2013 and $111 million in 2012.
b. Refer to Note 9 for long-term portion.

NOTE 8. DEBT

Debt included $226 million of fair value adjustments related to the debt assumed in the acquisition of PXP at December 31, 2014, and $653 million at December 31, 2013. The components of debt follow:

December 31,	2014	2013
Bank term loan	$ 3,050	$ 4,000
Revolving credit facility	—	—
Lines of credit	474	—
Subsidiary credit facility	425	—
Senior notes and debentures:		
Issued by FCX:		
1.40% Senior Notes due 2015	—	500
2.15% Senior Notes due 2017	500	500
2.30% Senior Notes due 2017	749	—
2.375% Senior Notes due 2018	1,500	1,500
3.100% Senior Notes due 2020	1,000	999
4.00% Senior Notes due 2021	598	—
3.55% Senior Notes due 2022	1,996	1,996
3.875% Senior Notes due 2023	1,999	1,999
4.55% Senior Notes due 2024	849	—
5.40% Senior Notes due 2034	796	—
5.450% Senior Notes due 2043	1,991	1,991
Issued by FM O&G:		
6.125% Senior Notes due 2019	255	817
8.625% Senior Notes due 2019	—	447
7.625% Senior Notes due 2020	—	336
$6^1/_2$% Senior Notes due 2020	670	1,647
6.625% Senior Notes due 2021	284	659
6.75% Senior Notes due 2022	493	1,111
$6^7/_8$% Senior Notes due 2023	866	1,686
Issued by FMC:		
$7^1/_8$% Debentures due 2027	115	115
$9^1/_2$% Senior Notes due 2031	129	130
$6^1/_8$% Senior Notes due 2034	116	115
Other (including equipment capital leases and other short-term borrowings)	115	158
Total debt	18,970	20,706
Less current portion of debt	(478)	(312)
Long-term debt	$18,492	$20,394

Bank Term Loan. In February 2013, FCX entered into an agreement for a $4.0 billion unsecured bank term loan (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 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 Term Loan as a borrower. In November 2014, FCX prepaid $750 million of the Term Loan scheduled quarterly payments of which $100 million was applied to fourth-quarter 2014, $550 million to 2015 and $100 million to first-quarter 2016. Therefore, as of December 31, 2014, the Term Loan's scheduled payments total $650 million of quarterly installments in 2016 and $200 million in first-quarter 2017, with the final payment of $2.2 billion due on May 31, 2018. At FCX's option, the Term Loan bears interest at either an adjusted London Interbank Offered Rate (LIBOR) or an alternate base rate (ABR) (as defined under the

Term Loan agreement) plus a spread determined by reference to FCX's credit ratings (effective February 11, 2015, LIBOR plus 1.75 percent or ABR plus 0.75 percent; previously 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, 2014. In February 2015, the Term Loan was amended (refer to Note 18 for further discussion).

Revolving Credit Facility. In May 2014, FCX, PT-FI and FM O&G LLC amended the senior unsecured $3.0 billion revolving credit facility to extend the maturity date one year to May 31, 2019, and increase the aggregate facility amount from $3.0 billion to $4.0 billion, with $500 million available to PT-FI. FCX, PT-FI and FM O&G LLC had entered into the $3.0 billion revolving credit facility on May 31, 2013 (upon completion of the acquisition of PXP). At December 31, 2014, there were no borrowings and $45 million of letters of credit issued under the revolving credit facility, resulting in availability of approximately $4.0 billion, of which $1.5 billion could be used for additional letters of credit. In February 2015, the revolving credit facility was amended (refer to Note 18 for further discussion).

Interest on the revolving credit facility (effective February 11, 2015, LIBOR plus 1.75 percent or ABR plus 0.75 percent; previously LIBOR plus 1.50 percent or ABR plus 0.50 percent) is determined by reference to FCX's credit ratings.

Lines of Credit. At December 31, 2014, FCX had $474 million outstanding on its uncommitted and short-term lines of credit with certain 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 generally more favorable than FCX's revolving credit facility. The weighted-average effective interest rate on the lines of credit was 1.29 percent at December 31, 2014.

Subsidiary Credit Facility. In March 2014, Cerro Verde (FCX's mining subsidiary in Peru) entered into a five-year, $1.8 billion senior unsecured credit facility that is nonrecourse to FCX and the other shareholders of Cerro Verde. The credit facility allows for term loan borrowings up to the full amount of the facility, less any amounts issued and outstanding under a $500 million letter of credit sublimit. Interest on amounts drawn under the term loan is based on LIBOR plus a spread (currently 1.90 percent) based on Cerro Verde's total net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio as defined in the agreement. Amounts may be drawn or letters of credit may be issued over a two-year period to fund a portion of Cerro Verde's expansion project and for Cerro Verde's general corporate purposes. The credit facility amortizes in three installments in amounts necessary for the aggregate borrowings and outstanding letters of credit not to exceed 85 percent of the $1.8 billion commitment on September 30, 2017, 70 percent on March 31, 2018, and 35 percent on September 30, 2018, with the remaining balance due on the maturity date of March 10, 2019. At December 31, 2014, $425 million was outstanding and no letters of credit were issued under Cerro Verde's credit facility. The effective interest rate on Cerro Verde's credit facility was 2.07 percent at December 31, 2014.

Senior Notes issued by FCX. In November 2014, FCX sold $750 million of 2.30% Senior Notes due 2017, $600 million of 4.00% Senior Notes due 2021, $850 million of 4.55% Senior Notes due 2024 and $800 million of 5.40% Senior Notes due 2034 for total net proceeds of $2.97 billion. The 2.30% Senior Notes and the 4.00% Senior Notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price. The 4.55% Senior Notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price prior to August 14, 2024, and thereafter at 100 percent of principal. The 5.40% Senior Notes are redeemable in whole or in part, at the option of FCX, at a make-whole redemption price prior to May 14, 2034, and thereafter at 100 percent of principal. FCX used the net proceeds from these senior notes to repay certain of its outstanding debt.

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. In December 2014, FCX redeemed all of its outstanding $500 million of 1.40% Senior Notes due 2015. 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. 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
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, 2014 and 2013, there were no outstanding amounts in connection with MMR's senior notes.

Early Extinguishments of Debt. A summary of debt extinguishments during 2014 for senior notes resulting from redemptions and tender offers follows:

	Principal Amount	Purchase Accounting Fair Value Adjustments	Book Value	(Loss) Gain
1.40% Senior Notes due 2015	$ 500	$ —	$ 500	$ (1)
6.125% Senior Notes due 2019	513	40	553	(2)
8.625% Senior Notes due 2019	400	41	441	24
7.625% Senior Notes due 2020	300	32	332	14
6½% Senior Notes due 2020	883	79	962	10
6.625% Senior Notes due 2021	339	31	370	3
6.75% Senior Notes due 2022	551	57	608	8
6⅞% Senior Notes due 2023	722	84	806	21
	$4,208	$364	$4,572	$77

In addition, FCX recorded a loss on early extinguishment of debt of $4 million associated with the modification of its revolving credit facility in May 2014 and for fees related to the tender offers in December 2014.

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.

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, 2014, FCX was in compliance with all of its covenants.

Maturities. Maturities of debt instruments based on the principal amounts and terms outstanding at December 31, 2014, total $478 million in 2015, $651 million in 2016, $1.5 billion in 2017, $3.7 billion in 2018, $662 million in 2019 and $11.8 billion thereafter.

NOTE 9. OTHER LIABILITIES, INCLUDING EMPLOYEE BENEFITS

Information regarding other liabilities follows:

December 31,	2014	2013
Pension, postretirement, postemployment and other employment benefits[a]	$1,430	$1,225
Reserve for uncertain tax benefits	68	87
Commodity derivative contracts	—	115
Other	363	263
Total other liabilities	$1,861	$1,690

a. Refer to Note 7 for current portion.

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

FMC Plans. FMC has U.S. 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 FMC plan assets held in a 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 45 percent equity investments (primarily global equities), 45 percent fixed income (primarily long-term treasury STRIPS or "separate trading or registered interest and principal securities"; long-term U.S. treasury/agency bonds; global fixed income 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 7.25 percent per annum beginning January 1, 2015. The 7.25 percent estimation was based on a passive return on a compound basis of 6.75 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 12,378 rupiah to one U.S. dollar on December 31, 2014, and 12,128 rupiah to one U.S. dollar on December 31, 2013. 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, 2015. The discount rate assumption for PT-FI's plan is based on the Mercer Indonesian zero coupon bond yield curve derived from the Indonesian Government Security Yield Curve. Changes in the discount rate are reflected in PT-FI's benefit obligation and, therefore, in future pension costs.

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,	2014	2013
Projected benefit obligation	$2,221	$ 2,180
Accumulated benefit obligation	2,090	1,933
Fair value of plan assets	1,433	1,490

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	
	2014	2013	2014	2013
Change in benefit obligation:				
Benefit obligation at beginning of year	$1,871	$1,954	$ 259	$ 240
Service cost	30	30	22	20
Interest cost	92	77	23	14
Actuarial losses (gains)	278	(103)	30	13
Plan amendment	—	—	—	33
Foreign exchange (gains) losses	(2)	1	(7)	(53)
Benefits paid	(90)	(88)	(9)	(8)
Benefit obligation at end of year	2,179	1,871	318	259
Change in plan assets:				
Fair value of plan assets at beginning of year	1,350	1,300	124	130
Actual return on plan assets	151	112	20	(3)
Employer contributions[a]	6	26	55	35
Foreign exchange losses	(1)	—	(5)	(30)
Benefits paid	(90)	(88)	(9)	(8)
Fair value of plan assets at end of year	1,416	1,350	185	124
Funded status	$ (763)	$ (521)	$(133)	$(135)
Accumulated benefit obligation	$2,048	$1,742	$ 168	$ 141
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	4.10%	5.00%	8.25%	9.00%
Rate of compensation increase	3.25%	3.75%	9.00%	9.00%
Balance sheet classification of funded status:				
Other assets	$ 8	$ 8	$ —	$ —
Accounts payable and accrued liabilities	(4)	(4)	—	—
Other liabilities	(767)	(525)	(133)	(135)
Total	$ (763)	$ (521)	$(133)	$(135)

a. Employer contributions for 2015 are expected to approximate $98 million for the FCX plans and $20 million for the PT-FI plan (based on a December 31, 2014, exchange rate of 12,378 Indonesian rupiah to one U.S. dollar).

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:

	2014	2013	2012
Weighted-average assumptions:[a]			
Discount rate	5.00%	4.10%	4.60%
Expected return on plan assets	7.50%	7.50%	7.50%
Rate of compensation increase	3.75%	3.75%	3.75%
Service cost	$ 30	$ 30	$ 27
Interest cost	92	77	79
Expected return on plan assets	(98)	(95)	(86)
Amortization of prior service credit	(1)	—	(1)
Amortization of net actuarial losses	28	38	33
Net periodic benefit cost	$ 51	$ 50	$ 52

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:

	2014	2013	2012
Weighted-average assumptions:			
Discount rate	9.00%	6.25%	7.00%
Expected return on plan assets	7.75%	7.50%	9.25%
Rate of compensation increase	9.00%	8.00%	8.00%
Service cost	$ 22	$ 20	$ 17
Interest cost	23	14	14
Expected return on plan assets	(10)	(10)	(9)
Amortization of prior service cost	3	—	1
Amortization of net actuarial loss	8	8	7
Net periodic benefit cost	$ 46	$ 32	$ 30

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

	2014		2013	
	Before Taxes	After Taxes and Noncontrolling Interests	Before Taxes	After Taxes and Noncontrolling Interests
Prior service costs	$ 28	$ 15	$ 32	$ 17
Net actuarial loss	749	456	542	326
	$777	$471	$574	$343

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 2015 net periodic pension cost for actuarial losses is $52 million ($32 million net of tax and noncontrolling interests).

FCX does not expect to have any plan assets returned to it in 2015. 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).

