



LAND PROPERTY SUMMARY

Corporation: CYPRUS BAGDAD COPPER CORPORATION

Report Date: 12/16/2002

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|----------------------|---------------------------------------|
| Division: | Land Administrator: JAN LEAVELL |
| Region NONE | System ID#: 946 |
| District: NONE | Legacy ID#: 101021 |
| Project: BAGDAD MINE | BD-00 Physical ID#: BAG-002-0409-WA00 |

| | | |
|---|-------------------------------|----------------------------|
| PROPERTY NAME AZ. WA #21-102153 | AGREEMENT DATE 07/28/1998 | # TRACTS 1 |
| TRANSACTION TYPE LEASED | EFFECTIVE DATE 07/28/1998 | # PAYMENT OBLIGATIONS 1 |
| DOCUMENT TYPE WATER AGREEMENT (SYCAMORE 1 & 2) | EXPIRATION DATE 07/27/2008 | # SPECIAL OBLIGATIONS 2 |
| PURCHASE CONSIDERATIONS | CANCEL/TERM DATE | # US CLAIMS 0 |
| OPERATOR CYPRUS BAGDAD COPPER COMPANY | PERM STORAGE | # FOREIGN CLAIMS 0 |

INTEREST HOLDERS

| <u>PARTY TYPE</u> | <u>PARTY NAME</u> |
|-------------------|---|
| ACQUIRED FROM | STATE OF ARIZONA |
| GRANTEE | CYPRUS BAGDAD COPPER CORPORATION |
| GRANTEE | CYPRUS MINES CORPORATION |
| GRANTOR | STATE LAND DEPARTMENT OF THE STATE OF ARIZONA, ACTING BY, THROUGH AND UNDER THE A |
| GRANTOR | STATE LAND DEPARTMENT OF THE STATE OF ARIZONA, ACTING BY, THROUGH AND UNDER THE A |

CROSS REFERENCES

RELATED CONTRACT/AGREEMENT NUMBERS

| | | | |
|------|-------------------|----------|--------------------|
| 865 | BAG-002-0286-0000 | 100943 | ARIZ. C.L. #31360 |
| 9173 | BAG-002-0419-WA00 | CMX-9173 | REG. NO. 55-611615 |
| 9172 | BAG-002-0418-WA00 | CMX-9172 | REG. NO. 55-611614 |

TRACT LOCATION AND LEGAL DESCRIPTION

LOCATION INFORMATION

| <u>TRACT#</u> | <u>COUNTRY</u> | <u>STATE/PROVINCE</u> | <u>COUNTY/PARISH</u> | <u>TOWNSHIP/DISTRICT</u> |
|---------------|----------------|-----------------------|----------------------|--------------------------|
| 1 | USA | ARIZONA | YAVAPAI | NONE |

LEGAL DESCRIPTION-TRACT NUMBER: 1

TRACT ACRES AND TITLE SUMMARY

| <u>GROSS ACRES</u> | <u>%INTEREST</u> | <u>NET ACRES</u> | <u>TITLE</u> | <u>CODE</u> | <u>SEAM NAME</u> |
|--------------------|------------------|------------------|--------------|-------------|------------------|
| <u>S</u> 0.0000 | 0.0000 | 0.0000 | LEASED | UNDEFINED | |
| <u>M</u> 0.0000 | 0.0000 | 0.0000 | WATER | | |

FUL: TOWNSHIP 14 1/2 NORTH, RANGE 8 WEST, G&SRB&M

SECTION 29: SE/4 SW/4 SW/4; SW/4 SE/4 SW/4

CONTAINING 20.00 ACRES, MORE OR LESS, LOCATED IN YAVAPAI COUNTY, ARIZONA



MAP REFERENCE

SECTION TOWNSHIP RANGE MERIDIAN

SUMMARY OF PAYMENT OBLIGATIONS

| # | FREQ | BEG DATE | END DATE | OBLIGATION TYPE | AMOUNT \$ |
|---|------|------------|----------|---------------------|------------|
| 2 | 012 | 07/28/1998 | | WATER USAGE PAYMENT | \$6,000.00 |

ANNUAL MINIMUM ADVANCE PAYMENT TO THE STATE LAND DEPARTMENT FOR THE EXTRACTION OF WATER PER THE TERMS OF WATER AGREEMENT. BUYER AGREES TO PAY THE DEPARTMENT \$75.00 PER ACRE FOOT FOR EACH ADDITIONAL ACRE FOOT OF WATER WITHDRAWN OVER THE MINIMUM AMOUNT OF 80 AFA, NOT TO EXCEED 160 AFA.

