



LAND PROPERTY SUMMARY

Corporation: CYPRUS BAGDAD COPPER CORPORATION

Report Date: 07/27/2004

Division:

Land Administrator: JAN LEAVELL

Region NONE

System ID#: 858

District: NONE

Legacy ID#: 100936

Project: BAGDAD MINE

BD-00

Physical ID#: BAG-002-0279-0000

PROPERTY NAME ARIZ. C.L. #03-878	AGREEMENT DATE 06/29/1998	# TRACTS 1
TRANSACTION TYPE LEASED	EFFECTIVE DATE 06/29/1998	# PAYMENT OBLIGATIONS 1
DOCUMENT TYPE COMMERCIAL LEASE (WARM SPRINGS)	EXPIRATION DATE 06/28/2008	# SPECIAL OBLIGATIONS 3
PURCHASE CONSIDERATIONS	CANCEL/TERM DATE	# US CLAIMS 0
OPERATOR CYPRUS BAGDAD COPPER CORP.	PERM STORAGE	# FOREIGN CLAIMS 0

INTEREST HOLDERS

<u>PARTY TYPE</u>	<u>PARTY NAME</u>
ACQUIRED FROM	STATE OF ARIZONA
LESSEE	CYPRUS BAGDAD COPPER CORPORATION
LESSEE	CYPRUS BAGDAD COPPER COMPANY
LESSOR	STATE OF ARIZONA, STATE LAND DEPARTMENT
LESSOR	STATE OF ARIZONA, STATE LAND DEPARTMENT

CROSS REFERENCES

RELATED CONTRACT/AGREEMENT NUMBERS

945	BAG-002-0342-WA00	101020	AZ. WA #21-102156
9170	BAG-002-0416-WA00	CMX-9170	REG. NO. 55-611616



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>	10.0000	100.0000	10.0000	LEASED	UNDEFINED	
<u>M</u>	0.0000	0.0000	0.0000	SURFACE		

FUL: TOWNSHIP 15 NORTH, RANGE 9 WEST, GSRB&M

SECTION 24: NE/4 NE/4 NE/4

CONTAINING 10.00 ACRES, MORE OR LESS, ALL LOCATED IN YAVAPAI COUNTY, ARIZONA.

ASSOCIATED WATER RIGHT(S):

PLEASE REFER TO THE TRACT INDEX ASSOCIATED WITH THIS PROPERTY NUMBER FOR DETAILS CONCERNING WATER RIGHT(S).

MAP REFERENCE

<u>SECTION</u>	<u>TOWNSHIP</u>	<u>RANGE</u>	<u>MERIDIAN</u>
24	T15 N	R9 W	

SUMMARY OF PAYMENT OBLIGATIONS

#	FREQ	BEG DATE	END DATE	OBLIGATION TYPE	AMOUNT \$
1	012	06/29/1998	06/28/2008	RENTAL PAYMENT	\$2,100.00

ANNUAL RENT:

YEAR 1 - \$1,198

YEAR 2 - \$1,500

YEAR 3-10 RENT FOR YEAR 2 INCREASED \$300 ANNUALLY.

SUMMARY OF SPECIAL OBLIGATIONS

#	FREQ	BEG DATE	END DATE	OBLIGATION TYPE
1	001	07/01/1991	07/01/1992	RENEW OPTION

CERTIFICATE OF INSURANCE MUST BE SUBMITTED ANNUALLY TO THE ARIZONA STATE LAND DEPARTMENT AS LONG AS THE LEASE IS IN EFFECT. ONE CERTIFICATE HAS BEEN SUBMITTED FOR CYPRUS BAGDAD AND CYPRUS MIAMI. PD RISK MANAGEMENT SUBMITS ANNUAL RENEWAL.

2	001	06/28/1998	06/28/1998	APPLY FOR EXTENSION
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LEASE WILL EXPIRE ON JUNE 28, 2008. PLEASE PROVIDE LAND & WATER WITH COPIES OF ALL EXTENSION DOCUMENTS.

3	012	07/01/1988	07/01/1998	SUBMIT PLAN OR REPORT
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BEFORE CONSTRUCTION BEGINS, LESSEE MUST SUBMIT AN "APPLICATION TO PLACE IMPROVEMENTS" TO LESSOR FOR WRITTEN APPROVAL.