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

	Fair Value at December 31, 2014			
	Total	Level 1	Level 2	Level 3
Commingled/collective funds:				
Global equity	$ 487	$ —	$ 487	$ —
Global fixed income securities	106	—	106	—
Fixed income securities	99	—	99	—
U.S. small-cap equity	69	—	69	—
U.S. real estate securities	54	—	54	—
Real estate property	54	—	—	54
Short-term investments	8	—	8	—
Open-ended mutual funds:				
Emerging markets equity	38	38	—	—
Mutual funds:				
Emerging markets equity	25	25	—	—
Fixed income:				
Government bonds	244	—	244	—
Corporate bonds	148	—	148	—
Private equity investments	39	—	—	39
Other investments	35	—	35	—
Total investments	1,406	$ 63	$1,250	$ 93
Cash and receivables	19			
Payables	(9)			
Total pension plan net assets	$1,416			

	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			

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 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:

	Real Estate Property	Private Equity Investments	Total
Balance at January 1, 2013	$41	$45	$86
Actual return on plan assets:			
Realized gains	1	—	1
Net unrealized gains (losses) related to assets still held at the end of the year	6	(1)	5
Purchases	—	3	3
Sales	(1)	—	(1)
Settlements, net	—	(4)	(4)
Balance at December 31, 2013	47	43	90
Actual return on plan assets:			
Realized gains	2	—	2
Net unrealized gains (losses) related to assets still held at the end of the year	6	(1)	5
Purchases	—	1	1
Sales	(1)	—	(1)
Settlements, net	—	(4)	(4)
Balance at December 31, 2014	$54	$39	$93

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

	Fair Value at December 31, 2014			
	Total	Level 1	Level 2	Level 3
Common stocks	$ 43	$ 43	$ —	$ —
Government bonds	27	27	—	—
Mutual funds	14	14	—	—
Total investments	84	$ 84	$ —	$ —
Cash and receivables[a]	101			
Total pension plan net assets	$185			

	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			

a. Cash consists 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]
2015	$ 97	$ 20
2016	155	9
2017	103	16
2018	107	20
2019	110	24
2020 through 2024	603	172

a. Based on a December 31, 2014, exchange rate of 12,378 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 benefit obligation (funded status) for the postretirement medical and life insurance benefit plans consisted of a current portion of $17 million (included in accounts payable and accrued liabilities) and a long-term portion of $162 million (included in other liabilities) at December 31, 2014, and a current portion of $19 million and a long-term portion of $163 million at December 31, 2013. The discount rate used to determine the benefit obligation for these plans, which was determined on the same basis as FCX's pension plans, was 3.60 percent at December 31, 2014, and 4.30 percent at December 31, 2013. Expected benefit payments for these plans total $17 million for 2015, $16 million for 2016, $15 million for 2017, $14 million for 2018, $15 million for 2019 and $64 million for 2020 through 2024.

The net periodic benefit cost charged to operations for FCX's postretirement benefits totaled $7 million in 2014, $9 million in 2013 and $10 million in 2012 (primarily for interest costs). The discount rate used to determine net periodic benefit cost and the components of net periodic benefit cost for FCX's postretirement benefits was 4.30 percent in 2014, 3.50 percent in 2013 and 4.20 percent in 2012. The medical-care trend rates assumed the first year trend rate was 7.50 percent at December 31, 2014, 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 $6 million (included in accounts payable and accrued liabilities) and a long-term portion of $38 million (included in other liabilities) at December 31, 2014, and a current portion of $9 million and a long-term portion of $75 million at December 31, 2013.

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 had a liability balance of $69 million at December 31, 2014, and $65 million at December 31, 2013.

The costs charged to operations for employee savings plans totaled $79 million in 2014 (of which $11 million was capitalized to oil and gas properties), $66 million in 2013 (of which $5 million was capitalized to oil and gas properties) and $43 million in 2012. 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, 2014, 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 a supplemental cash dividend of $1.00 per share, which was paid in July 2013. On December 19, 2014, the Board declared a regular quarterly dividend of $0.3125 per share, which was paid on February 2, 2015, to common shareholders of record at the close of business on January 15, 2015. 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, net of tax follows:

	Unrealized Losses on Securities	Translation Adjustment	Defined Benefit Plans	Total
Balance at January 1, 2012	$(4)	$ 6	$(467)	$(465)
Amounts arising during the period[a,b,c,d]	—	(1)	(66)	(67)
Amounts reclassified[e]	—	—	26	26
Balance at December 31, 2012	(4)	5	(507)	(506)
Amounts arising during the period[a,b,c]	(1)	—	67	66
Amounts reclassified[e]	—	5	30	35
Balance at December 31, 2013	(5)	10	(410)	(405)
Amounts arising during the period[a,b,c,d]	**(1)**	**—**	**(162)**	**(163)**
Amounts reclassified[e]	**—**	**—**	**24**	**24**
Balance at December 31, 2014	**$(6)**	**$10**	**$(548)**	**$(544)**

a. Includes net actuarial (losses) gains, net of noncontrolling interest, totaling $(106) million for 2012, $126 million for 2013 and $(252) million for 2014. The year 2013 also included $33 million for prior service costs.

b. Includes foreign exchange gains (losses), net of noncontrolling interest, totaling $3 million for 2012, $11 million for 2013 and $1 million for 2014.

c. Includes tax benefits (provision) totaling $39 million for 2012, $(37) million for 2013 and $94 million for 2014.

d. Includes adjustments to deferred tax valuation allowance of $1 million for 2012 and $5 million for 2014.

e. Includes amortization primarily related to actuarial losses that were net of taxes of $15 million for 2012, $17 million for 2013 and $14 million for 2014.

Stock Award Plans. FCX currently has awards outstanding under various stock-based compensation plans. The 2006 Stock Incentive Plan (the 2006 Plan), which was stockholder approved, 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, 2014, 19.6 million shares were available for grant under the 2006 Plan.

During 2014, the Board approved an incentive plan that provides for the issuance of cash-settled RSUs to employees who are not executive officers.

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:

	2014	2013	2012
Selling, general and administrative expenses	$79	$145	$ 77
Production and delivery	28	28	23
Capitalized costs	23	13	—
Total stock-based compensation	130	186	100
Less capitalized costs	(23)	(13)	—
Tax benefit and noncontrolling interests' share	(42)	(66)	(39)
Impact on net income	$65	$107	$ 61

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 award agreements provide that participants will receive the following year's vesting after retirement. Therefore, on the date of grant, 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 of 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 of control. SARs 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, 2014, including 1,413,153 SARs, and activity during the year ended December 31, 2014, follows:

	Number of Options and SARs	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	45,130,661	$35.39		
Granted	3,276,000	31.01		
Exercised	(1,950,130)	21.23		
Expired/Forfeited	(526,792)	37.51		
Balance at December 31	45,929,739	35.65	5.1	$38
Vested and exercisable at December 31	35,062,748	$35.15	4.2	$38

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:

	2014	2013	2012
Weighted-average assumptions used to value stock option awards:			
Expected volatility	36.6%	48.9%	52.0%
Expected life of options (in years)	4.92	4.66	4.54
Expected dividend rate	3.5%	3.3%	3.1%
Risk-free interest rate	1.7%	0.7%	0.7%
Weighted-average grant date fair value (per share)	$7.43	$10.98	$15.60
Intrinsic value of options exercised	$ 17	$ 10	$ 34
Fair value of options vested	$ 76	$ 101	$ 77

As of December 31, 2014, FCX had $48 million of total unrecognized compensation cost related to unvested stock options expected to be recognized over a weighted-average period of 1.4 years.

The assumptions used to value SARs as of December 31, 2014, ranged from 30.2 percent to 32.4 percent for expected volatility; one to three years for expected life; 0.2 percent to 1.0 percent for expected risk-free interest rate; and an expected dividend rate of 4.3 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. The total intrinsic value of SARs exercised was $5 million during 2014 and $3 million during 2013. As of December 31, 2014, FCX had a minimal amount of unrecognized compensation cost related to unvested SARs expected to be recognized. As of December 31, 2014, FCX had $2 million associated with SARs included in accounts payable and accrued liabilities.

Stock-Settled PSUs and RSUs. Beginning in 2014, FCX's executive officers were granted PSUs that vest after three years. The final number of shares to be issued to the executive officers (*i.e.,* the target shares) will be based on FCX's total shareholder return compared to the total shareholder return of a peer group. The total grant date target shares related to the 2014 PSU grants were 344 thousand, of which the executive officers will earn from 0 percent to 200 percent.

Prior to 2014, a portion of each executive officer's annual bonus was to be paid in performance-based RSUs. The performance-based RSUs were a component of an annual incentive award pool that was calculated as a percentage of FCX's consolidated operating cash flows adjusted for changes in working capital and other tax payments for the preceding year. Grants of these performance-based RSUs 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 6 percent and subject to a 20 percent reduction if FCX performs below a group of its peers as defined in the award agreement.

All of FCX's executive officers are retirement eligible, and for the 2014 awards, FCX charged the cost of these awards to expense in the year of grant because they are non-forfeitable. For the performance-based RSUs, the cost was charged to expense in the year the related operating cash flows were generated, as performance of services was only required in the calendar year preceding the date of grant.

In February 2014, FCX granted RSUs to certain employees that vest over a period of three years, and in February 2013, FCX granted RSUs to certain employees that cliff-vest at the end of three years.

FCX also grants other RSUs that vest over a period of four years to its directors. 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.

The award agreements provide for accelerated vesting of all RSUs held by directors if there is a change of control (as defined in the award agreements) and for accelerated vesting of all RSUs held by employees if they experience a qualifying termination within one year following a change of control.

Dividends on PSUs, and dividends and interest on RSUs accrue and are paid if the award vests. A summary of outstanding stock-settled PSUs and RSUs as of December 31, 2014, and activity during the year ended December 31, 2014, follows:

	Number of Awards	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	4,255,476	$35.13		
Granted	2,161,700	31.17		
Vested	(436,610)	37.93		
Forfeited	(175,421)	31.46		
Balance at December 31	5,805,145	33.57	4.7	$128

The total fair value of stock-settled PSUs and RSUs granted was $67 million during 2014, $125 million during 2013 and $14 million during 2012. The total intrinsic value of RSUs vested was $15 million during 2014, $12 million during 2013 and $28 million during 2012. As of December 31, 2014, FCX had $41 million of total unrecognized compensation cost related to unvested stock-settled RSUs expected to be recognized over 1.6 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 award agreements for cash-settled RSUs provide for accelerated vesting upon certain qualifying termination of employment within one year following a change of control (as defined in the award agreements). The fair value of these awards is remeasured each reporting period until the vesting dates.

Dividends and interest on cash-settled RSUs accrue and are paid if the award vests. A summary of outstanding cash-settled RSUs as of December 31, 2014, and activity during the year ended December 31, 2014, follows:

	Number of Cash-Settled RSUs	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance at January 1	2,219,812	$31.05		
Granted	2,204,986	30.95		
Vested	(544,048)	31.05		
Forfeited	(293,186)	31.01		
Balance at December 31	3,587,564	30.99	1.3	$84

The total fair value of cash-settled RSUs granted was $68 million during 2014 and $70 million during 2013. The intrinsic value of cash-settled RSUs vested was $18 million during 2014. The accrued liability associated with cash-settled RSUs consisted of a current portion of $28 million (included in accounts payable and accrued liabilities) and a long-term portion of $29 million (included in other liabilities) at December 31, 2014, and a current portion of $17 million and a long-term portion of $19 million at December 31, 2013.