SUMMARY OF SPECIAL OBLIGATIONS

| # | FREQ | BEG DATE | END DATE | OBLIGATION TYPE |
|---|------|------------|----------|-----------------------|
| 1 | 001 | 07/28/1998 | | SUBMIT PLAN OR REPORT |

ON OR BEFORE THE 15TH DAY FOLLOWING EACH FULL MONTH, BUYER WILL REPORT TO THE DEPARTMENT THE TOTAL QUANTITIES, IN GALLONS OR ACRE FEET (325,851 GALLONS), OF WATER EXTRACTED FROM THE PREMISES DURING THAT IMMEDIATELY PREVIOUS FULL MONTH; REPORT SHALL BE MADE IRRESPECTIVE OF WATER USE OR EXTRACTION. AT ANY TIME THE MINIMUM NUMBER OF ACRE FEET PURCHASED IS EXCEEDED, THE DEPARTMENT SHALL COMPUTE THE PAYMENT DUE FROM BUYER AND WILL BE DUE AND PAYABLE WITHIN THIRTY (30) DAYS OF THE MAILING OF THE STATEMENT BY THE DEPARTMENT.

| | | | | |
|---|-----|------------|------------|--------------------|
| 2 | 012 | 07/28/1998 | 08/01/2008 | OTHER - OPERATIONS |
|---|-----|------------|------------|--------------------|

BUYER SHALL MAINTAIN BOOKS AND RECORDS SHOWING ALL WATER EXTRACTED FROM PREMISES FOR ONE (1) YEAR AFTER TERMINATION OF THIS AGREEMENT.

PROVISION AND ROYALTY (TEXT)

USE OF PREMISES: BUYER SHALL WITHIN 30 DAYS FROM THE DATE OF THIS AGREEMENT, APPLY FOR THE PROPER SURFA LEASE, EASEMENT OR PERMIT ALLOWING BUYER THE RIGHT TO USE AS MUCH OF THE SURFACE OF THE PREMISES AS IS REASONABLY NECESSARY FOR THE EXTRACTION, USE, STORAGE, REMOVAL AND DISPOSITION OF THE WATER TOGETHER WITH THE RIGHT OF INGRESS TO AND EGRESS FROM THE PREMISES ACROSS OTHER STATE LANDS ALONG DESIGNATED ROU PREVIOUSLY APPROVED BY THE DEPARTMENT AND NECESSARY TO CARRY OUT THE PURPOSE OF THE AGREEMENT.

USE AND OCCUPANCY: NO ONE OTHER THAN THE SERVANTS, EMPLOYEES, OFFICERS OF BUYER, OR APPROVED SUB-CONTR. OF THE DEPARTMENT SHALL HAVE THE RIGHT TO ENTER UPON THE PREMISES TO USE, EXTRACT, STORE, REMOVE OR DIS OF THE WATER.

REAPPRAISAL: THE DEPARTMENT MAY REAPPRAISE THE VALUE OF THE WATER SOLD UNDER THIS AGREEMENT PURSUANT TO ARIZONA ADMINISTRATIVE CODE RULE 12-5-2007(F) OR ANY APPLICABLE SUCCESSOR RULE.

TERMINATION AND RESTORATION: UPON TERMINATION OF THIS AGREEMENT FOR ANY REASON, BUYER AGREES TO LEAVE THE SURFACE OF THE LAND IN A REASONABLE CONDITION AS CLOSE TO ORIGINAL CONDITIONS AS POSSIBLE, IN ACCOR WITH SAFETY PRACTICES IN THE AREA IN WHICH THE PREMISES ARE LOCATED.

ASSIGNMENT

BUYER MAY ASSIGN ITS INTEREST HEREIN ONLY WITH THE PRIOR WRITTEN APPROVAL OF THE DEPARTMENT.



PAYMENT TERMS

THE DEPARTMENT OFFERED THE RIGHT TO USE WATER AT PUBLIC AUCTION ON THE BASIS OF A MINIMUM ADVANCE PAYMENT OF \$6,000.00 PER YEAR FOR THE EXTRACTION OF 80 ACRE FEET OF WATER PER YEAR FOR 10 YEARS, AND A MINIMUM PAYMENT PER ACRE FOOT OF WATER AS FOLLOWS:

BUYER BID AN ADVANCE PAYMENT OF \$6,000.00 PER YEAR (\$75.00 PER ACRE FOOT) AND BUYER AGREES TO PAY ANNUALLY IN ADVANCE

THE DEPARTMENT AND BUYER AGREE THAT THE ADVANCE PAYMENTS SHALL BE FIRST CREDIT FOR BUYER AGAINST PAYMENTS DUE FROM BUYER FOR WATER USED OR REMOVED, AND THAT THE ENTIRE PORTION OF THE ADVANCE PAYMENTS UNUSED UPON THE TERMINATION OR EXPIRATION OF THIS AGREEMENT SHALL BE THE SOLE PROPERTY OF THE DEPARTMENT. BUYER AGREES THAT THE ADVANCE PAYMENTS SHALL BE PAID EACH YEAR REGARDLESS OF USE OR REMOVAL OF WATER.