THE LOCATION OF COMPLETED IMPROVEMENTS MUST BE SUBMITTED TO LESSOR WITHIN THIRTY (30) DAYS FOLLOWING THE COMPLETION OF CONSTRUCTION ON LESSOR'S FORM KNOWN AS "REPORT OF IMPROVEMENT PLACED WITH PRIOR APPROVAL".



PROVISION AND ROYALTY (TEXT)

**PURPOSE: PARCEL SHALL BE USED SOLELY AND EXCLUSIVELY TO EXTRACT WATER FROM EXISTING WELL SERVING THE TOWN OF BAGDAD AND PUMP OFF OF PARCEL AS AUTHORIZED UNDER PUBLIC WATER SALE NUMBER 21-102156 FOR DOMEST AND MINING PURPOSES.

**ASSIGNMENT: LESSEE WILL NOT SUBLET OR ASSIGN THE PREMISES WITHOUT OBTAINING THE LESSOR'S PRIOR WRITTE APPROVAL.

**NATIVE PLANTS: LESSEE MAY NOT MOVE, USE, DESTROY, CUT OR REMOVE OR PERMIT TO BE MOVED, USED, DESTROYE CUT OR REMOVED ANY TIMBER, CACTUS, PROTECTED NATIVE PLANTS, STANDING TREES OR PRODUCTS OF THE LAND EXCE THAT WHICH IS NECESSARY FOR THE USE OF THE PARCEL, AND THEN ONLY WITH PRIOR WRITTEN APPROVAL OF LESSOR.

**RESERVATIONS: LESSOR EXCEPTS AND RESERVES FROM THE PARCEL ALL OIL, GASES, GEOTHERMAL RESOURCES, COAL, ORES, LIMESTONE, MINERALS, FOSSILS, AND FERTILIZERS OF EVERY NAME AND DESCRIPTION THAT MAY BE FOUND IN OR UPON THE PARCEL, AND LESSOR RESERVES THE RIGHT TO ENTER UPON THE PARCEL FOR THE PURPOSE OF PROSPECTI THEREFOR, OR EXTRACTING ANY OR ALL OF THE COMMODITIES THEREFROM. LESSOR RESERVES THE RIGHT TO ISSUE TO OTHER PERSONS, RIGHTS TO USE THE PARCEL IN A MANNER NOT INCONSISTENT WITH THE PURPOSES FOR WHICH THI LEASE WAS ISSUED. LESSOR FURTHER EXCEPTS AND RESERVES THE RIGHT TO RELINQUISH TO THE U.S. LANDS NEEDED FOR IRRIGATION WORKS IN CONNECTION WITH A GOVERNMENT RECLAMATION PROJECT, AND TO GRANT OR DISPOSE OF RIGHTS-OF-WAY AND SITES FOR CANALS, RESERVOIRS, DAMS, POWER OR IRRIGATION PLANTS OR WORKS, RAILROADS, TRAMWAYS, TRANSMISSION LINES OR ANY OTHER PURPOSE OR USE ON OR OVER THE PARCEL.

**DEFAULT: ALL OF THE PROVISIONS OF THIS LEASE ARE CONDITIONS. BREACH OF ANY ONE OF THESE CONDITIONS BY LESSEE OR ANY SUBLESSEE SHALL BE SUFFICIENT GROUNDS FOR CANCELLATION OF THIS LEASE BY LESSOR, SUBJEC TO THE OTHER PROVISIONS OF THIS ARTICLE.

**WATER: THIS LEASE DOES NOT CONFER UPON LESSEE, ITS ASSIGNEES OR SUBLESSEES, ANY EXPRESS OR IMPLIED RIGHTS TO THE USE OR REMOVAL OF SURFACE OR GROUND WATER FROM THE PARCEL. ANY USE OR REMOVAL OF WATER FROM THE PARCEL SHALL BE PURSUANT TO AN INDEPENDENT WRITTEN AGREEMENT WITH LESSOR AND NO CLAIM THERETO SHALL BE MADE BY LESSEE. ANY WATER RIGHT ESTABLISHED SHALL ATTACH AND BE APPURTENANT TO THE PARCEL.