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

	2014	2013	2012
FCX shares tendered to pay the exercise price and/or the minimum required taxes[a]	474,480	3,294,624	515,558
Cash received from stock option exercises	$ 12	$ 8	$ 15
Actual tax benefit realized for tax deductions	$ 16	$ 8	$ 16
Amounts FCX paid for employee taxes	$ 8	$ 105	$ 16

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

	2014	2013	2012
United States	$(2,997)	$1,104	$1,539
Foreign	2,573	3,809	3,948
Total	$ (424)	$4,913	$5,487

With the exception of TFM, 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 TFM's undistributed earnings are reinvested indefinitely and have been allocated toward specifically identifiable needs of the local operations, including, but not limited to, existing liabilities and potential expansions of production capacity. 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 provision for income taxes for the years ended December 31 consists of the following:

	2014	2013	2012
Current income taxes:			
Federal	$ 281	$ 203	$ 238
State	35	9	7
Foreign	1,128	1,081	1,002
Total current	1,444	1,293	1,247
Deferred income taxes (benefits):			
Federal	(606)	234	87
State	(214)	(35)	18
Foreign	33	346	363
Total deferred	(787)	545	468
Adjustments	—	(199)[a]	(205)[b,c]
Federal operating loss carryforwards	(333)[d]	(164)[d]	—
Provision for income taxes	$ 324	$1,475	$1,510

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, 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. 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. 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:

	2014		2013		2012	
	Amount	Percent	Amount	Percent	Amount	Percent
U.S. federal statutory tax rate	$ (149)	35%	$1,720	35%	$1,920	35%
Foreign tax credit limitation	167	(39)	117	2	110	2
Percentage depletion	(263)[a]	62	(223)	(5)	(263)	(5)
Withholding and other impacts on foreign earnings	161	(38)	306	7	(17)	—
Effect of foreign rates different than the U.S. federal statutory rate	(135)	32	(223)	(5)	(204)	(4)
Valuation allowance on minimum tax credits	—	—	(190)	(4)	(9)	—
Goodwill impairment	601	(142)	—	—	—	—
Goodwill transferred to full cost pool	77	(18)	—	—	—	—
State income taxes	(115)	27	(43)	—	17	—
Other items, net	(20)	5	11	—	(44)	—
Provision for income taxes	$ 324[b,c]	(76)%	$1,475[d]	30%	$1,510[e]	28%

a. Includes a net charge of $16 million related to a change in U.S. federal income tax law.
b. Includes charges related to changes in Chilean and Peruvian tax rules of $54 million and $24 million, respectively.
c. Includes a net charge of $221 million related to the sale of Candelaria/Ojos.
d. Includes a net tax benefit of $199 million as a result of the oil and gas acquisitions.
e. Includes the reversal of Cerro Verde's deferred income tax liability of $234 million.

FCX paid federal, state, local and foreign income taxes totaling $1.5 billion in 2014, $1.3 billion in 2013 and $1.8 billion in 2012. FCX received refunds of federal, state, local and foreign income taxes of $257 million in 2014, $270 million in 2013 and $69 million in 2012.

The components of deferred taxes follow:

December 31,	2014	2013
Deferred tax assets:		
Foreign tax credits	$ 2,306	$ 2,144
Accrued expenses	1,047	1,098
Minimum tax credits	737	603
Net operating loss carryforwards	590	925
Employee benefit plans	422	443
Other	734	557
Deferred tax assets	5,836	5,770
Valuation allowances	(2,434)	(2,487)
Net deferred tax assets	3,402	3,283
Deferred tax liabilities:		
Property, plant, equipment and mining development costs	(5,331)	(4,887)
Oil and gas properties	(3,392)	(4,708)
Undistributed earnings	(807)	(936)
Other	(185)	(34)
Total deferred tax liabilities	(9,715)	(10,565)
Net deferred tax liabilities	$(6,313)	$ (7,282)

At December 31, 2014, FCX had U.S. foreign tax credit carryforwards of $2.3 billion that will expire between 2015 and 2024, and U.S. minimum tax credit carryforwards of $737 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, 2014, FCX had (i) U.S. state net operating loss carryforwards of $2.4 billion that expire between 2015 and 2034, (ii) Spanish net operating loss carryforwards of $623 million that expire between 2015 and 2032, and (iii) U.S. federal net operating loss carryforwards of $800 million that expire between 2030 and 2034.

On the basis of available information at December 31, 2014, 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 $2.4 billion at December 31, 2014, and covered a portion of FCX's U.S. foreign tax credit carryforwards, foreign net operating loss carryforwards, U.S. state net operating loss carryforwards and U.S. state deferred tax assets. Valuation allowances totaled $2.5 billion at December 31, 2013, 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.

The $2.4 billion valuation allowance at December 31, 2014, 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 is due upon repatriation of foreign earnings. As a result, FCX continues to generate foreign tax credits for which no benefit is expected to be realized. In addition, any foreign income taxes currently accrued or paid on unremitted foreign earnings may result in additional future foreign tax credits for which no benefit is expected to be realized upon repatriation of the related earnings. A full valuation allowance will continue to be carried on these excess U.S. foreign tax credit carryforwards until such time that FCX believes it has a prudent and feasible means of securing the benefit of U.S. foreign tax credit carryforwards that can be implemented.

The $53 million net decrease in the valuation allowance during 2014 relates primarily to increased utilization of U.S. capital loss carryforwards in the current year, and U.S. foreign tax credits and U.S. state net operating losses during the carryforward period.

World market prices for commodities have fluctuated historically. At December 31, 2014, market prices for copper, gold, molybdenum and oil were below their twelve-month averages. Future market prices at or below 2014 year-end prices may result in valuation allowances provided on additional deferred tax assets, including U.S. alternative minimum tax credits and net operating loss carryforwards.

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 September 2014, the Chilean legislature approved a tax reform package implementing a dual tax system. As currently applied, FCX will be subject to the "Partially-Integrated System." Under the previous rules, FCX's share of income from Chilean operations was subject to an effective 35 percent tax rate allocated between income taxes and dividend withholding taxes. Under the new Partially-Integrated System, FCX's share of income from Chilean operations will be subject to progressively increasing effective tax rates of 35 percent in 2014 through 2016, 44 percent in 2017 and 44.5 percent in 2018 and thereafter.

In December 2014, the Peruvian parliament passed tax legislation intended to stimulate the economy. Under the legislation, the corporate income tax rate will progressively decrease from 30 percent in 2014 to 26 percent in 2019 and thereafter. In addition, the dividend tax rate on distributions will progressively increase from 4.1 percent in 2014 to 9.3 percent in 2019 and thereafter. Cerro Verde's current mining stability agreement subjects FCX to a stable income tax rate of 32 percent through the expiration of the agreement on December 31, 2028. The tax rate on dividend distributions is not stabilized by the agreement.

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.

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, 2013	$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	—
Additions:			
Prior year tax positions	4	*	*
Current year tax positions	11	*	*
Interest and penalties	—	1	—
Decreases:			
Prior year tax positions	(12)	*	*
Current year tax positions	—	*	*
Settlements with tax authorities	(9)	*	*
Lapse of statute of limitations	—	*	*
Interest and penalties	—	(7)	—
Balance at December 31, 2014	$104	$ 15	$ —

* Amounts not allocated.

The reserve for unrecognized tax benefits of $104 million at December 31, 2014, included $97 million ($55 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 social welfare payments. Changes in the reserve for unrecognized tax benefits associated with prior year tax positions were primarily related to uncertainties associated with cost recovery methods and deductibility of costs allocated to foreign operations. Changes to the reserve for unrecognized tax benefits associated with the lapse of statute of limitations were primarily related to benefits received from stock-based compensation. There continues to be uncertainty related to the timing of settlements with taxing authorities, but if additional settlements are agreed upon during the year 2015, 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 Subject to Examination	Additional Open Years
U.S. Federal	2007-2012	2013-2014
Indonesia	2006-2008, 2011-2012	2010, 2013-2014
Peru	2010	2011-2014
Chile	2012-2013	2014
DRC	2013	2012, 2014

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 various 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, 2014, FCX had more than 100 active remediation projects, including NRD claims, in 27 U.S. states.

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

	2014	2013	2012
Balance at beginning of year	$1,167	$1,222	$1,453
Accretion expense[a]	77	79	80
Additions	16	73	70
Reductions[b]	(6)	(77)	(182)
Spending	(80)	(130)	(199)
Balance at end of year	1,174	1,167	1,222
Less current portion	(105)	(121)	(186)
Long-term portion	$1,069	$1,046	$1,036

a. Represents 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 reflect revisions for changes in the anticipated scope and timing of projects and other noncash adjustments.

Estimated environmental cash payments (on an undiscounted and unescalated basis) total $105 million in 2015, $151 million in 2016, $120 million in 2017, $108 million in 2018, $79 million in 2019 and $1.8 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, 2014, 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 $2.4 billion. FCX estimates it is reasonably possible that these obligations could range between $2.0 billion and $2.6 billion on an undiscounted and unescalated basis.

At December 31, 2014, 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, 2014. FCX may also be subject to litigation brought by private parties, regulators and local governmental authorities related to these historical sites. 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 FCX, 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 consisting of both capping (earthwork) and groundwater extraction and treatment 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 FCX, operated a copper smelter, and from the 1930s until 1984, it operated a copper 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, four other companies and the City of New York 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 the 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. FCX subsidiaries and their 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 onsite and offsite conditions associated with the smelters. The historical smelter sites are in various stages of assessment and remediation. At some of these sites, disputes with local residents and elected officials regarding the health effects of alleged contamination or the effectiveness of remediation efforts have resulted in litigation of various types, and similar litigation at other sites is possible.

Uranium Mining Sites. During a period between 1940 and the early 1970s, certain FCX subsidiaries and their predecessors 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, FCX has undertaken remediation at a limited number of sites associated with these predecessor entities. During 2014, FCX initiated reconnaissance work at a limited number of historic mining sites on federal lands in the Four Corners region and expects to increase those activities over the next several years in order to identify sites for possible future investigation and remediation. During 2014, FCX also initiated dialogue with federal and tribal representatives regarding a potential phased program to investigate and remediate historic uranium sites on tribal lands in the Four Corners region.

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:

	2014	2013	2012
Balance at beginning of year	**$2,328**	$1,146	$ 921
Liabilities assumed in the acquisitions of PXP and MMR[a]	**—**	1,028	—
Liabilities incurred	**430**[b]	45	6
Settlements and revisions to cash flow estimates, net	**65**	123	211
Accretion expense	**117**	95	55
Dispositions	**(61)**	—	—
Spending	**(99)**	(107)	(47)
Other	**(11)**	(2)	—
Balance at end of year	**2,769**	2,328	1,146
Less current portion	**(191)**	(115)	(55)
Long-term portion	**$2,578**	$2,213	$1,091

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.

b. Primarily reflects revisions to the closure approach to reclaim an overburden stockpile in Indonesia.

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, 2014, FCX's financial assurance obligations associated with these closure and reclamation/restoration costs totaled $1.0 billion, of which $636 million was in the form of guarantees issued by FCX and financial capability demonstrations of FCX. At December 31, 2014, FCX had trust assets totaling $168 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 December 1, 2013, and specify 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. The rules are being challenged in the New Mexico courts by certain environmental organizations and the New Mexico Attorney General. Finalized closure plan requirements, including those resulting from the 2013 rules, could result in material 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, 2014, FCX had accrued reclamation and closure costs of $450 million for its New Mexico operations. As stated above, additional accruals may be required based on the state's periodic 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, leaching, 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. In 2014, the state enacted legislation requiring closure costs for facilities covered by aquifer protection permits to be updated no more frequently than every five years and financial assurance mechanisms to be updated no more frequently than every two years. ADEQ has not yet formally notified FCX regarding the time table for updating the closure cost estimates and financial assurance mechanisms for FCX's Arizona mine sites, although FCX may be required to begin updating its closure costs in 2015.

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 along with financial assurance. 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, and those adjustments could be material. At December 31, 2014, FCX had accrued reclamation and closure costs of $285 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 plans for reclamation of lands affected by mining operations to be performed during mining or upon cessation of mining operations. During 2014, FCX met with the Colorado Division of Reclamation Mining & Safety (DRMS) regarding the inclusion of long-term water management costs in its closure plans, and Henderson updated its closure cost estimate in the fourth quarter of 2014 for long-term water management, which is still pending formal approval by DRMS. As of December 31, 2014, FCX had accrued reclamation and closure costs of $73 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 El Abra operation submitted updated closure cost estimates based on the existing approved closure plan in November 2014. At December 31, 2014, FCX had accrued reclamation and closure costs of $67 million for its El Abra operation.

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 latest closure plan and cost estimate for the Cerro Verde mine expansion was submitted to the Peruvian regulatory authorities in November 2013. At December 31, 2014, Cerro Verde had accrued reclamation and closure costs of $78 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 the remaining reclamation costs will be incurred at the end of mining activities, which are currently estimated to continue for approximately 25 years. During 2014, PT-FI updated its closure approach for an overburden stockpile, which resulted in an increase in the estimated closure costs of $403 million. At December 31, 2014, PT-FI had accrued reclamation and closure costs of $636 million.

