



0000070728

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SETTLEMENT AND RELEASE AGREEMENT

THIS SETTLEMENT AND RELEASE AGREEMENT is dated this _____ day of July, 1998 (this "Settlement Agreement") by and among Arizona Water Company, an Arizona corporation ("AWC") and Cyprus Miami Mining Corporation, a Delaware corporation, BHP Copper Inc., a Delaware corporation, and Inspiration Consolidated Copper Company, a Delaware corporation (each a member of and collectively, the "PCG").

RECITALS:

WHEREAS, the parties desire to fully and completely resolve all claims and issues presented by AWC unless expressly excluded in this Settlement Agreement; and

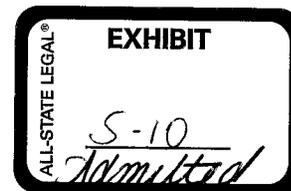
WHEREAS, this Settlement Agreement is entered into in the spirit of cooperation and to arrive at a fair settlement of this matter; and

WHEREAS, all of the discussions during negotiation of the terms of this Settlement Agreement have been made by both parties, solely for the purposes of facilitating settlement and are protected from any form of disclosure or subsequent use pursuant to Rule 408 of the Arizona Rules of Evidence.

NOW THEREFORE, the parties covenant and agree as follows:

1. **Replacement Water.** PCG will provide replacement water in a total capacity of 600 gpm meeting the Water Quality Parameters set forth in Exhibit F to AWC's Miami water system at no capital cost to AWC. PCG will provide the replacement water on an incremental basis that meets or exceeds the following schedule:

| Date: | Aggregate volume of capacity provided: |
|------------------|--|
| October 30, 1998 | 100 gpm |
| October 30, 1999 | 200 gpm |
| October 30, 2000 | 300 gpm |
| October 30, 2001 | 400 gpm |
| October 30, 2002 | 500 gpm |
| October 30, 2003 | 600 gpm |



2. **Source of Replacement Water.** PCG will select the replacement water source(s) for Paragraphs 1, 3 and 5 of this Settlement Agreement, provided, that the location of each such source of replacement water shall comply with applicable legal requirements for wells. Without limitation of the foregoing, PCG may restore or increase the capacity of wells already conveyed to AWC by PCG pursuant to this Settlement Agreement, provided that any party or their agents comply with AWC's standard requirements for performing work on AWC's property. PCG will not use remediated water as the replacement supply for Paragraphs 1, 3 and 5. If PCG is unable to provide replacement water to AWC in accordance with AWC's requirements set forth in this Settlement Agreement, the PCG may elect in its sole discretion to provide replacement water from the Old Dominion Mine in a maximum amount of 100 gpm from the "domestic" source currently delivered from the Old Dominion level 12 water drift through a tie-in to AWC's system in the proximity of the intersection of the existing Old Dominion water line and AWC's distribution main as set forth on Exhibit A.

3. **Maintenance of Replacement Water.** After October 30, 2003 and until October 30, 2028, PCG shall maintain the quantity of replacement water meeting the Water Quality Parameters in an aggregate amount equal to 600 gpm. This obligation will be maintained by replacing any depletion below 600 gpm as determined pursuant to the annual depletion testing conducted pursuant to the depletion testing protocol attached hereto as Exhibit B ("Depletion Testing"). Any replacement water required as a result of the annual Depletion Testing shall be delivered by the month of May following annual Depletion Testing. Moreover, until October 30, 2028, AWC may present a claim for depletion by conducting Depletion Testing at any time during a calendar year and any disputes regarding such claims shall be decided by the technical advisory panel identified in Paragraph 11 (the "TAP"). Following any Depletion Testing, the parties shall meet and confer to determine whether AWC complied with the operating and maintenance standards set forth in Exhibit B attached hereto ("O&M Standards"). If there was a violation of the O&M Standards and such violation was non-material, PCG's obligation to replace any depletion from the replacement well in which the violation occurred shall be deferred until the next annual Depletion Testing where there is no violation of the O&M Standards for that well. If a violation of the O&M Standards was material, PCG will not be obligated to replace any such depletion caused by the violation. If the parties disagree whether a violation of the O&M Standards was material or non-material or whether a material violation resulted in depletion, any party can present the issue to the TAP. As of October 30, 2028, PCG will provide or have provided to AWC wells in the Gila Conglomerate, unless an alternate source has been agreed upon by the parties, and such wells or alternate sources or combination thereof shall

provide an aggregate capacity of 600 gpm meeting the Water Quality Parameters.