**IMPROVEMENTS: PRIOR APPROVAL REQUIRED. LESSEE SHALL NOT PLACE OR CONSTRUCT OR PERMIT TO BE PLACED OR CONSTRUCTED ANY IMPROVEMENT OR REMOVBLE IMPROVEMENT ON OR TO THE PARCEL, OTHER THAN AS NECESSARY TO CAR OUT THE PURPOSE OF THIS LEASE. ALL OTHER IMPROVEMENTS ARE PROHIBITED. ALL NEW UTILITIES SHALL BE PLAC AND KEPT UNDERGROUND UNLESS LESSOR GRANTS PRIOR WRITTEN APPROVAL OTHERWISE. NOT LATER THAN NINETY (90) DAYS FOLLOWING THE EXPIRATION OR TERMINATION OF THIS LEASE, LESSEE SHALL REMOVE THOSE IMPROVEMENTS WHIC BELONG TO IT WITHOUT CAUSING INJURY TO THE PREMISES.

**MUTUAL CANCELLATION: THIS LEASE MAY BE TERMINATED AS TO ALL OR PART OF THE PARCEL PRIOR TO THE EXPIR DATE UPON WRITTEN AGREEMENT SIGNED BY BOTH LESSOR AND LESSEE.

**GROUNDWATER CONDITIONS: DRILLING OF WELL(S) IS PROHIBITED WITHOUT PRIOR WRITTEN PERMISSION FROM LESSO IF PERMISSION IS GRANTED, LESSEE MUST FILE AN INTENT TO DRILL WITH THE ARIZONA DEPARTMENT OF WATER RESO (ADWR).

1. LESSEE MUST METER WELLS, RECORD USE AND REPORT USE ANNUALLY TO LESSOR.
2. LESSEE MUST PAY AN ASSESSMENT TO LESSOR FOR THE AMOUNT OF GROUNDWATER USED.
3. IF APPLICABLE, LESSEE MUST SUBMIT ANNUAL REPORT TO ADWR OF GROUNDWATER PUMPED FROM NON-EXEMPT WELL(WITH BOTH ACTIVE MANAGEMENT AREAS AND IRRIGATION NON-EXPANSION AREAS.



4. IF LESSOR MOVES GROUNDWATER FROM WELL(S) LOCATED ON THE PREMISES OR USE GROUNDWATER FOR OTHER PURPOSE AS STATED, LESSEE SHALL FILE AN APPLICATION WITH LESSOR FOR A PUBLIC AUCTION WATER SALE. MOVEMENT OF GROUNDWATER WITHOUT PUBLIC AUCTION IS PROHIBITED.
5. LESSOR MAKES NO GUARANTEE WITH RESPECT TO GROUNDWATER AVAILABILITY OR QUALITY.
6. LESSOR'S PERSONNEL WILL HAVE ACCESS TO WELL(S) DURING REASONABLE HOURS.

****ENVIRONMENTAL INDEMNITY:** LESSEE SHALL DEFEND, INDEMNIFY AND HOLD LESSOR HARMLESS FROM AND AGAINST ANY AND ALL LIABILITY, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, CLAIMS, ENVIRONMENTAL RESPONSE AND CLEANUP COSTS AND FINES, AND ACTIONS, SUITS, COSTS, TAXES, CHARGES, EXPENSES AND DISBURSEMENTS, INCLUDING LEGAL FEES AND EXPENSES OF WHATEVER KIND OR NATURE IMPOSED ON, INCURRED BY, OR RESERVED AGAINST LESSOR IN ANY WAY RELATING TO OR ARISING OUT OF ANY NON-COMPLIANCE WITH ANY ENVIRONMENTAL LAWS.

INSURANCE

LESSEE AT ITS EXPENSE SHALL MAINTAIN A POLICY OR POLICIES OF COMPREHENSIVE LIABILITY INSURANCE, INCLUDING PROPERTY DAMAGE, WRITTEN BY ONE OR MORE RESPONSIBLE INSURANCE COMPANIES LICENSED TO DO BUSINESS IN THE STATE OF ARIZONA. LESSEE SHALL PROVIDE LESSOR WITH A CURRENT CERTIFICATE OF INSURANCE AND AT LESSOR'S REQUEST PROVIDE PROOF OF PAYMENT.

