WATER USAGE AGREEMENT

SKUNK CANYON WATER WELL

T13N, R9W Section 17, SW SW NW

Commercial Lease 03-1393 Water Agreement 21-93375-08

Cyprus Bagdad Copper Corporation (hereinafter called Cyprus) and C. S. McCrossan, Inc. Contracting Company (hereinafter called McCrossan) do hereby enter into this Water Usage Agreement effective this 1st day of August, 1989, and agree as follows:

1. Term of Agreement

The term of this Water Usage Agreement shall be from the 1st day of August, 1989, through the 31st day of December, 1989. Cyprus reserves the right to cancel this Agreement at any time, upon written notice to McCrossan.

2. Usage and Occupancy

Cyprus hereby grants to McCrossan the right to use Cyprus water well located in the SW¼SW¼NW¼ of Section 17, Township 13 North, Range 9 West, G.S.R.B.&M., Yavapai County, Arizona, for the sole purpose of obtaining water for its road construction activities on Arizona Highway 93. No one other than the servants, employees, or officers of McCrossan shall have the right to enter upon the premises to use, extract, remove or dispose of the water therefrom.

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3. Conduct of Operation

A. McCrossan hereby agrees to conduct its operation on the premises in a workmanlike manner at all times, and to protect the premises from any undue degradation. McCrossan shall comply with all applicable laws.

B. Any rights-of-way or leases required by the State Land Department will be the sole responsibility of McCrossan, and McCrossan will furnish Cyprus with copies of all decisions rendered by the State Land Department.

4. Rents and Payments

If water usage is over 30 acre feet (9,775,530 gallons), Cyprus will bill McCrossan for the amount over the hereinabove stated limit at a rate of $35.00 per acre foot or $0.11 per 1,000 gallons, to be paid upon termination or expiration of this Agreement.

5. Water Records Metering

Prior to the extraction of water, McCrossan shall install a metering device at the well head, and by the 2nd working day of each month, report to Cyprus the meter readings and gallons of water used.

6. Rights Reserved

Cyprus shall have the right to enter upon or inspect the premises at any time during the term of this agreement.

7. Liability

A. McCrossan agrees to save, hold harmless and indemnify Cyprus, its officers, and employees against any and all claims, cost, damages, expenses or charges arising from McCrossan's operations in using the water or constructing the road.

B. McCrossan agrees to pay Cyprus in full for any damages which might occur to the well or premises during the term of this Agreement.

8. Termination of Agreement

Upon termination of this Agreement for any reason, McCrossan agrees to leave the surface of the land in a reasonable condition as close to the original condition as possible; and shall cap the well in a customary manner. Upon completion of the above, Cyprus shall inspect the premises for compliance.

Cyprus and McCrossan have executed this Water Usage Agreement effective the date and year first above written.

CYPRUS BAGDAD COPPER CORPORATION

By: H. W. Cosner

H. W. Cosner

Vice President & General Manager

C. S. McCROSSAN, INC.

By James A Kalin

101018/1A/4

CORPORATE ACKNOWLEDGEMENT - ARIZONA

STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 3rd day of August, 1989, by H. W. Cosner known to me to be the Vice President and General Manager of Cyprus Bagdad Copper Corporation, a corporation, on behalf of the corporation.

Witness my hand and official seal.

SEAL

Pamela S. Parker
Notary Public

L-100940 My Commission Expires: January 3, 1992

CORPORATE ACKNOWLEDGEMENT - ARIZONA

STATE OF ARIZONA)
) ss.
COUNTY OF ~~YAVAPAI~~ MARICOPA)

The foregoing instrument was acknowledged before me this 31st day of ~~August,~~ July 1989, by James A. Kalina known to me to be the Contract Manager of C. S. McCrossan, Inc. Contracting Company.

Witness my hand and official seal.

Julene M. Kalina
Notary Public

My Commission Expires: My Commission Expires March 15, 1992