In 1996, PT-FI began contributing to a cash fund ($20 million balance at December 31, 2014, 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 COW, 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 6,500 wells and more than 180 platforms and other structures. At December 31, 2014, 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.

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. On January 15, 2015, a Stipulation and Agreement of Settlement, Compromise and Release (Stipulation) was entered into with respect to the consolidated stockholder derivative litigation captioned In Re Freeport-McMoRan Copper & Gold Inc. Derivative Litigation, No. 8145-VCN. The settlement is subject to specified conditions, including final approval by the Delaware Court of Chancery. If approved by the Court, this settlement will resolve all pending derivative claims against directors and officers of FCX challenging FCX's 2013 acquisitions of PXP and MMR. Pursuant to the Stipulation, insurers under FCX's directors and officers liability insurance policies will fund $115 million (Settlement Amount) to FCX. The settlement is conditioned upon FCX's Board declaring a special dividend in an aggregate amount not less than the net proceeds received by FCX in respect to the settlement (*i.e.*, the Settlement Amount less plaintiffs' attorneys' fees and expenses as awarded by the Court) plus an additional $22.5 million to be funded by FCX. The special dividend is to be paid at the time of the issuance of, and with the same record date to be established for, the next quarterly dividend announced after the Settlement Amount is received by FCX.

Pursuant to the settlement, FCX's Board has approved and agreed to keep in effect for at least three years corporate governance enhancements specified in the Stipulation. These corporate governance enhancements include agreements by FCX to maintain and/or establish (i) a lead independent director position, (ii) an independent executive committee, (iii) solely independent directors on each of the executive, corporate responsibility, audit, compensation, and nominating and governance committees, and (iv) certain procedures or policies relating to the selection of members of special committees, approval of related-party transactions, and executive compensation.

Tax and Other Matters. 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.

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 December 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 December 2006 through December 2008. Decisions by the Tax Tribunal ended the administrative stage of the appeal procedures for these assessments. In September 2013, Cerro Verde filed judiciary appeals related to the assessments for the 2006 through 2008 periods 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. With respect to the judiciary appeal related to assessments for the year 2008, on December 17, 2014, Peru's Eighteenth Contentious Administrative Court rendered its decision upholding Cerro Verde's position and nullifying the Tax Tribunal's resolution and SUNAT's assessment. On December 31, 2014, SUNAT and the Tax Tribunal appealed this decision. As of February 20, 2015, no decision had been rendered with respect to Cerro Verde's judicial appeal of assessments for the 2006 and 2007 periods. In July 2013, a hearing on SUNAT's assessment for 2009 was held, but no decision has been issued by the Tax Tribunal for that year. 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.

In October 2013, SUNAT served Cerro Verde with a demand for payment totaling 492 million Peruvian Nuevos Soles ($165 million based on the exchange rate at December 31, 2014, including interest and penalties of $97 million, or a total of $88 million, net of noncontrolling interests) based on the Peruvian Tax Tribunal's decisions for the period December 2006 through December 2008. As permitted by law, Cerro Verde requested and was granted an installment payment program that deferred payment for six months and thereafter satisfies the amount via 66 equal monthly payments. As of December 31, 2014, Cerro Verde has made payments totaling 113 million Peruvian Nuevos Soles ($40 million based on exchange rates at the date of payment) under the installment program, which are included in other assets in the consolidated balance sheet. As of December 31, 2014, the aggregate amount of the assessments, including interest and penalties, for the year 2009 was 226 million Peruvian Nuevos Soles ($76 million based on the exchange rate at December 31, 2014, or a total of $41 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 December 2006 through December 2009.

No amounts have been accrued for these assessments or the installment payment program as of December 31, 2014, because Cerro Verde believes its 1998 stability agreement exempts it from these royalties and believes any payments will be recoverable.

Other Peruvian Tax Matters. Cerro Verde has also received assessments from SUNAT for additional taxes, penalties and interest related to various audit exceptions for income and other taxes. Cerro Verde has filed or will file objections to the assessments because it believes it has properly determined and paid its taxes. A summary of these assessments follows:

Tax Year	Tax Assessment	Penalty and Interest Assessment	Total
2002 to 2005	$ 16	$ 49	$ 65
2006	7	45	52
2007	12	18	30
2008	21	13	34
2009	59	49	108
2010	63	85	148[a]
2014	5	—	5
	$183	$259	$442

a. The tax assessment for the year 2010 was issued in February 2015.

As of December 31, 2014, Cerro Verde had paid $192 million (included in other assets) on these disputed tax assessments, which it believes are collectible. No amounts have been accrued for these assessments.

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 and other taxes. PT-FI has filed objections to the assessments because it believes it has properly determined and paid its taxes. A summary of these assessments follows:

Tax Year	Tax Assessment	Interest Assessment	Total
2005	$103	$ 49	$152
2006	22	10	32
2007	91	44	135
2008	62	52	114
2011	56	13	69
2012	137	—	137
	$471	$168	$639

Required estimated income tax payments for 2011 significantly exceeded PT-FI's 2011 reported income tax liability, which resulted in a $313 million overpayment. During 2013, the Indonesian tax authorities agreed to refund $291 million associated with income tax overpayments made by PT-FI for 2011, and PT-FI filed objections for the remaining $22 million that it believes it is due. 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.

Required estimated income tax payments for 2012 significantly exceeded PT-FI's 2012 reported income tax liability, which resulted in a $303 million overpayment (included in income and other tax receivables in the consolidated balance sheet at December 31, 2013). During second-quarter 2014, the Indonesian tax authorities issued tax assessments for 2012 of $137 million and other offsets of $15 million, and refunded the balance of $151 million (before foreign exchange adjustments). PT-FI filed objections and will use other means available under Indonesian tax laws and regulations to recover all overpayments that remain in dispute.

As of December 31, 2014, PT-FI had paid $359 million (of which $279 million was included in other assets) on disputed tax assessments, which it believes are collectible. In addition, PT-FI has $267 million (included in income and other tax receivables in the consolidated balance sheet at December 31, 2014) for overpayments of 2014 income taxes.

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. In December 2014, PT-FI paid $269 million for valued added taxes for the period from November 2005 through 2009. The taxes are refundable and are included in income and other tax receivables in the consolidated balance sheet at December 31, 2014.

Letters of Credit, Bank Guarantees and Surety Bonds. Letters of credit and bank guarantees totaled $306 million at December 31, 2014, primarily for the Cerro Verde royalty dispute (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 $275 million at December 31, 2014, associated with environmental and asset retirement obligations ($217 million), self-insurance bonds primarily for workers' compensation ($20 million) and other bonds ($38 million).

Insurance. FCX purchases a variety of insurance products to mitigate potential losses, which 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, 2014, expected losses under these insurance programs totaled $64 million, which consisted of a current portion of $8 million (included in accounts payable and accrued liabilities) and a long-term portion of $56 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 paid 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, 2014, total $44 million in 2015, $44 million in 2016, $42 million in 2017, $36 million in 2018, $23 million in 2019 and $165 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 2014, $96 million in 2013 and $77 million in 2012.

Contractual Obligations. Based on applicable prices at December 31, 2014, FCX has unconditional purchase obligations of $4.3 billion, primarily comprising minimum commitments for deepwater drillships to be utilized in the GOM drilling campaign ($1.8 billion), transportation services ($732 million), the procurement of copper concentrates ($572 million), electricity ($316 million) and deferred premium costs and future interest on crude oil derivative contracts ($231 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, 2014). 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 contracted ocean freight and FM O&G contracted gathering. 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 mines.

FCX's future commitments associated with unconditional purchase obligations total $2.1 billion in 2015, $1.0 billion in 2016, $707 million in 2017, $111 million in 2018, $119 million in 2019 and $204 million thereafter, of which $210 million was accrued at December 31, 2014, related to deferred premiums and interest on crude oil derivative contracts. During the three-year period ended December 31, 2014, FCX fulfilled its minimum contractual purchase obligations.

Mining Contracts — Indonesia. FCX is entitled to mine in Indonesia under the COW between PT-FI and the Government of Indonesia. The original COW was entered into in 1967 and was replaced with the current COW in 1991. The initial term of the current COW expires in 2021 but can be extended by PT-FI for two 10-year periods subject to Indonesian government approval, which pursuant to the COW cannot be withheld or delayed unreasonably. PT-FI is currently engaged in discussions with the Indonesian government related to the amendment and extension of its contractual and operating rights for the two 10-year extension periods.

The copper royalty rate payable by PT-FI under its COW, prior to modifications discussed below as a result of a recent Memorandum of Understanding (MOU) entered into with the Indonesian government, varied 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 COW royalty rate for gold and silver sales was 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 COW) to provide further support to the local governments and the people of the Indonesian province of Papua. The additional royalties, prior to modifications discussed below as a result of a recent MOU, were paid on production exceeding specified annual amounts of copper, gold and silver generated when PT-FI's milling facilities operated above 200,000 metric tons of ore per day. The additional royalty for copper equaled the COW royalty rate, and for gold and silver equaled twice the COW royalty rates. Therefore, PT-FI's royalty rate on copper net revenues from production above the agreed levels was double the COW royalty rate, and the royalty rates on gold and silver sales from production above the agreed levels were triple the COW royalty rates.

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 as discussed below, 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.

In January 2014, the Indonesian government published regulations providing that holders of contracts of work with existing processing facilities in Indonesia may continue to export product through January 12, 2017, but established new requirements for the continued export of copper concentrates, including the imposition of a progressive export duty on copper concentrates in the amount of 25 percent in 2014, rising to 60 percent by mid-2016. PT-FI's COW authorizes it to export concentrates and specifies the taxes and other fiscal terms available to its operations. The COW states that PT-FI shall not be subject to taxes, duties or fees subsequently imposed or approved by the Indonesian government except as expressly provided in the COW. Additionally, PT-FI complied with the requirements of its COW for local processing by arranging for the construction and commissioning of Indonesia's only copper smelter and refinery, which is owned by PT Smelting (refer to Note 6).

On July 25, 2014, PT-FI entered into a MOU with the Indonesian government under which PT-FI and the government agreed to negotiate an amended COW to address provisions related to the size of PT-FI's concession area, royalties and taxes, domestic processing and refining, divestment, local content, and continuation of operations post-2021. Execution of the MOU enabled the resumption of concentrate exports in August 2014, which had been suspended since January 2014. The MOU has been extended to July 25, 2015. PT-FI is engaged in active discussions with the Indonesian government regarding an amended COW.

Provisions being addressed include the development of new copper smelting and refining capacity in Indonesia, provisions for divestment to the Indonesian government and/or Indonesian nationals of up to a 30 percent interest (an additional 20.64 percent interest) in PT-FI at fair value, and timely granting rights for the continuation of operations from 2022 through 2041. Negotiations are taking into consideration PT-FI's need for assurance of legal and fiscal terms post-2021 for PT-FI to continue with its large-scale investment program for the development of its underground reserves.

Effective with the signing of the MOU, PT-FI provided a $115 million assurance bond to support its commitment for smelter development, agreed to increase royalties to 4.0 percent for copper and 3.75 percent for gold from the previous rates of 3.5 percent for copper and 1.0 percent for gold, and to pay export duties as set forth in a new regulation. PT-FI's royalties totaled $115 million in 2014, $109 million in 2013 and $93 million in 2012. The Indonesian government revised its January 2014 regulations regarding export duties, which are now set at 7.5 percent, declining to 5.0 percent when smelter development progress exceeds 7.5 percent and are eliminated when development progress exceeds 30 percent. PT-FI's export duties totaled $77 million in 2014.

Under the MOU, no terms of the COW other than those relating to the export duties, smelter bond and royalties described previously will be changed until the completion of an amended COW.

PT-FI is advancing plans for the construction of new smelter capacity in parallel with completing negotiations of its long-term operating rights and will also discuss the possibility of expanding industrial activities in Papua in connection with its long-term development plans. PT-FI has identified a site adjacent to the existing PT Smelting site in Gresik, Indonesia, for the construction of additional smelter capacity.

