

SETTLEMENT AGREEMENT

AGREEMENT entered into this 17 day of March, 1982 by and between the ARIZONA STATE LAND DEPARTMENT ("SLD") and CYPRUS MINES CORPORATION ("Cyprus").

RECITALS:

A. On June 8, 1976, SLD conducted Public Auction Sales of Materials No. 3 (ground water) on the front steps of the Yavapai County Courthouse in Prescott, Arizona, covering parcels Nos. 21-29751-08, 21-29761-08, and 21-29763-08. A copy of the Notice For Public Auction Sale of Materials No. 3 (ground water) is attached as Exhibit A.

B. Cyprus was the successful bidder at Public Auction Sale of Materials No. 3 (ground water), based on its bid of the appraised value of the waters, \$5.00 per acre/foot. As a result, Cyprus became the purchaser under Materials Sales Agreements Nos. 29751, 29761 and 29763 for the waters described in Exhibit A.

C. A dispute has arisen between the parties over the duration and cost of the water subject to Exhibit A. As Exhibit A indicates, the Notice of Public Auction Sale No. 3 (ground water) provided a 13-year term for the water beneath parcel No. 21-29751-08; a 20-year term for the water beneath parcel No. 21-29761-08; and a 20-year term for the water beneath parcel No. 21-29763-08. SLD wishes to limit the term

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of each of the respective Materials Sales Agreements resulting from the public auction to a maximum term of ten years. In addition, SLD claims a right to reappraise the value of the water underlying those parcels and adjust the purchase price accordingly. Cyprus is in disagreement with both positions taken by SLD.

D. In order to avoid litigation and its attendant risks, the parties have concluded it is in the best interests of each to resolve these two controversies as follows:

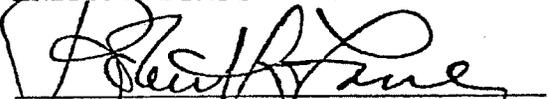
COVENANTS:

1. The parties agree that Materials Sales Agreements Nos. 29751, 29761 and 29763 are hereby modified so that each is for a term of ten years.
2. The parties additionally agree the Materials Sales Agreements Nos. 29751, 29761 and 29763 are modified so that beginning February 1, 1982, the price to be paid prospectively by Cyprus for waters pumped pursuant to each Agreement will be \$25.00 per acre/foot for the balance of the ten-year term of each of these agreements. There will be no future modification of the \$25.00 per acre/foot price charged to Cyprus.
3. Cyprus and SLD release one another from any and all claims arising with respect to the dispute about the duration of Materials Sales Agreements Nos. 29751, 29761 and 29763 and the previously-charged figure of \$5.00 per acre/foot.

4. The parties agree that the adjustment of the purchase price to \$25.00 per acre/foot shall also increase the minimum annual payment to the SLD. The minimum annual payment for sale No. 29751 shall be \$10,753.53. The minimum annual payment for sale No. 29761 shall be \$7,621.50. The minimum annual payment for sale No. 29763 shall be \$14,920.25.

DATED: March 5, 1982

ARIZONA STATE LAND DEPARTMENT


Robert K. Lane
Deputy State Land Commission

DATED: March 17, 1982

CYPRUS MINES CORPORATION


Vice President

ARIZONA STATE LAND DEPARTMENT
1624 West Adams
Phoenix, Arizona 85007

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PUBLIC AUCTION SALE OF MATERIALS
NO. 3 (GROUND WATER)

11000
OVED
FROM SALE

Pursuant to Title 37 A.R.S., notice is hereby given that the STATE LAND DEPARTMENT of Arizona, through the Arizona State Land Department, hereby offers for sale and will sell at public auction at 10:30 A. M. on Tuesday June 8, 1976, at the front steps of the Yavapai County Courthouse in Prescott, Arizona, the right to extract, process and remove not more than the amount of materials, namely ground water, that may be lawfully removed from the following described State lands, to wit:

PARCEL 21-29751-08:

SWSNW7 in Section 17, Township 13 North, Range 9 West, G&SRB&M, containing 10.00 acres, more or less. The ground waters are appraised at a net price of \$5.00 per acre foot, and improvements claimed by Cyprus Mines Corporation upon said lands necessary for the extraction, removal or use of said waters subject to sale are appraised at \$22,618.00. Said improvements consist of one well, casings, and pump.