4. **Restrictions on Wells.** After the date of this Settlement Agreement and until October 30, 2028, PCG will not drill any wells for replacement water to be provided under this Settlement Agreement within 2000 feet of any then-existing AWC wells and AWC will not drill any future wells within 2000 feet of any then-existing wells for replacement water to be provided under this Settlement Agreement. Notwithstanding the foregoing sentence and until October 30, 2028, any party may drill a well within such 2000 feet if such party (i) obtains written consent of the other party, or (ii) fails to obtain written consent and therefore is deemed to have assumed the risk or responsibility for any resulting depletion or draw down resulting in the then-existing well located within such 2000 feet. The replacement or deepening of a well in the same general location by any party shall not alter the allocation of risk or responsibility set forth in the foregoing sentence at the time the well was placed. Nothing in the Settlement Agreement shall limit either party's right to drill a new or replacement well or deepen an existing well located more than 2000 feet from the other party's then-existing wells.
5. **Future Impacts on Wells.** With respect to any of AWC's existing wells not currently impacted by activity or conduct described in this paragraph or future wells (other than replacement wells to be provided by PCG pursuant to this Settlement Agreement) that are, in the future, either reduced in capacity as a result of PCG's remediation activities or rendered unable to produce water meeting the Water Quality Parameters due to contamination from mining activities at Cyprus' or BHP's properties at the Pinal Creek Site, PCG will replace such water on an equal gallons per minute basis with water meeting the Water Quality Parameters until the problem is corrected.
6. **Obligations of PCG With Respect to Each Replacement Water Source.** For each source of replacement water, technical representatives of AWC and PCG shall meet and confer and agree upon the reasonable requirements of AWC with respect to, and thereafter PCG will provide, well materials and equipment, any necessary and compatible pumping equipment and related appurtenances; linkage to AWC's Miami water system; and all necessary easements for ingress/egress, pipelines, and utilities. If PCG chooses to provide an interim replacement water supply from mining properties (e.g. Old Dominion Mine), PCG shall not be required to convey or cause to be conveyed to AWC fee title or possessory title to such property or replacement water sources. However, if PCG chooses to provide new or existing wells for replacement water, PCG shall convey or cause to be conveyed to AWC fee title by Special Warranty Deed for each well, as well as an appropriate bill of sale for all fixtures, improvements and

set forth below, appurtenances (both documents in the form attached hereto as Exhibit C), it being understood that PCG shall assign to AWC any warranty on equipment and supplies purchased by PCG in connection with any source of replacement water, it being further understood that, except as specifically set forth herein, PCG makes no representation or warranty regarding the replacement water, the wells or any of the equipment or supplies provided by PCG to AWC. AWC will not accept any wells for replacement water until receipt of the Approval of Construction ("AOC") from the Arizona Department of Environmental Quality ("ADEQ"), provided however, the failure of ADEQ to issue the AOC on or before six (6) months following application shall not cause PCG to be in breach of its obligations hereunder, and provided further that ADEQ's failure to issue the AOC does not relieve PCG of its obligation to provide an interim replacement water supply or the obligations set forth in Paragraph 1. Denial of the AOC by ADEQ will require PCG to secure a substitute source of replacement water.

7. **Allocation of Responsibility.** In recognition of the fact that AWC is in the business of providing water supplies to customers, PCG will not be responsible for (a) the ongoing operation and maintenance expenses associated with any well provided to AWC by PCG; (b) any risk for fire, lightning, earthquake, pump or motor failure, and intentional or tortious acts of AWC's employees or third parties; (c) all costs associated with storage of water pumped or otherwise received by AWC but not immediately used; (d) depletion resulting from a failure to comply with the O&M Standards; and (e) any other incidental costs and expenses associated with the business of providing water supplies to customers. Until October 30, 2028, PCG shall be responsible for all other risks associated with the replacement wells including well collapse or loss of wells as a result of floods.

8. **Well Protection Program.** Until October 30, 2028, for each proposed well AWC covenants with PCG that as of the date of this Settlement Agreement AWC will meet and confer with PCG and agree upon a well protection program before drilling in or through any alluvial aquifer at the Pinal Creek Site, as generally depicted on Exhibit D. After AWC and PCG agree upon a well protection program, subject to the provisions of Paragraph 4, AWC may drill through the alluvial aquifer at the Pinal Creek Site to produce water from the Gila Conglomerate and provide that water for any use including potable use provided that it meets applicable standards upon delivery to AWC's customers. If AWC proposes to produce water from an alluvial aquifer within the Pinal Creek Site and PCG advises AWC based on results of water quality sampling or modeling, which will be made available for review by AWC upon request, that the well will produce contaminated water, AWC may: (i) dispute the PCG's information of contamination by