COVERAGE: NOT LESS THAN \$2,000,000 IN COMBINED SINGLE LIMITS FOR BODILY INJURY AND PROPERTY DAMAGE.

NOTICES

ANY NOTICE TO BE GIVEN OR OTHER DOCUMENT TO BE DELIVERED TO LESSEE OR LESSOR SHALL BE IN WRITING.

LESSOR:

ARIZONA STATE LAND DEPARTMENT
1616 WEST ADAMS STREET - FIRST FLOOR
PHOENIX, ARIZONA 85007

RENTAL

YEAR 1 - \$1,198
YEAR 2 - \$1,500
YEAR 3-10 RENT FOR YEAR 2 INCREASED \$300 ANNUALLY.

PENALTY OF FIVE PERCENT (5%) PLUS INTEREST ON ANY AMOUNT OF DELINQUENT RENT.

TAXES

IN ADDITION TO RENT LESSEE SHALL PAY ALL TAXES ON THE PREMISES.

TERM

THE TERM OF THIS LEASE COMMENCES JUNE 29, 1998, AND ENDS ON JUNE 28, 2008.



WATER

_PARCID_WA01_ARIZ. C.L. #878_ WATER RIGHT ARIZ. C.L. #878 BAGDAD WELL NO. : WARM SPRINGS
(TUNGSTONA) NO. 3 WELL

LOCATION OF WELL : TOWNSHIP 15 NORTH, RANGE 9 WEST, G&SRBM

SECTION 24: NE/4 NE/4 NE/4

CURRENT WELL REGISTRATION : 611616

PREVIOUS WELL REGISTRATION NO.: 36-66373

WELL REGISTERED BY : M. D. MARTIN

DATE WELL COMPLETED : 08/10/1962

DEPTH OF WELL : 522'

DIAMETER OF CASING : 12"

DEPTH OF CASING : 402'

TYPE OF CASING : STEEL

WELL PUMPING CAPACITY : 280 G.P.M.

DEPTH TO WATER : 140' BELOW LAND SURFACE

SOURCE OF WELL : UNDERGROUND PERCOLATE

TYPE OF WELL : SUB-FLOW

NAME OF WATERSHED : BILL WILLIAMS RIVER

PRINCIPAL USE(S) OF WATER : MUNICIPAL, DOMESTIC, MINING

ANNUAL USE : 596.80 AFA

06/29/1966 - COMMERCIAL LEASE #878 ISSUED TO BAGDAD COPPER CORPORATION BY THE STATE OF ARIZONA. LEASE EXPIRED ON 06/28/1968.

06/29/1968 - COMMERCIAL LEASE #878 ISSUED TO BAGDAD COPPER CORPORATION BY THE STATE OF ARIZONA. LEASE EXPIRED 06/28/1978.

06/29/1978 - COMMERCIAL LEASE #878 ISSUED TO CYPRUS BAGDAD COPPER COMPANY BY THE STATE OF ARIZONA. LEASE EXPIRED ON 06/28/1988.

06/29/1988 - COMMERCIAL LEASE #03-878 ISSUED TO CYPRUS BAGDAD COPPER CORPORATION BY THE STATE OF ARIZONA. LEASE WILL EXPIRE 06/29/1998.

06/06/1988 - CHANGE OF WELL INFORMATION FILED FOR 55-611616 FROM CYPRUS MINES CORPORATION TO CYPRUS BAGDAD COPPER CORPORATION.

06/29/1998 - COMMERCIAL LEASE NO. 03-878 BETWEEN THE STATE OF ARIZONA AS LESSOR BY AND THROUGH THE ARIZON STATE LAND DEPARTMENT AND CYPRUS BAGDAD COPPER CORPORATION AS LESSEE. LEASE EXPIRES JUNE 28, 2008.



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100936
07/27/2004

09/08/1998 - NOTICE OF RENTAL APPRAISAL FOR COMMERCIAL LEASE APPLICATION NO. 003-000878.

12/17/2002 - WATER AGREEMENT BETWEEN THE STATE LAND DEPARTMENT, STATE OF AZ, AND PHELPS DODGE BAGDAD, INC., BUYER. AGREEMENT 21-106804 EXPIRING 12/16/2012.

PDC001176