NON-USE OF WATER DURING ANY YEAR OF THIS AGREEMENT SHALL NOT ENTITLE THE BUYER TO DEVELOP ANY CREDITS FOR THE SUCCEEDING YEAR. BUYER HAS BID AND AGREES TO PAY THE DEPARTMENT \$75.00 PER ACRE FOOT FOR EACH ADDITIONAL ACRE FOOT OF WATER WITHDRAWN OVER THE MINIMUM AMOUNT. IN NO EVENT SHALL THE ANNUAL WITHDRAWAL EXCEED 160 ACRE FEET.

PURPOSE

THE DEPARTMENT CONVEYS TO BUYER THE RIGHT TO WATER FOR THE TERM AND IN CONSIDERATION OF RENTS AND/OR PAYMENTS AS SET FORTH HEREIN AND COMPLIANCE BY BUYER WITH PROVISIONS OF THE GROUNDWATER MANAGEMENT ACT.

RECORDS

PRIOR TO THE EXTRACTION OF WATER, THE BUYER SHALL INSTALL A METERING DEVICE AT THE WELL HEAD OF EACH WELL OR AT A LOCATION OTHER THAN THE WELL HEAD IF APPROVED BY THE DEPARTMENT. METERING DEVICES MUST MEET THE APPROVAL OF THE DEPARTMENT PRIOR TO INSTALLATION.

BUYER SHALL KEEP ACCURATE BOOKS AND RECORDS SHOWING ALL WATER EXTRACTED FROM PREMISES. BUYER SHALL MAINTAIN ALL SUCH BOOKS AND RECORDS FOR ONE (1) YEAR AFTER TERMINATION OF THIS AGREEMENT.

ON OR BEFORE THE 15TH DAY FOLLOWING EACH FULL MONTH OF THIS AGREEMENT, BUYER WILL REPORT TO THE DEPARTMENT THE TOTAL QUANTITIES IN GALLONS OR ACRE FEET (325,851 GALLONS) OF WATER EXTRACTED FROM THE PREMISES DURING THAT IMMEDIATELY PREVIOUS FULL MONTH; SUCH REPORT SHALL BE MADE IRRESPECTIVE OF WATER USE OR EXTRACTION. AT ANY TIME THE MINIMUM NUMBER OF ACRE FEET PURCHASED IS EXCEEDED, THE DEPARTMENT SHALL COMPUTE THE PAYMENT DUE FROM THE BUYER AND SUCH PAYMENT SHALL BE DUE AND PAYABLE WITHIN THIRTY (30) DAYS OF THE MAILING OF THE STATEMENT BY THE DEPARTMENT.

TERM

FROM THE DATE HEREOF AND UNTIL THE 27TH DAY OF JULY, 2008, THE BUYER SHALL HAVE THE RIGHT TO EXTRACT, USE, STORE, REMOVE AND DISPOSE OF THE WATER FOUND IN THE SUBSURFACE OF THE PREMISES.

TERMINATION

UPON THIRTY (30) DAYS PRIOR TO WRITTEN NOTICE TO BUYER, THE DEPARTMENT, SHALL HAVE THE RIGHT TO TERMINATE THIS AGREEMENT AT ANY TIME FOR THE FAILURE OR NEGLECT OF THE BUYER TO PERFORM ANY OF THE PROVISIONS HEREOF. FAILURE TO MAKE PAYMENTS WHEN DUE OR TO REPORT TIMELY AND ACCURATELY SHALL BE REASON TO TERMINATE THIS AGREEMENT IMMEDIATELY.

WATER

BUYER HAS THE RIGHT TO WITHDRAW A MINIMUM OF 80 ACRE FEET OF WATER PER YEAR FOR 10 YEARS BUT NOT TO EXCEED AN ANNUAL WITHDRAWAL OF 160 ACRE FEET.

03/19/1987 - WATER AGREEMENT #21-93376 BETWEEN THE STATE LAND DEPARTMENT OF THE STATE OF ARIZONA, ACTING THROUGH THE ARIZONA STATE LAND COMMISSIONER AND CYPRUS MINES CORPORATION.
06/01/1988 - LETTER TO THE STATE LAND DEPARTMENT, STATE OF ARIZONA REQUESTING ALL RIGHT, TITLE AND INTEREST IN AND TO THE AGREEMENTS LISTED THEREIN BE TRANSFERRED TO CYPRUS BAGDAD COPPER CORPORATION.



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101021
12/12/2002

07/28/1998 - WATER AGREEMENT 21-102153 BETWEEN THE STATE LAND DEPARTMENT, ACTING THROUGH THE ARIZONA STATE LAND COMMISSIONER, AND CYPRUS BAGDAD COPPER CORPORATION.

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