raising the issue to the TAP; or (ii) produce water from such location at the sole risk and expense of AWC provided that such water will not be used as potable water and provided further such water meets applicable standards for non-potable use. If PCG does not advise AWC that a proposed alluvial well will produce contaminated water or the TAP concludes that the proposed alluvial well will not produce contaminated water, AWC may drill such alluvial well and use such water except for any limitation imposed by the well protection program, subject to the provisions of Paragraph 4. After October 30, 2028, AWC is not prohibited from drilling in or producing water from any alluvial aquifer in the Pinal Creek Site, provided, however, AWC shall not use water from the alluvial aquifer of the Pinal Creek Site for potable use unless it meets applicable standards when delivered to AWC's customers.

9. Release, Subrogation and Assignment of Claims.

- A) In consideration of the covenants contained herein, AWC completely releases and forever discharges each of the PCG members, Hecla Mining Company, Phelps Dodge Corporation and each and all of their past, present, and future officers, directors, employees, representatives, agents, subsidiaries, affiliates, successors, any assigns, insurers and all other persons or entities with whom any of the same have been; are now, or may hereafter be affiliated with, of and from any and all past, present, and future claims, demands, obligations, actions, causes of action, rights, damages, costs, losses of income, expenses, and compensation of any nature whatsoever, whether known or unknown, whether based on a tort, statute, equity, contract, eminent domain or the threat or imminence thereof, or inverse eminent domain, or other theory, or other damages, whether brought individually, jointly or in connection with any class action, which AWC now has or which may hereafter accrue, including, without limitation, claims for violation of any local, state, and/or federal statute or regulation (but not including any claim for breach of the Settlement Agreement) or the exercise of power of eminent domain, or the threat or imminence thereof, or inverse eminent domain, arising from or relating in any manner to (including, but not limited to, contamination and remediation issues) the impact of mining activities within the Pinal Creek Site or adjoining areas. Notwithstanding the foregoing, this release and covenant not to sue is not intended to and shall not apply to new claims or causes of action arising out of a New Release.
- B) The release and covenant not to sue set forth in the preceding subparagraph A) is not intended to and shall not apply to any claims for indemnity or contribution, arising under common law or equity

or created by federal or state statute (including CERCLA), that AWC may have against the PCG members for any claims, causes of action, lawsuit or demands subsequently asserted against AWC by a third party relating to the exposure to, if any, contaminants in water extracted from AWC wells; nor shall the release and covenant not to sue contained in the preceding subparagraph apply to any of the claims arising out of or relating to the performance, or nonperformance by the PCG members of this Settlement Agreement or any duty or obligation contained herein, or any subsequent written amendment or modification thereof.

- C) The parties hereto agree that the PCG members reserve all rights they may have to bring any action, cause of action, lawsuit, claim, or demand against any person or entity other than AWC to recover all or any part of the consideration provided by PCG to AWC pursuant to this Settlement Agreement, and AWC agrees to subrogate to the PCG members any action, cause of action, lawsuit, claim or demand AWC may have against any party to enable the PCG members to recover such costs from responsible third parties.
- D) AWC shall be entitled to reimbursement of all of its reasonable costs and fees required due to the litigation brought by the PCG members in the name of AWC arising under this Settlement Agreement, including, but not limited to, attorneys' fees incurred for litigation support for monitoring or reviewing any claims or counterclaims involving AWC. The PCG members shall pay such costs to AWC upon presentation of an invoice therefor.
- E) The PCG members will indemnify and defend AWC against counterclaims and for any costs or fees awarded against AWC in connection with any lost claim(s) brought by the PCG members or lost counterclaim(s), to the extent such counterclaims arise out of the subrogated claims. The PCG members shall not take a position adverse to AWC's interest in pursuing or defending any claims in AWC's name. The indemnity and defense obligations contained in this paragraph apply only to counterclaims and all resulting costs from actions brought by the PCG members in AWC's name. The PCG members shall keep AWC reasonably informed of the status of any litigation arising out of this subrogation agreement and provide AWC's attorney with all pleadings and court documents.
- F) If the Arizona Department of Water Resources or ADEQ promulgates rules that mandate abandonment or modification of any of AWC's existing Bloody Tanks Wash wells due to the existence of contamination in the Bloody Tanks Wash caused by mining

activities, nothing in this Settlement Agreement shall bar any claims by AWC against the PCG members for reimbursement of such costs nor shall it bar any defenses by PCG members made in response thereto.