PT-FI is required to apply for renewal of export permits at six-month intervals. In January 2015, PT-FI obtained a renewal of its export license through July 25, 2015.

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 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 2014, $29 million in 2013 and $25 million in 2012.

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 $31 million in 2014, $41 million in 2013 and $39 million in 2012 to cost of sales for this commitment.

TFM has committed to assist the communities living within its concession area 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 2014, 2013 and 2012 to cost of sales for this commitment.

Guarantees. FCX provides certain financial guarantees (including indirect guarantees of the indebtedness of others) and indemnities.

FCX's venture agreement with Sumitomo at its Morenci mine in Arizona (refer to Note 3 for further discussion) 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, 2014, 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 $354 million based on calculations defined in the venture agreement. At December 31, 2014, 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 derivatives 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 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, 2014 and 2013, 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, 2014, resulting from hedge ineffectiveness. At December 31, 2014, FCX held copper futures and swap contracts that qualified for hedge accounting for 50 million pounds at an average contract price of $2.97 per pound, with maturities through May 2016.

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 for the years ended December 31 follows:

	2014	2013	2012
Copper futures and swap contracts:			
Unrealized (losses) gains:			
Derivative financial instruments	$(12)	$ 1	$ 15
Hedged item – firm sales commitments	12	(1)	(15)
Realized losses:			
Matured derivative financial instruments	(9)	(17)	(2)

Derivatives Not Designated as Hedging Instruments

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 copper price or the COMEX copper price and the London gold price 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 copper price or the London gold price as defined in the contract. Mark-to-market price fluctuations from these embedded derivatives are recorded through the settlement date and 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, 2014, follows:

	Open Positions	Average Price Per Unit: Contract	Average Price Per Unit: Market	Maturities Through
Embedded derivatives in provisional sales contracts:				
Copper (millions of pounds)	574	$ 3.02	$ 2.86	May 2015
Gold (thousands of ounces)	178	1,207	1,200	April 2015
Embedded derivatives in provisional purchase contracts:				
Copper (millions of pounds)	101	3.01	2.87	April 2015

Crude Oil and Natural Gas Contracts. As a result of the acquisition of PXP, FCX has derivative contracts for 2015 that consist of crude oil options. These crude oil 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, 2014, 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, 2014, the deferred option premiums and accrued interest associated with the crude oil option contracts totaled $210 million, which was included as a component of the fair value of the crude oil option contracts. At December 31, 2014, the outstanding crude oil option contracts, which settle monthly and cover approximately 31 million barrels in 2015, follow:

Period	Instrument Type	Daily Value (thousand barrels)	Average Price (per barrel)[a]: Floor	Average Price (per barrel)[a]: Floor Limit	Weighted-Average Deferred Premium (per barrel)	Index
2015						
January – December	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.

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, 2014, Atlantic Copper held net forward copper purchase contracts for 13 million pounds at an average contract price of $2.90 per pound, with maturities through February 2015.

Summary of (Losses) Gains. A summary of the realized and unrealized (losses) gains recognized in (loss) 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:

	2014	2013	2012
Embedded derivatives in provisional copper and gold sales contracts[a]	$(289)	$(136)	$ 77
Crude oil options and swaps[a]	513	(344)	—
Natural gas swaps[a]	(8)	10	—
Copper forward contracts[b]	(4)	3	15

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,	2014	2013
Commodity Derivative Assets:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts[a]	$ —	$ 6
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper and gold sales/purchase contracts	15	63
Crude oil options[b]	316	—
Total derivative assets	$331	$ 69
Commodity Derivative Liabilities:		
Derivatives designated as hedging instruments:		
Copper futures and swap contracts[a]	$ 7	$ —
Derivatives not designated as hedging instruments:		
Embedded derivatives in provisional copper and gold sales/purchase contracts	93	16
Crude oil options[b]	—	309
Natural gas swaps	—	4
Copper forward contracts	—	1
Total derivative liabilities	$100	$330

a. FCX had paid $10 million to brokers at December 31, 2014, and $1 million at December 31, 2013, for margin requirements (recorded in other current assets).
b. Includes $210 million at December 31, 2014, and $444 million at December 31, 2013, for deferred premiums and accrued interest.

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 unsettled commodity contracts that are offset in the balance sheet follows:

	Assets		Liabilities	
December 31,	2014	2013	2014	2013
Gross amounts recognized:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	$ 15	$63	$ 93	$ 16
Crude oil and natural gas derivatives[a]	316	—	—	313
Copper derivatives	—	6	7	1
	331	69	100	330
Less gross amounts of offset:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	1	10	1	10
Crude oil and natural gas derivatives	—	—	—	—
Copper derivatives	—	—	—	—
	1	10	1	10
Net amounts presented in balance sheet:				
Commodity contracts:				
Embedded derivatives in provisional sales/purchase contracts	14	53	92	6
Crude oil and natural gas derivatives[a]	316	—	—	313
Copper derivatives	—	6	7	1
	$330	$59	$ 99	$320
Balance sheet classification:				
Trade accounts receivable	$ 5	$53	$ 56	$ —
Other current assets	316	6	—	—
Accounts payable and accrued liabilities	9	—	43	205
Other liabilities	—	—	—	115
	$330	$59	$ 99	$320

a. Includes only crude oil derivatives at December 31, 2014.

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, 2014, the maximum amount of credit exposure associated with derivative transactions was $379 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 $48 million at December 31, 2014, and $211 million at December 31, 2013), 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).

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).

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 2014. 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, 2014				
	Carrying Amount	Fair Value Total	Level 1	Level 2	Level 3
Assets					
Investment securities:[a,b,c]					
U.S. core fixed income fund	$ 23	$ 23	$ —	$ 23	$ —
Money market funds	20	20	20	—	—
Equity securities	3	3	3	—	—
Total	46	46	23	23	—
Legally restricted funds:[a,b,d]					
U.S. core fixed income fund	52	52	—	52	—
Government bonds and notes	39	39	—	39	—
Corporate bonds	27	27	—	27	—
Government mortgage-backed securities	25	25	—	25	—
Asset-backed securities	17	17	—	17	—
Money market funds	11	11	11	—	—
Municipal bonds	1	1	—	1	—
Total	172	172	11	161	—
Derivatives:[a,e]					
Embedded derivatives in provisional sales/purchase contracts in a gross asset position	15	15	—	15	—
Crude oil options	316	316	—	—	316
Total	331	331	—	15	316
Total assets		$ 549	$ 34	$ 199	$ 316
Liabilities					
Derivatives:[a,e]					
Embedded derivatives in provisional sales/purchase contracts in a gross liability position	$ 93	$ 93	$ —	$ 93	$ —
Copper futures and swap contracts	7	7	6	1	—
Total	100	100	6	94	—
Long-term debt, including current portion[f]	18,970	18,735	—	18,735	—
Total liabilities		$18,835	$ 6	$18,829	$ —

	At December 31, 2013				
	Carrying	Fair Value			
	Amount	Total	Level 1	Level 2	Level 3
Assets					
Investment securities:[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:[a,b,d]					
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,e]					
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[e]	$ 16	$ 16	$ —	$ 16	$ —
Crude oil options[e]	309	309	—	—	309
Natural gas swaps[e]	4	4	—	4	—
Copper forward contracts[e]	1	1	1	—	—
Plains Offshore warrants[g]	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

a. Recorded at fair value.
b. Current portion included in other current assets and long-term portion included in other assets.
c. Excludes $115 million of time deposits (which approximated fair value) at December 31, 2014 (included in other assets), associated with an assurance bond to support PT-FI's commitment for smelter development in Indonesia (refer to Note 13 for further discussion).
d. Excludes time deposits (which approximated fair value) of $17 million included in other current assets associated with a customs audit assessment and a reclamation guarantee at PT-FI at December 31, 2014, and $15 million included in other current assets and $210 million in other assets at December 31, 2013, associated with the Cerro Verde royalty dispute (refer to Note 12 for further discussion).
e. Refer to Note 14 for further discussion and balance sheet classifications. Crude oil options were net of $210 million at December 31, 2014, and $444 million at December 31, 2013, for deferred premiums and accrued interest.
f. Recorded at cost except for debt assumed in acquisitions, which are recorded at fair value at the respective acquisition dates.
g. Included in other liabilities.

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. crude oil prices, volatilities, interest rates and contract terms. FCX's derivative financial instruments for natural gas swaps were valued using a pricing model that had various observable inputs, including NYMEX price quotations, interest rates and contract terms (classified within Level 2 of the fair value hierarchy). Valuations are adjusted for credit quality, using the counterparties' credit quality for asset balances and FCX's credit quality for liability balances (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). 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. The 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 range from 34 percent to 53 percent, with a weighted average of 39 percent. The weighted-average cost of deferred premiums totals $6.89 per barrel at December 31, 2014. 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.

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.

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, 2014.

A summary of the changes in the fair value of FCX's most significant Level 3 instruments, crude oil options, follows:

Fair value at January 1, 2013	$ —
Crude oil options assumed in the PXP acquisition	(83)
Net realized losses	(38)[a]
Net unrealized losses included in earnings related to liabilities still held at the end of the period	(230)[b]
Settlement payments	42
Fair value at December 31, 2013	(309)
Net realized losses	**(42)**[a]
Net unrealized gains included in earnings related to assets still held at the end of the period	**430**[b]
Settlement payments	**237**
Fair value at December 31, 2014	**$ 316**

a. Includes net realized losses of $37 million recorded in revenues in 2013 and $41 million in 2014, and $1 million of interest expense associated with deferred premiums in 2013 and 2014.

b. Includes unrealized losses (gains) of $228 million recorded in revenues in 2013 and $(432) million in 2014, and $2 million of interest expense associated with deferred premiums in 2013 and 2014.

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 PXP and MMR acquisitions and the goodwill impairment.

NOTE 16. BUSINESS SEGMENT INFORMATION

Product Revenue. FCX revenues attributable to the products it produced for the years ended December 31 follow:

	2014	2013	2012
Refined copper products	$ 9,451	$ 9,178	$ 9,699
Copper in concentrates[a]	3,366	5,328	4,589
Gold	1,584	1,656	1,741
Molybdenum	1,207	1,110	1,187
Oil	4,233	2,310	—
Other	1,597	1,339	794
Total	$21,438	$20,921	$18,010

a. Amounts are net of treatment and refining charges totaling $374 million for 2014, $400 million for 2013 and $311 million for 2012.

Geographic Area. Information concerning financial data by geographic area follows:

December 31,	2014	2013	2012
Long-lived assets:[a]			
United States	$29,468	$32,969[b]	$ 8,689
Indonesia	6,961	5,799	5,127
Peru	6,848	5,181	3,933
Democratic Republic of Congo	4,071	3,994	3,926
Chile	1,542[c]	2,699	2,587
Other	522	562	327
Total	$49,412	$51,204	$24,589

a. Long-lived assets exclude deferred tax assets, intangible assets and goodwill.
b. Increased from 2012 primarily because of the PXP and MMR acquisitions.
c. Decreased from 2013 primarily because of the sale of Candelaria/Ojos.

Years Ended December 31,	2014	2013	2012
Revenues:[a]			
United States	$10,311	$ 9,418	$ 6,285
Indonesia	1,792	1,651	2,054
Japan	1,573	2,141	2,181
Spain	1,208	1,223	1,581
China	968	1,078	579
Switzerland	800	1,098	731
Chile	687	754	704
Turkey	484	341	345
Korea	383	297	525
Other	3,232	2,920	3,025
Total	$21,438	$20,921	$18,010

a. Revenues are attributed to countries based on the location of the customer.

Major Customers. Copper concentrate sales to PT Smelting totaled $1.8 billion (8 percent of FCX's consolidated revenues) in 2014, $1.7 billion (8 percent of FCX's consolidated revenues) in 2013 and $2.1 billion (11 percent of FCX's consolidated revenues) in 2012. Additionally, oil and gas sales to Phillips 66 Company totaled $2.5 billion (12 percent of FCX's consolidated revenues) in 2014. 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, 2014, 48 percent of FCX's labor force was covered by collective bargaining agreements, and 28 percent of FCX's labor force is covered by agreements that will expire within one year.