Payment due at time of sale \$1,021.54 in cash or cashier's check payable to the Arizona State Land Department plus:

A cash deposit of \$2,150.68, payable in cash, cashier's check, money order or certified check shall be paid at the time of sale for the right to remove said waters at five dollars (\$5.00) per acre foot for a period of thirteen (13) years from and after the date of sale, subject to the terms and conditions of the sale, and such higher rate as may be established by the public auction sale therefor. The cash deposit shall be applied in payment of waters removed during the thirteen (13) year period; provided, however, that any portion of the cash deposit not credited in payment of waters extracted shall become the sole property of the Arizona State Land Department upon termination of the right to extract said waters by reason of any default of the purchaser. The successful bidder shall guarantee payments of not less than \$2,150.68 to the State Land Department during each year this sale is in force and effect. Such minimum guaranteed payment shall be made annually, irrespective of lower withdrawal during any year. The highest and best bidder shall be determined on the basis of the bidder who offers and pays forthwith the cash deposit and pays not less than the appraised value for all facilities presently upon said lands for the extraction, removal, or use of said waters and who offers to pay the highest amount for ground waters to be removed from the State lands described herein.

PARCEL 21-29761-08:

NWSEW7 in Section 1 and SESESE in Section 11, Township 15 North, Range 9 West, G&SRB&M, containing 20.00 acres, more or less. The ground waters are appraised at a net price of \$5.00 per acre foot, and improvements claimed by Cyprus Mines Corporation upon said lands necessary for the extraction, removal or use of said waters subject to sale are appraised at \$104,297.00. Said improvements consist of two wells with casings and pumps.

Payment due at time of sale \$2,705.66 in cash or cashier's check payable to the Arizona State Land Department plus:

A cash deposit of \$1,524.30, payable in cash, cashier's check, money order or certified check shall be paid at the time of sale for the right to remove said waters at five dollars (\$5.00) per acre foot for a period of twenty (20) years from and after the date of sale, subject to the terms and conditions of the sale, and such higher rate as may be established by the public auction sale therefor. The cash deposit shall be applied in payment of waters removed during the twenty (20) year period; provided, however, that any portion of the cash deposit not credited in payment of waters extracted shall become the sole property of the Arizona State Land Department upon

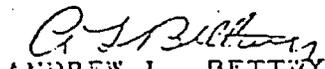
the date of sale, subject to the terms and conditions of the sale, and such higher rate as may be established by the public auction sale therefor. The cash deposit shall be applied in payment of waters removed during the fifteen (15) year period; provided however, that any portion of the cash deposit not credited in payment of waters extracted shall become the sole property of the Arizona State Land Department upon termination of the right to extract said waters by reason of any default of the purchaser. The successful bidder shall guarantee payments of not less than \$725.85 to the State Land Department during each year this sale is in force and effect. Such minimum guaranteed payment shall be made annually, irrespective of lower withdrawal during any year. The highest and best bidder shall be determined on the basis of the bidder who offers and pays forthwith the cash deposit and pays not less than the appraised value for all facilities presently upon said lands for the extraction, removal, or use of said waters and who offers to pay the highest amount for ground waters to be removed from the State lands described herein.

If the successful bidder is not the owner of the improvements, he must pay to the State Land Department ten per cent (10%) of the appraised value of the improvements at the time of the sale and the balance within thirty (30) days. The successful bidder shall pay two per cent (2%) of the purchase price for the minimum amount of water to be extracted for contract administration - sale related expenses, and two per cent (2%) of the first two hundred fifty thousand dollars (\$250,000) of the appraised value or the actual cost of the appraisal of the improvements, whichever is greater, pursuant to A.R.S. 37-102 (6b), which shall be due in cash or cashier's check payable to the Arizona State Land Department at the time of sale.

If the successful bidder fails to pay said sum or execute the sale documents by said time, the deposit made at the time of the award shall be forfeited to the State Land Department as liquidated damages.

The Arizona State Land Department reserves the right to reject any and all bids and to award the sale in the best interest of the State. The successful purchaser must agree to indemnify the State of Arizona and all its employees and agencies for any loss they may sustain by reason of unlawful removal of water from the premises.

The specific indemnity clause is available together with all other sale conditions and documents regarding this sale and may be obtained from the State Land Department, 1624 West Adams Street, Phoenix, Arizona 85007.


ANDREW L. BETTY,
STATE LAND COMMISSIONER