10. **Consent Decree; Public Support.** AWC will not file any motion to intervene or comments on the pending Consent Decree involving the Pinal Creek Site. AWC shall file a written notice with the Federal District Court in the Consent Decree proceeding stating that it (i) has settled with PCG, (ii) will not submit comments on the Consent Decree, (iii) will not move to intervene in the proceeding and (iv) will withdraw AWC's notice of CERCLA citizen's suit. AWC will publicly support the PCG and its environmental response actions at the Pinal Creek Site by signing a public support statement in a pre-approved form attached hereto as Exhibit E. Finally, AWC agrees not to oppose PCG's Feasibility Study or any interim environmental response actions, and AWC will not oppose or make formal public comments upon the Final Remedial Action Plan for the Pinal Creek Site without first conferring with PCG. AWC agrees that: (i) PCG's agreement to provide the replacement water supply is consistent with and sufficient to satisfy the alternative water supply requirements of CERCLA and WQARF; (ii) that the consideration provided by PCG in settlement of this matter is consistent with the NCP; and (iii) that AWC's concerns with the Consent Decree and Scope of Work are settled and will not be the basis for future comments on the PCG's work or the Final Remedial Action Plan. AWC agrees to (i) cooperate with the PCG's reasonable requests for assistance in the legal actions PCG is currently involved in including the private party cost recovery litigation, the pending toxic tort class action and the insurance recovery action, it being understood that AWC will not be required to directly become a party to or co-litigate with the PCG or to incur significant unreimbursed expenses associated therewith, and (ii) not foster claims by persons or entities making or contemplating possible claims against the PCG members related to the Pinal Creek Site, including the voluntary or informal disclosure of any information related to the subject matter underlying this Settlement Agreement. Nothing set forth in the foregoing sentence shall prohibit AWC from performing any legal obligations, such as responding to a subpoena, or performing those obligations ordinarily provided by AWC to its customers. AWC shall permit PCG reasonable access to any relevant documents or data, otherwise subject to disclosure to the general public or to other individuals or entities through judicial procedures, pertaining to the Bloody Tanks Wash water supply.

11. **Technical Advisory Panel.** It is the intent of the parties that the following determinations, subject to a reasonable good faith meet and confer period, may be submitted to the TAP:

- A) Claims made under Paragraph 5;
- B) Claims made under Paragraph 3 for depletion caused by alleged violations of the O&M Standards or location of a well within the 2000 feet limit set forth in Paragraph 4;
- C) Claims made under Paragraph 7(d);
- D) Determinations of areas of contamination for purposes of Paragraph 8; and
- E) Any other matter agreed upon by the parties.

The TAP shall be comprised of three unbiased technical experts to be selected by mutual agreement of the parties. Should the parties be unable to agree on three technical experts, AWC shall select one expert, the PCG shall select the second expert, and the third expert shall be selected by the mutual agreement of the AWC and the PCG experts. The TAP shall render its decisions by concurrence of two or more members and such decisions shall be final and binding on the parties. The party petitioning the TAP shall have the burden of proof on the issue presented to the TAP. The costs of the TAP shall be borne initially by the party seeking review by the TAP but the TAP shall have the discretion to award all or a portion of such costs to a party. Time periods for each of the required procedures to be followed in the TAP process shall be agreed to by the parties.

12. **Definitions.** For purposes of this settlement offer, the following terms have the following meanings:

- A) "Water Quality Parameters" means water that, at the point of receipt by AWC, or in the case of a well provided to AWC, at the well head, meets the standards set forth on Exhibit F.
- B) "Pinal Creek Site" means the property within the boundaries depicted as the Pinal Creek WQARF Site in Appendix 2 to the Consent Decree dated August 22, 1997, attached hereto as Exhibit G.
- C) "New Release" means an incident or event caused by a member of PCG after the date of this Settlement Agreement that meets the following criteria:
 - 1. It introduces a hazardous substance into the environment in a quantity that is reportable under CERCLA or WQARF;

2. It is not caused by circumstances existing before or as of the date of this Settlement Agreement; and
3. It causes AWC to incur losses or damages other than those described in Paragraph 5 or otherwise provided for under this Settlement Agreement.