Business Segments. 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. FCX's U.S. oil and gas operations reflect the results of FM O&G beginning June 1, 2013. Operating segments that meet certain thresholds are reportable segments, which are disclosed separately in the following tables, and include the Morenci (included in North America copper mines), Cerro Verde (included in South America mining), Grasberg (Indonesia mining) and Tenke (Africa mining) copper mines, the Rod & Refining operations and the U.S. oil & gas operations.

Intersegment sales between FCX's mining operations are based on similar arm's-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 mines 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.

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 (included in corporate, other and eliminations), whereas foreign income taxes are recorded and managed at the applicable country level. In addition, most mining exploration and research activities are managed on a consolidated basis, 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. In addition to copper, certain of FCX's North America copper mines also produce molybdenum concentrates and silver.

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 41 percent of FCX's North America copper during 2014.

South America Mining. South America mining includes two operating copper mines — Cerro Verde in Peru and El Abra in Chile. These operations include open-pit mining, sulfide ore concentrating, leaching and SX/EW operations.

On November 3, 2014, FCX completed the sale of its 80 percent ownership interests in the Candelaria mine and the Ojos del Salado mine, both reported as components of other South America mines. South America mining includes the results of the the Candelaria and Ojos del Salado mines through the sale date. Refer to Note 2 for further discussion.

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 and silver. The Cerro Verde mine produced 43 percent of FCX's South America copper during 2014.

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 2014, Atlantic Copper purchased approximately 21 percent of its concentrate requirements from the North America copper mines, approximately 21 percent from the South America mining operations and approximately 8 percent from the Indonesia mining operations at market prices, with the remainder purchased from third parties.

Other Mining & Eliminations. Other mining and eliminations include the Miami smelter (a smelter at FCX's Miami, Arizona, mining operation), Freeport Cobalt (a cobalt chemical refinery in Kokkola, Finland), molybdenum conversion facilities in the U.S. and Europe, four non-operating copper mines in North America (Ajo, Bisbee and Tohono in Arizona, and Cobre in New Mexico) and other mining support entities.

U.S. Oil & Gas Operations. FCX's U.S. oil and gas operations include oil production facilities in the Deepwater GOM, 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 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 and reportable segment.

Financial Information by Business Segment

	Mining Operations															
	North America Copper Mines			South America			Indonesia	Africa								
	Morenci	Other Mines	Total	Cerro Verde	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, 2014																
Revenues:																
Unaffiliated customers	$ 364	$ 336	$ 700	$1,282	$1,740	$3,022	$2,848[a]	$1,437	$ —	$4,626	$2,391	$ 1,704[b]	$16,728	$ 4,710[c]	$ —	$21,438
Intersegment	1,752	3,164	4,916	206	304	510	223	121	587	29	21	(6,407)	—	—	—	—
Production and delivery	1,287	2,153	3,440	741	1,198	1,939	1,988	770	328	4,633	2,356	(4,789)	10,665	1,237	2	11,904
Depreciation, depletion and amortization	168	316	484	159	208	367	266	228	92	10	41	70	1,558	2,291	14	3,863
Impairment of oil and gas properties	—	—	—	—	—	—	—	—	—	—	—	—	—	3,737	—	3,737
Selling, general and administrative expenses	2	3	5	3	3	6	98	12	—	—	17	25	163	207	222	592
Mining exploration and research expenses	—	8	8	—	—	—	—	—	—	—	—	118	126	—	—	126
Environmental obligations and shutdown costs	—	(5)	(5)	—	—	—	—	—	—	—	—	123	118	—	1	119
Goodwill impairment	—	—	—	—	—	—	—	—	—	—	—	—	—	1,717	—	1,717
Net gain on sale of assets	—	(14)	(14)	—	—	—	—	—	—	—	—	(703)[d]	(717)	—	—	(717)
Operating income (loss)	659	1,039	1,698	585	635	1,220	719	548	167	12	(2)	453	4,815	(4,479)	(239)	97
Interest expense, net	3	1	4	1	—	1	—	—	—	—	13	84	102	241	287	630
Provision for (benefit from) income taxes	—	—	—	265	266	531	293	116	—	—	—	221[d]	1,161	—	(837)	324
Total assets at December 31, 2014	3,780	5,611	9,391	7,513	1,993	9,506	8,626	5,073	2,095	235	898	1,319	37,143	20,834	818	58,795
Capital expenditures	826	143	969	1,691	94	1,785	948	159	54	4	17	52	3,988	3,205	22	7,215
Year Ended December 31, 2013																
Revenues:																
Unaffiliated customers	$ 244	$ 326	$ 570	$1,473	$2,379	$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	1,288	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	194	346	247	246	82	9	42	48	1,422	1,364	11	2,797
Selling, general and administrative expenses	2	3	5	3	4	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	1,166	2,063	1,420	625	123	23	(75)[e]	(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	404	720	603	131	—	—	—	—	1,454	—	21[f]	1,475
Total assets at December 31, 2013	3,110	5,810	8,920	6,584	3,996	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	185	1,145	1,030	205	164	4	67	113	3,794	1,436	56	5,286

a. Includes PT-FI's sales to PT Smelting totaling $1.8 billion in 2014 and $1.7 billion in 2013.

b. Includes 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. Includes net mark-to-market gains (losses) associated with crude oil and natural gas derivative contracts totaling $505 million in 2014 and $(334) million for the period from June 1, 2013, to December 31, 2013.

d. Includes a gain of $671 million for the sale of Candelaria/Ojos and related provision for income taxes of $221 million.

e. Includes $50 million for shutdown costs associated with Atlantic Copper's scheduled 68-day maintenance turnaround, which was completed in fourth-quarter 2013.

f. Includes $199 million of net benefits resulting from oil and gas acquisitions.

Financial Information by Business Segment *(continued)*

	Mining Operations: North America Copper Mines			South America			Indonesia	Africa								
	Morenci	Other Mines	Total	Cerro Verde	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, 2012																
Revenues:																
Unaffiliated customers	$ 156	$ 46	$ 202	$1,767	$2,143	$ 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	1,301	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	148	287	212	176	59	9	42	27	1,172	—	7	1,179
Selling, general and administrative expenses	2	2	4	3	3	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	1,121	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[c]	329	557	497	112	—	—	—	—	1,166	—	344	1,510
Total assets at December 31, 2012	2,445	5,703	8,148	5,821	4,342	10,163	6,591	4,622	2,018	242	992	614	33,390	—	2,050	35,440
Capital expenditures	266	559	825	558	373	931	843	539	245	6	16	69	3,474	—	20	3,494

a. Includes PT-FI's sales to PT Smelting totaling $2.1 billion in 2012.
b. Includes 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. Includes a credit of $234 million for the reversal of a net deferred tax liability.

NOTE 17. GUARANTOR FINANCIAL STATEMENTS

All of the senior notes issued by FCX and discussed in Note 8 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 FM O&G LLC, including indebtedness under the revolving credit facility. The guarantee ranks senior in right of payment with all of FM O&G LLC's future subordinated obligations and is effectively subordinated in right of payment to any debt of FM O&G LLC's subsidiaries. In the future, FM O&G LLC's guarantee may be released or terminated for certain obligations 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 sheets at December 31, 2014 and 2013, and the related condensed consolidating statements of comprehensive (loss) income for the years ended December 31, 2014 and 2013, and the condensed consolidating statements of cash flows for the years ended December 31, 2014 and 2013, which should be read in conjunction with FCX's notes to the consolidated financial statements:

CONDENSED CONSOLIDATING BALANCE SHEET

	December 31, 2014				
	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 1	$ 463	$ —	$ 464
Accounts receivable	234	2,230	2,671	(2,572)	2,563
Other current assets	89	404	5,525	—	6,018
Total current assets	323	2,635	8,659	(2,572)	9,045
Property, plant, equipment and mining development costs, net	22	46	26,152	—	26,220
Oil and gas properties, net – full cost method:					
Subject to amortization, less accumulated amortization	—	3,296	5,907	(16)	9,187
Not subject to amortization	—	2,447	7,640	—	10,087
Investments in consolidated subsidiaries	28,765	6,460	10,246	(45,471)	—
Other assets	9,012	3,947	4,084	(12,787)	4,256
Total assets	$38,122	$18,831	$62,688	$(60,846)	$58,795
LIABILITIES AND EQUITY					
Current liabilities	$ 1,592	$ 560	$ 5,592	$ (2,572)	$ 5,172
Long-term debt, less current portion	15,028	3,874	8,902	(9,312)	18,492
Deferred income taxes	3,161[a]	—	3,237	—	6,398
Environmental and asset retirement obligations, less current portion	—	302	3,345	—	3,647
Other liabilities	54	3,372	1,910	(3,475)	1,861
Total liabilities	19,835	8,108	22,986	(15,359)	35,570
Redeemable noncontrolling interest	—	—	751	—	751
Equity:					
Stockholders' equity	18,287	10,723	35,268	(45,991)	18,287
Noncontrolling interests	—	—	3,683	504	4,187
Total equity	18,287	10,723	38,951	(45,487)	22,474
Total liabilities and equity	$38,122	$18,831	$62,688	$(60,846)	$58,795

a. All U.S. related deferred income taxes are recorded at the parent company.

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
Other current assets	114	38	5,273	—	5,425
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, less accumulated 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 STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

	Year Ended December 31, 2014				
	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Revenues	$ —	$ 2,356	$19,082	$ —	$21,438
Total costs and expenses	59	3,498[a]	17,762[a]	22	21,341
Operating (loss) income	(59)	(1,142)	1,320	(22)	97
Interest expense, net	(382)	(139)	(189)	80	(630)
Net (loss) gain on early extinguishment of debt	(5)	78	—	—	73
Other income (expense), net	72	3	41	(80)	36
(Loss) income before income taxes and equity in affiliated companies' net (losses) earnings	(374)	(1,200)	1,172	(22)	(424)
Benefit from (provision for) income taxes	73	281	(686)	8	(324)
Equity in affiliated companies' net (losses) earnings	(1,007)	(3,429)	(4,633)	9,072	3
Net (loss) income	(1,308)	(4,348)	(4,147)	9,058	(745)
Net income and preferred dividends attributable to noncontrolling interests	—	—	(519)	(44)	(563)
Net (loss) income attributable to FCX common stockholders	$(1,308)	$(4,348)	$ (4,666)	$9,014	$ (1,308)
Other comprehensive loss	—	—	(139)	—	(139)
Total comprehensive (loss) income	$(1,308)	$(4,348)	$ (4,805)	$9,014	$ (1,447)

a. Includes impairment charges totaling $1.9 billion at the FM O&G LLC guarantor and $3.5 billion at the non-guarantor subsidiaries related to ceiling test impairment charges for FCX's oil and gas properties pursuant to full cost accounting rules and a goodwill impairment charge.