13. **Confidentiality.** AWC and its affiliates and subsidiaries and its and their directors, officers, shareholders, employees, agents, and representatives shall keep the terms and conditions of this Settlement Agreement and the content of the negotiations leading to this Settlement Agreement strictly confidential and shall not disclose or offer to disclose them to any other person or entity, except that the following disclosures shall be allowed:

- A) Disclosures of technical information about the replacement water supply, including, without limit, water quality analyses for the replacement water supply (but not the Water Quality Parameters), and the location, design, construction, depth, value, capacity of replacement water wells, and other non-cash property and facilities provided by PCG pursuant to this Settlement Agreement as well as costs associated therewith.
- B) Information legally required to be disclosed pursuant to a subpoena or a formal request or order of the Arizona Corporation Commission, the ADEQ, a court of law or other governmental entity having jurisdiction to request such information.
- C) AWC may disclose the terms of this Settlement Agreement to the extent it is necessary in connection with the issuance of any bonds, securities or other finance transactions, in connection with any insurance claim or application for insurance coverage related to the replacement water supply, replacement wells or any of the related equipment supplied to AWC by PCG pursuant to this Settlement Agreement, or in connection with any determination of insurance coverage. If AWC desires to disclose the terms of this Settlement Agreement in connection with any other legitimate business purpose, AWC shall notify PCG in advance of such disclosure and request the consent of PCG, which such consent shall not be unreasonably withheld. PCG shall promptly respond to any such request for disclosure by AWC. AWC will accompany any permitted disclosure pursuant to this subparagraph C) with an assertion of confidentiality.

Before making any disclosure under subsection B) above, AWC shall (i) provide each of the PCG members with prompt notice (written, if

practicable) and, where applicable, a copy of any subpoena, written request or order; (ii) allow and not inhibit any timely efforts by one or more of the PCG members to legally prevent or limit the requested or ordered disclosure; and (iii) with respect to any information or document that ultimately must be disclosed pursuant to a governmental request, AWC shall (a) disclose only the specific information or document portions that must be disclosed and (b) assert and comply with any applicable legal procedures for establishing the confidential non-public status of the disclosure. Notwithstanding the foregoing, the PCG shall not require AWC to become directly involved as a party or to co-litigate any issue of confidentiality.

14. **Consideration.** Without any admission of liability or responsibility, and with such liability or responsibility being expressly denied, upon execution and delivery of this Settlement Agreement, PCG shall pay to AWC a sum of Four Hundred Sixty-Six Thousand Six Hundred Sixty-Six Dollars and Sixty-Seven Cents (\$466,666.67). On each of the first and second anniversaries of this Settlement Agreement, PCG shall pay to AWC a sum equal to Four Hundred Sixty-Six Thousand Six Hundred Sixty-Six Dollars and Sixty-Seven Cents (\$466,666.67). The parties agree that the foregoing compensation and the provision by PCG of replacement water, wells, facilities, properties, rights and other consideration and covenants of this Settlement Agreement are in exchange for a release of all losses, damages and liabilities arising out of AWC's disputed claims some of which are referred to in Paragraph 15.
15. **No Admission of Liability by PCG.** The parties expressly understand and acknowledge that this is a settlement and compromise of AWC's disputed claims, and that the payment and receipt of the aforesaid compensation, agreements or covenants are not to be construed as any admission or acknowledgment of liability or responsibility whatsoever on the part of any PCG member, any individual, person, or corporation, or agent, servant, employee, or representative thereof herein released, by each of whom all liability or responsibility is expressly denied. The parties to the Settlement Agreement acknowledge that among the claims that AWC has asserted are one or more causes of action for its claims for just compensation pursuant to the Fifth and Fourteenth Amendments of the United States Constitution and similar provisions of the Arizona Constitution and other applicable law for the alleged taking or damaging of AWC's property and rights in its Miami, Arizona water service area for a public purpose by the exercise of the power of eminent domain or the threat or imminence thereof or pursuant to the doctrine of inverse eminent domain.
16. **Representation upon Execution.** Each party in executing this Settlement Agreement understands and agrees and each PCG member and AWC

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specifically warrant and represent that they have been fully advised and represented by legal counsel of their own selection and are fully familiar with all of the circumstances surrounding this Settlement Agreement, and, in executing this Settlement Agreement, each party does so relying wholly upon its own judgment and advice of counsel, and that it has not been influenced whatsoever in executing this Settlement Agreement by any representation or statement whatsoever regarding the matters set forth herein, or any other matter made by any person, individual, or corporation, or any agent, employee, or servant thereof, or by any persons representing any of them, or attorney by any of them employed. The parties further declare that this Settlement Agreement has been carefully read, that the contents thereof are fully known and understood, that the same is signed as the free and voluntary act of each party.

17. **Entire Agreement; Headings.** This Settlement Agreement, including the recitals hereto, contains the entire agreement between the parties hereto. The headings to this Settlement Agreement are inserted for convenience only and shall not be used for interpretation hereof.
18. **Force Majeure.** Neither party shall be liable to the other for failure to perform its obligations hereunder if and to the extent such failure to perform results from reasonably unforeseen causes beyond its reasonable control, all of which causes herein are called "force majeure," including but not limited to strikes; civil disturbances; fires; earthquakes; floods; unusual climatic conditions; acts of God; governmental action preventing performance; or acts of a public enemy. Each party shall use its best efforts to overcome an event of force majeure, provided that no such party is obligated to settle any labor dispute. Financial difficulty on the part of the party asserting force majeure shall not be considered a cause beyond a party's reasonable control. The party unable to perform as a result of force majeure shall promptly notify the other in writing at the beginning and ending of each such period.
19. **Amendments; Mutual Negotiation.** No change in, addition to, or waiver of any of the provisions of this Settlement Agreement shall be binding upon either party unless in writing signed by an authorized representative of each party. No presumption shall be deemed to exist in favor or against either party hereto as a result of the preparation and/or negotiation of this Settlement Agreement.
20. **Successors and Assigns.** This Settlement Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

21. **Severability.** In the event that any of the provisions, or portions or applications thereof, of this Settlement Agreement are held to be unenforceable or invalid by any court of competent jurisdiction, AWC and PCG shall negotiate an equitable adjustment in the provisions of this Settlement Agreement with a view toward effecting the purpose of this Settlement Agreement and the validity and enforceability of the remaining provisions, or portions or applications thereof, shall not be affected thereby.
22. **Counterparts.** This Settlement Agreement may be executed in any number of counterparts, all of which will constitute one agreement.
23. **AWC's Water Rights.** The parties agree that in accepting and using replacement water pursuant to this Settlement Agreement, AWC does not intend to forfeit or abandon any rights it may have to surface water in Bloody Tanks Wash.
24. **Statutes of Limitation.** Except as set forth below, PCG and AWC agree to toll the running of any applicable statutes of limitation, and any and all statutes, laws, rules or principles of equity of similar effect (collectively "Statutes of Limitation"), and the tolling will remain in effect until October 30, 2028 for any and all claims or causes of action existing as of the date of this Settlement Agreement that would or might be asserted to arise out of or in any way connected with or related to contaminants in the Pinal Creek Site. This tolling agreement does not apply to any (i) Statutes of Limitation that expired prior to the effective date of this Settlement Agreement, (ii) Statutes of Limitation for breach of this Settlement Agreement, or (iii) matters covered by the release set forth in Paragraph 9 of this Settlement Agreement.
25. **Governing Law.** The validity, interpretation, and enforcement of this Settlement Agreement shall be governed by the laws of the State of Arizona.
26. **Notices.** Any notice required or permitted hereunder shall be deemed to have been properly given when delivered personally to the party for whom it is intended or seventy-two (72) hours after deposit in the U.S. Mail (certified and return receipt requested) of an original or conforming copy or twenty-four (24) hours after entrustment to a professional overnight courier service, or upon receipt of transmission by facsimile, with all necessary postage or charges fully prepaid, addressed to the party for whom it is intended, as follows:

If to PCG:

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Name: Law Department
Title: Cyprus Miami Mining Corporation
Address: 9100 East Mineral Circle
Englewood, Colorado 80112
Fax: (303) 643-5181

Name: Legal Department
Title: BHP Copper Inc.
Address: 7400 North Oracle Road, Suite 200
Tucson, Arizona 85704
Fax: (520) 575-5639

Name: Van Velsor Wolf, Jr., Esquire
Title: Inspiration Consolidated Copper Company
c/o Snell & Wilmer
Address: One Arizona Center
Phoenix, Arizona 85004-0001
Fax: (602) 382-6070

If to AWC:

Name: Mr. James R. Livingston
Title: President
Address: Arizona Water Company
3805 North Black Canyon Highway
Phoenix, Arizona 85015
Fax: (602) 240-6878

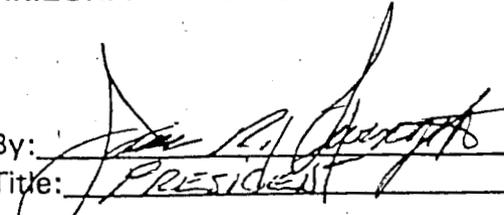
27. Exhibits. The Exhibits which are attached hereto and made a part hereof are as follows:

Exhibit A: Tie In Location for Old Dominion
Exhibit B: Depletion Testing Protocol
Exhibit C: Form of Special Warranty Deed / Form of Bill of Sale
Exhibit D: Map of Alluvial Aquifer Including Pinal Creek Site
Exhibit E: Form of Public Statement of Support of Environmental Response Actions
Exhibit F: Water Quality Parameters
Exhibit G: Map of Pinal Creek Site

IN WITNESS WHEREOF, the parties have executed this agreement as of the date first written above.