	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
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)
Net (loss) gain 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, 2014				
	FCX Issuer	FM O&G LLC Guarantor	Non-guarantor Subsidiaries	Eliminations	Consolidated FCX
Cash flow from operating activities:					
Net (loss) income	$(1,308)	$(4,348)	$ (4,147)	$ 9,058	$ (745)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:					
Depreciation, depletion and amortization	4	806	3,077	(24)	3,863
Impairment of oil and gas properties and goodwill	—	1,922	3,486	46	5,454
Net gains on crude oil and natural gas derivative contracts	—	(504)	—	—	(504)
Equity in losses (earnings) of consolidated subsidiaries	1,007	3,429	4,633	(9,072)	(3)
Other, net	(882)	(113)	(807)	—	(1,802)
Decreases (increases) in working capital and changes in other tax payments, excluding amounts from dispositions	723	(1,750)	395	—	(632)
Net cash (used in) provided by operating activities	(456)	(558)	6,637	8	5,631
Cash flow from investing activities:					
Capital expenditures	—	(2,143)	(5,072)	—	(7,215)
Acquisition of Deepwater GOM interests	—	—	(1,426)	—	(1,426)
Intercompany loans	(1,328)	704	—	624	—
Dividends from (investments in) consolidated subsidiaries	1,221	(130)	(2,408)	1,317	—
Net proceeds from sale of Candelaria and Ojos del Salado	—	—	1,709	—	1,709
Net proceeds from sale of Eagle Ford shale assets	—	2,910	—	—	2,910
Other, net	—	41	180	—	221
Net cash (used in) provided by investing activities	(107)	1,382	(7,017)	1,941	(3,801)
Cash flow from financing activities:					
Proceeds from debt	7,464	—	1,246	—	8,710
Repayments of debt	(5,575)	(3,994)	(737)	—	(10,306)
Intercompany loans	—	810	(186)	(624)	—
Cash dividends and distributions paid, and contributions received	(1,305)	2,364	(1,463)	(1,325)	(1,729)
Other, net	(21)	(3)	(2)	—	(26)
Net cash provided by (used in) financing activities	563	(823)	(1,142)	(1,949)	(3,351)
Net increase (decrease) in cash and cash equivalents	—	1	(1,522)	—	(1,521)
Cash and cash equivalents at beginning of year	—	—	1,985	—	1,985
Cash and cash equivalents at end of year	$ —	$ 1	$ 463	$ —	$ 464

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 (used in) 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) losses of consolidated subsidiaries	(2,886)	(281)	(265)	3,432	—
Other, net	8	(14)	78	—	72
Decreases (increases) in working capital and changes in other tax payments, excluding amounts from acquisitions and dispositions	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)	—
Dividends from (investments in) consolidated subsidiaries	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

In February 2015, FCX's revolving credit facility and Term Loan were modified to amend the maximum total leverage ratio. In addition, the Term Loan amortization schedule was extended such that, as amended, the Term Loan's scheduled payments total $225 million in 2016, $269 million in 2017, $1.1 billion in 2018, $299 million in 2019 and $1.2 billion in 2020, compared with $650 million in 2016, $200 million in 2017 and $2.2 billion in 2018.

FCX evaluated events after December 31, 2014, 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
2014					
Revenues	**$4,985**[a]	**$5,522**[a]	**$5,696**[a]	**$ 5,235**[a]	**$21,438**[a]
Operating income (loss)	**1,111**	**1,153**	**1,132**[b,c]	**(3,299)**[b,c]	**97**[b,c]
Net income (loss)	**626**	**660**[d,e]	**704**[d,e]	**(2,735)**[d,e]	**(745)**[d,e]
Net income and preferred dividends attributable to noncontrolling interests	**116**	**178**	**152**	**117**	**563**
Net income (loss) attributable to FCX common stockholders	**510**[a]	**482**[a,d,e]	**552**[a,b,c,d,e]	**(2,852)**[a,b,c,d,e]	**(1,308)**[a,b,c,d,e]
Basic net income (loss) per share attributable to FCX common stockholders	**0.49**	**0.46**	**0.53**	**(2.75)**	**(1.26)**
Diluted net income (loss) per share attributable to FCX common stockholders	**0.49**[a]	**0.46**[a,d,e]	**0.53**[a,b,c,d,e]	**(2.75)**[a,b,c,d,e]	**(1.26)**[a,b,c,d,e]
2013					
Revenues	$4,583	$ 4,288[f]	$6,165[f]	$ 5,885[f]	$20,921[f]
Operating income	1,355[g]	639[g]	1,707[g]	1,650[g,h]	5,351[g,h]
Net income	824[j]	610[i,j,k]	1,048	959[i,j]	3,441[i,j,k]
Net income and preferred dividends attributable to noncontrolling interests	176	128	227	252	783
Net income attributable to FCX common stockholders	648[g,j]	482[f,g,i,j,k]	821[f,g]	707[f,g,h,i,j]	2,658[f,g,h,i,j,k]
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[g,j]	0.49[f,g,i,j,k]	0.79[f,g]	0.68[f,g,h,i,j]	2.64[f,g,h,i,j,k]

a. Includes credits (charges) of $15 million ($9 million to net income attributable to common stockholders or $0.01 per share) in the first quarter, $(7) million ($(4) million to net income attributable to common stockholders) in the second quarter, $122 million ($76 million to net income attributable to common stockholders or $0.07 per share) in the third quarter, $497 million ($309 million to net loss attributable to common stockholders or $0.30 per share) in the fourth quarter and $627 million ($389 million to net loss attributable to common stockholders or $0.37 per share) for the year for net unrealized and noncash realized gains (losses) on crude oil and natural gas derivative contracts.

b. Includes a charge of $308 million ($192 million to net income attributable to common stockholders or $0.18 per share) in the third quarter, $3.4 billion ($2.1 billion to net loss attributable to common stockholders or $2.05 per share) in the fourth quarter and $3.7 billion ($2.3 billion to net loss attributable to common stockholders or $2.24 per share) for the year to reduce the carrying value of oil and gas properties pursuant to full cost accounting rules. Additionally, the fourth quarter and the year include a goodwill impairment charge of $1.7 billion ($1.65 per share) for the full carrying value of goodwill.

c. Includes net gains of $46 million ($31 million to net income attributable to common stockholders or $0.03 per share) in third quarter, $671 million ($450 million to net loss attributable to common stockholders or $0.43 per share) in the fourth quarter and $717 million ($481 million to net loss attributable to common stockholders or $0.46 per share) for the year primarily from the sale of the Candelaria and Ojos del Salado copper mining operations in the fourth quarter (refer to Note 2 for further discussion) and the sale of a metals injection molding plant in the third quarter.

d. Includes a tax charge of $57 million ($0.06 per share) in the second quarter, $5 million in the third quarter, $22 million ($0.02 per share) in the fourth quarter and $84 million ($0.08 per share) for the year associated with deferred taxes recorded in connection with the allocation of goodwill to the sale of the Eagle Ford properties. Additionally, includes a net tax charge (benefit) of $54 million ($7 million attributable to noncontrolling interests and $47 million to net income attributable to common stockholders or $0.04 per share) in the third quarter, $(17) million ($11 million attributable to noncontrolling interests and $(28) million to net loss attributable to common stockholders or $(0.03) per share) in the fourth quarter and $37 million ($18 million attributable to noncontrolling interests and $19 million to net loss attributable to common stockholders or $0.02 per share) for the year associated with changes in Chilean tax rules, U.S. federal income tax law and Peruvian tax rules, partially offset by a tax benefit related to changes in U.S. state income tax filing positions.

e. Includes net gains (losses) on early extinguishment of debt totaling $4 million in the second quarter, $17 million ($0.02 per share) in the third quarter, $(18) million ($(0.02) per share) in the fourth quarter and $3 million for the year. Refer to Note 8 for further discussion.

f. Includes charges of $36 million ($23 million to net income attributable to common stockholders or $0.02 per share) in the second quarter, $158 million ($98 million to net income attributable to common stockholders or $0.09 per share) in the third quarter, $118 million ($73 million to net income attributable to common stockholders or $0.07 per share) in the fourth quarter and $312 million ($194 million to net income attributable to common stockholders or $0.19 per share) for the year (reflecting the seven-month period from June 1, 2013, to December 31, 2013) for unrealized and noncash realized losses on crude oil and natural gas derivative contracts.

g. Includes charges of $14 million ($10 million to net income attributable to common stockholders or $0.01 per share) in the first quarter, $61 million ($36 million to net income attributable to common stockholders or $0.04 per share) in the second quarter, $1 million ($1 million to net income attributable to common stockholders) in the third quarter, $4 million ($3 million to net income attributable to common stockholders) in the fourth quarter and $80 million ($50 million to net income attributable to common stockholders or $0.05 per share) for the year for transaction and related costs principally associated with the acquisitions of PXP and MMR.

h. Includes charges in the fourth quarter and for the year 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 in recoverable copper in leach stockpiles, (ii) $37 million ($23 million to net income attributable to 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 common stockholders or $0.01 per share) associated with a new labor agreement at Cerro Verde.

i. Includes 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.

j. Includes 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.

k. Includes a gain of $128 million ($0.13 per share) in the second quarter and for the year related to FCX's preferred stock investment in and the subsequent acquisition of MMR. Refer to Note 2 for further discussion.

NOTE 20. SUPPLEMENTARY MINERAL RESERVE INFORMATION (UNAUDITED)

Recoverable proven and probable reserves have been calculated as of December 31, 2014, 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, 2014, 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, 2014, LME spot copper prices averaged $3.35 per pound, London PM gold prices averaged $1,449 per ounce and the weekly average price for molybdenum quoted by *Metals Week* averaged $11.50 per pound.

The recoverable proven and probable reserves presented in the table below 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, 2014		
	Copper[a] (billion pounds)	Gold (million ounces)	Molybdenum (billion pounds)
North America	35.6	0.3	2.42
South America	31.8	—	0.69
Indonesia	29.0	28.2	—
Africa	7.1	—	—
Consolidated[b]	103.5	28.5	3.11
Net equity interest[c]	82.8	25.9	2.79

a. Consolidated recoverable copper reserves included 3.6 billion pounds in leach stockpiles and 0.9 billion pounds in mill stockpiles.

b. Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and the Grasberg minerals district in Indonesia. Excluded from the table above were FCX's estimated recoverable proven and probable reserves of 0.85 billion pounds of cobalt at Tenke and 282.9 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 represent 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 0.47 billion pounds of cobalt at Tenke and 232.4 million ounces of silver in Indonesia, South America and North America.

	Recoverable Proven and Probable Mineral Reserves Estimated at December 31, 2014						
		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	3,923	0.27	—	—[c]	15.1	—	0.17
Bagdad	1,334	0.32	—[c]	0.02	7.8	0.1	0.38
Safford	122	0.47	—	—	1.1	—	—
Sierrita	2,464	0.23	—[c]	0.02	10.8	0.1	1.01
Miami	3	0.58	—	—	0.1	—	—
Chino	301	0.39	0.02	—[c]	2.2	0.1	0.01
Tyrone	59	0.32	—	—	0.4	—	—
Henderson	90	—	—	0.17	—	—	0.28
Climax	185	—	—	0.16	—	—	0.59
Undeveloped:							
Cobre	71	0.37	—	—	0.3	—	—
South America							
Developed and producing:							
Cerro Verde	3,953	0.37	—	0.01	28.9	—	0.69
El Abra	444	0.46	—	—	2.9	—	—
Indonesia							
Developed and producing:							
Grasberg open pit	179	0.96	1.06	—	3.2	4.9	—
Deep Ore Zone	146	0.54	0.69	—	1.5	2.5	—
Big Gossan	54	2.26	0.99	—	2.4	1.1	—
Undeveloped:							
Grasberg Block Cave	1,012	1.00	0.77	—	18.9	16.3	—
Kucing Liar	406	1.25	1.07	—	9.5	6.3	—
Deep Mill Level Zone	472	0.87	0.71	—	7.9	8.6	—
Africa							
Developed and producing:							
Tenke Fungurume	98	3.27	—	—	7.1	—	—
Total 100% basis	15,316				120.1	40.0	3.13
Consolidated[d]					103.5	28.5	3.11
FCX's equity share[e]					82.8	25.9	2.79

a. Excludes material contained in stockpiles.
b. Includes estimated recoverable metals contained in stockpiles.
c. Amounts not shown because of rounding.
d. Consolidated reserves represent estimated metal quantities after reduction for joint venture partner interests at the Morenci mine in North America and the Grasberg minerals district in Indonesia.
e. Net equity interest reserves represent estimated consolidated metal quantities further reduced for noncontrolling interest ownership.

NOTE 21. SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED)

Costs Incurred. A summary of the costs incurred for FCX's oil and gas acquisition, exploration and development activities for the years ended December 31 follows:

	2014	2013[a]
Property acquisition costs:		
Proved properties	$ 463	$12,205[b]
Unproved properties	1,460	11,259[c]
Exploration costs	1,482	502
Development costs	1,270	854
	$4,675	$24,820

a. Includes the results of FM O&G beginning June 1, 2013.
b. Includes $12.2 billion from the acquisitions of PXP and MMR.
c. Includes $11.1 billion from the acquisitions of PXP and MMR.

These amounts included changes in AROs of $(27) million in 2014 and $1.1 billion in 2013 (including $1.0 billion assumed in the acquisitions of PXP and MMR), capitalized general and administrative expenses of $143 million in 2014 and $67 million in 2013, and capitalized interest of $88 million in 2014 and $69 million in 2013.

Capitalized Costs. The aggregate capitalized costs subject to amortization for oil and gas properties and the aggregate related accumulated amortization as of December 31 follow:

	2014	2013
Properties subject to amortization	$16,547	$13,829
Accumulated amortization	(7,360)[a]	(1,357)
	$ 9,187	$12,472

a. Includes charges of $3.7 billion to reduce the carrying value of oil and gas properties pursuant to full cost accounting rules.

The average amortization rate per barrel of oil equivalents (BOE) was $39.74 in 2014 and $35.54 for the period from June 1, 2013, to December 31, 2013.

Costs Not Subject to Amortization. A summary of the categories of costs comprising the amount of unproved properties not subject to amortization by the year in which such costs were incurred follows:

December 31,	Total	2014	2013
U.S.:			
Onshore			
Acquisition costs	$ 2,303	$ 18	$2,285
Exploration costs	121	119	2
Capitalized interest	27	22	5
Offshore			
Acquisition costs	7,094	1,413	5,681
Exploration costs	429	387	42
Capitalized interest	75	39	36
International:			
Offshore			
Acquisition costs	15	—	15
Exploration costs	23	23	—
Capitalized interest	—	—	—
	$10,087	$2,021	$8,066

FCX expects that 48 percent of the costs not subject to amortization at December 31, 2014, 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 35 percent of the total U.S. net undeveloped acres is covered by leases that expire from 2015 to 2017. As a result of the decrease in crude oil prices, FCX's current plans anticipate that the majority of the expiring acreage will not be retained by drilling operations or other means. The exploration permits covering FM O&G's Morocco acreage expire in 2016; however, FM O&G has the ability to extend the exploration permits through 2019. Over 95 percent of the acreage in the Haynesville shale play in Louisiana 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 for the year ended December 31, 2014, and the period from June 1, 2013, to December 31, 2013, presented below exclude non-oil and gas revenues, general and administrative expenses, goodwill impairment, interest expense and interest income. Income tax benefit (expense) was determined by applying the statutory rates to pre-tax operating results:

	Year Ended December 31, 2014	June 1, 2013, to December 31, 2013
Revenues from oil and gas producing activities	$ 4,710	$ 2,616
Production and delivery costs	(1,237)	(682)
Depreciation, depletion and amortization	(2,265)	(1,358)
Impairment of oil and gas properties	(3,737)	—
Income tax benefit (expense) (based on FCX's statutory tax rate)	958	(219)
Results of operations from oil and gas producing activities	$(1,571)	$ 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 20, 2015, the twelve-month average of the first-day-of-the-month historical reference price for natural gas has decreased from $4.35 per MMBtu at December 31, 2014, to $4.04 per MMBtu, while the comparable price for crude oil has decreased from $94.99 per barrel at December 31, 2014, to $87.12 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. In recent years, California market prices had strengthened substantially against these indices, primarily due to increasing world demand and declining domestic supplies of both Alaska and California crude oil. This trend has reversed of late, however, because of increasing production from U.S. shale plays and other non-OPEC countries, low refinery utilization and high West Coast inventory levels. Approximately 39 percent of FCX's 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 35 percent of FCX's December 31, 2014, 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 years ended December 31, 2014 and 2013.

	Oil (MMBbls)[a,b]	Gas (Bcf)[a]	Total (MMBOE)[a]
2014			
Proved reserves:			
Balance at beginning of year	**370**	**562**	**464**
Extensions and discoveries	**10**	**35**	**16**
Acquisitions of reserves in-place	**14**	**9**	**16**
Revisions of previous estimates	**(10)**	**140**	**13**
Sale of reserves in-place	**(53)**	**(54)**	**(62)**
Production	**(43)**	**(82)**	**(57)**
Balance at end of year	**288**	**610**	**390**
Proved developed reserves at December 31, 2014	**184**	**369**	**246**
Proved undeveloped reserves at December 31, 2014	**104**	**241**	**144**
2013			
Proved reserves:			
Balance at beginning of year	—	—	—
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 end of year	370	562	464
Proved developed reserves at December 31, 2013	236	423	307
Proved undeveloped reserves at December 31, 2013	134	139	157

a. MMBbls = million barrels; Bcf = billion cubic feet; MMBOE = million BOE
b. Includes 10 MMBbls of NGL proved reserves (7 MMBbls of developed and 3 MMBbls of undeveloped) at December 31, 2014, and 20 MMBbls of NGL proved reserves (14 MMBbls of developed and 6 MMBbls of undeveloped) at December 31, 2013.

For the year ended December 31, 2014, FCX had a total of 16 MMBOE of extensions and discoveries, including 8 MMBOE in the Deepwater GOM, primarily associated with the continued successful development at Horn Mountain and 5 MMBOE in the Haynesville shale play resulting from continued successful drilling that extended and developed FCX's proved acreage. 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.

For the year ended December 31, 2014, FCX had net positive revisions of 13 MMBOE primarily related to improved gas price realizations in both the Haynesville shale play and Madden field, as well as continued improved performance in the Eagle Ford shale play prior to the disposition, partially offset by the downward revisions of certain proved undeveloped reserves resulting from deferred development plans, as well as lower oil price realizations and higher steam-related operating expenses resulting from higher natural gas prices in certain FCX onshore California properties. From June 1, 2013, to December 31, 2013, FCX had net positive revisions of 7 MMBOE primarily related to improved performance at certain FCX onshore California and Deepwater GOM properties, partially offset by performance reductions primarily related to certain other FCX Deepwater GOM properties and the Haynesville shale play.

For the year ended December 31, 2014, FCX acquired reserves in-place totaling 16 MMBOE from the acquisition of interests in the Deepwater GOM, including interests in the Lucius and Heidelberg oil fields.

For the year ended December 31, 2014, FCX sold reserves in-place totaling 62 MMBOE primarily related to its Eagle Ford properties. 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, 2014, 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 (excluding the impact of crude oil derivative contracts). 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, 2014, 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 derivative contracts, the average realized sales prices used in FCX's reserve reports as of December 31, 2014, were $93.20 per barrel of crude oil and $4.35 per one thousand cubic feet (Mcf) of natural gas.

The Standardized Measure related to proved oil and natural gas reserves as of December 31 follows:

	2014	2013
Future cash inflows	$ 29,504	$38,901
Future production expense	(10,991)	(12,774)
Future development costs[a]	(6,448)	(6,480)
Future income tax expense	(2,487)	(4,935)
Future net cash flows	9,578	14,712
Discounted at 10% per year	(3,157)	(5,295)
Standardized Measure	$ 6,421	$ 9,417

a. Includes estimated asset retirement costs of $1.8 billion at December 31, 2014 and 2013.

A summary of the principal sources of changes in the Standardized Measure for the years ended December 31 follows:

	2014	2013[a]
Balance at beginning of year	$ 9,417	$ —
Changes during the year:		
Reserves acquired in the acquisitions of PXP and MMR	—	14,467
Sales, net of production expenses	(3,062)	(2,296)
Net changes in sales and transfer prices, net of production expenses	(2,875)	(459)
Extensions, discoveries and improved recoveries	194	752
Changes in estimated future development costs	(498)	(1,190)
Previously estimated development costs incurred during the year	982	578
Sales of reserves in-place	(1,323)	(12)
Other purchases of reserves in-place	487	—
Revisions of quantity estimates	399	102
Accretion of discount	1,195	701
Net change in income taxes	1,505	(3,226)
Total changes	(2,996)	9,417
Balance at end of year	$ 6,421	$ 9,417

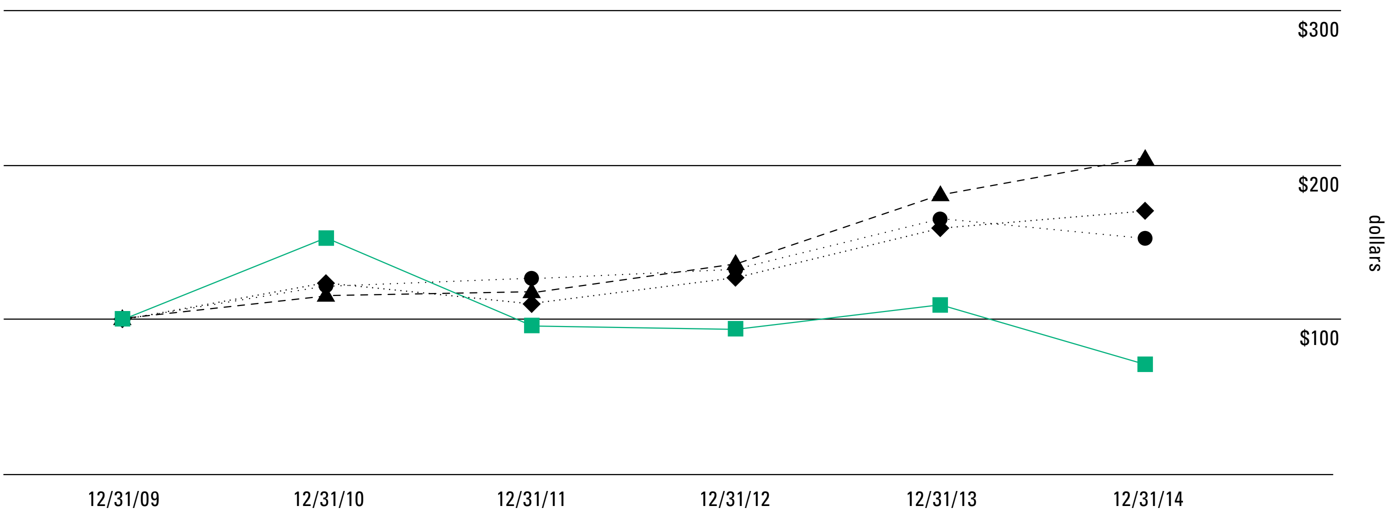
a. Includes the results of FM O&G beginning June 1, 2013.

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 2010 through 2014. 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, 2009, in (a) Freeport-McMoRan 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 Inc., S&P 500 Stock Index, S&P 500 Materials Index and S&P 500 Energy Index



	December 31,					
	2009	2010	2011	2012	2013	2014
Freeport-McMoRan Inc.	$100.00	$152.61	$ 96.42	$ 92.54	$109.72	$ 70.44
S&P 500 Stock Index	100.00	115.06	117.49	136.30	180.44	205.14
S&P 500 Materials Index	100.00	122.20	110.29	126.79	159.25	170.26
S&P 500 Energy Index	100.00	120.46	126.15	131.96	165.04	152.19

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 Inc.
Investor Relations Department
333 North Central Avenue
Phoenix, AZ 85004
Telephone (602) 366-8400
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
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 10, 2015. 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 (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, 2014, the number of holders of record of FCX's common stock was 15,152.

NYSE composite tape common share price ranges during 2014 and 2013 were:

	2014		2013	
	HIGH	LOW	HIGH	LOW
First Quarter	$ 38.09	$ 30.38	$ 36.26	$ 30.72
Second Quarter	36.51	32.35	34.00	26.37
Third Quarter	39.32	32.29	34.99	26.95
Fourth Quarter	32.91	20.94	38.00	32.34

COMMON STOCK DIVIDENDS

Below is a summary of cash dividends declared and paid on FCX common stock in 2014 and 2013.

2014

	AMOUNT PER SHARE	RECORD DATE	PAYMENT DATE
First Quarter	$ 0.3125	Jan. 15, 2014	Feb. 3, 2014
Second Quarter	0.3125	Apr. 15, 2014	May 1, 2014
Third Quarter	0.3125	July 15, 2014	Aug. 1, 2014
Fourth Quarter	0.3125	Oct. 15, 2014	Nov. 3, 2014

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

In March 2015, the Board of Directors reduced the quarterly dividend to $0.05 per share in response to the impact of lower commodity prices. 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 2014 to nonresident alien stockholders, 100 percent of the dividend amount was subject to federal withholding tax.

For quarterly dividends paid in 2015, 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 OWNERS

The beneficial owners of more than five percent of our outstanding common stock as of December 31, 2014, are BlackRock, Inc. (8.98%) and Vanguard Group, Inc. (5.47%).

FREEPORT-MCMORAN

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