AWC:

ARIZONA WATER COMPANY

By: 
Title: PRESIDENT

PCG:

BHP COPPER INC.

By: _____
Title: _____

CYPRUS MIAMI MINING CORPORATION

By: _____
Title: _____

INSPIRATION CONSOLIDATED COPPER COMPANY

By: _____
Title: _____

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IN WITNESS WHEREOF, the parties have executed this agreement as of the date first written above.

AWC:

ARIZONA WATER COMPANY

By: _____
Title: _____

PCG:

BHP COPPER INC.

By: Andrew G. Sandberg
Title: VICE PRESIDENT

CYPRUS MIAMI MINING CORPORATION

By: _____
Title: _____

INSPIRATION CONSOLIDATED COPPER COMPANY

By: _____
Title: _____

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IN WITNESS WHEREOF, the parties have executed this agreement as of the date *CMC* first written above.

AWC:

ARIZONA WATER COMPANY

By: _____

Title: _____

PCG:

BHP COPPER INC.

By: _____

Title: _____

CYPRUS MIAMI MINING CORPORATION

By: *[Signature]*
Title: _____

INSPIRATION CONSOLIDATED COPPER COMPANY

By: _____

Title: _____

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IN WITNESS WHEREOF, the parties have executed this agreement as of the date first written above. *CAH*

AWC:

ARIZONA WATER COMPANY

By: _____

Title: _____

PCG:

BHP COPPER INC.

By: _____

Title: _____

CYPRUS MIAMI MINING CORPORATION

By: _____

Title: _____

INSPIRATION CONSOLIDATED COPPER COMPANY

By: *G. Van Nelson*

Title: *Smell + Wilmer*

Counsel for Inspiration Consolidated Copper Co

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EXHIBIT A
Tie In Location for Old Dominion

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GLOBE/MIAMI AREA

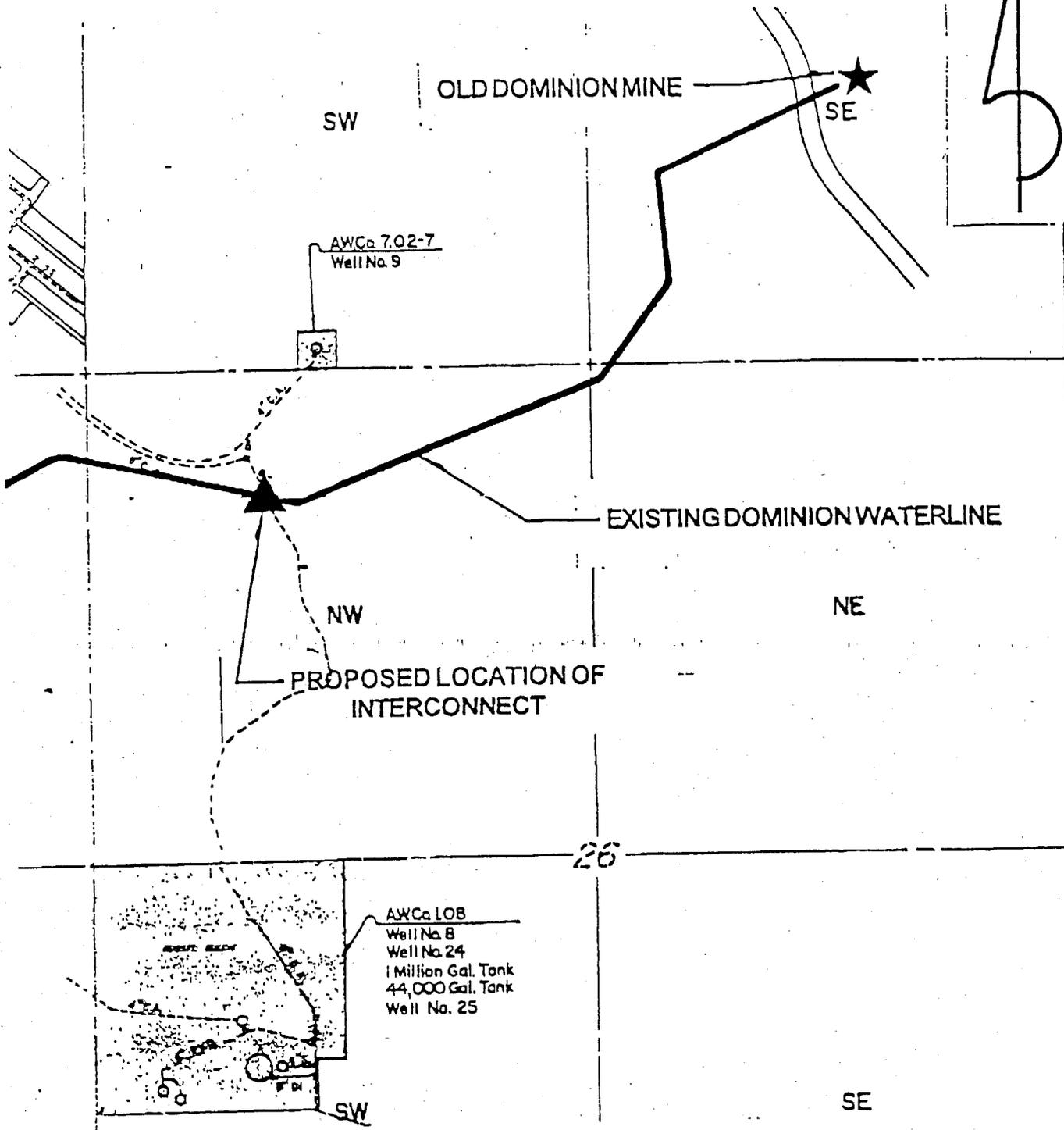


EXHIBIT 'A'

**ARIZONA
WATER
COMPANY**

| | | |
|---|----------------|--------------|
| PROPOSED INTERCONNECT LOCATION DRAWING | | |
| LOCATION: Northwest Quarter Section 26 - T.1N., R.15E. | | |
| DESCRIPTION: Proposed Interconnect Between The Dominion Mine Water Line And Arizona Water Company's Facilities. | | |
| DATE: 7-08-98 | SCALE: 1"=800' | DRAWN BY: CB |

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EXHIBIT B
Depletion Testing Protocol

See attached.

EXHIBIT B

Depletion Testing Protocol

Compliance with the aggregate capacity requirements set forth in Paragraph 3 of the Settlement Agreement will be determined by well capacity testing in the fourth quarter of each year. The capacity of any replacement well shall be deemed to have the capacity as determined by well capacity testing as defined below. Additional replacement well capacity will be deemed to be required if after any period of well capacity testing, the aggregate well capacity of the replacement wells falls below the above schedule by 100 gpm or more.

The aggregate replacement well capacity will be determined as follows:

A. During the fourth quarter of every calendar year, starting in the year 1999, AWC will conduct well capacity tests of the replacement wells provided by PCG.

B. AWC will pump each well during the fourth quarter of each calendar year for four consecutive days and for twenty hours per day. AWC will use its best efforts to pump each replacement well at its maximum test capacity pumping level as determined by the following paragraph. If necessary, AWC will install an in-line booster pump to increase replacement well output capacity sufficient to achieve the maximum test capacity pumping level. Likewise, if the replacement well pump capacity could cause pumping levels to exceed the maximum test capacity pumping level, the discharge rate will be throttled to limit the maximum pumping level. AWC will use its best efforts to achieve pumping rates that will demonstrate maximum well pumping capacity, limited to the maximum test pumping level. The capacity of each replacement well will be calculated by expressing the accumulative water pumped over the four day test divided by the total minutes pumped. Such results will be expressed in gpm. The aggregate replacement well capacity will be expressed as the arithmetic sum of all active replacement wells test capacity.

C. All replacement wells provided to AWC by PCG will be equipped and maintained for the purpose of conducting the four-day well capacity test such that:

1. For Replacement Wells drilled to a total depth between 600 feet and 1500 feet:

The pumping equipment will be placed at a depth determined by the following equation:

$$\text{Pump Depth} = (50 \text{ Feet}) + (0.833 \text{ Times Total Drilled Well Depth})$$

The maximum pumping level allowed during the four-day well capacity test will be determined by the following equation:

$$\text{Maximum Pumping Level} = (200 \text{ Feet}) + (0.5 \text{ Times Total Drilled Well Depth})$$

2. For Replacement Wells drilled to a depth between 1500 feet and 2000 feet:

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The pumping equipment will be placed at a depth determined by the following equation:

$$\text{Pump Depth} = (700 \text{ Feet}) + (0.4 \text{ Times Total Drilled Well Depth})$$

The maximum pumping level allowed during the four-day well capacity test will be determined by the following equation:

$$\text{Maximum Pumping Level} = (800 \text{ Feet}) + (0.1 \text{ Times Total Drilled Well Depth})$$

The attachment on the following page illustrates by tabular form and through graphical representation, the pumping equipment placement and maximum test pumping level.

D. The above provisions will serve as the standards for replacement well capacity determinations unless a mutually agreed upon method is developed for circumstances of individual well performance and aquifer characteristics.

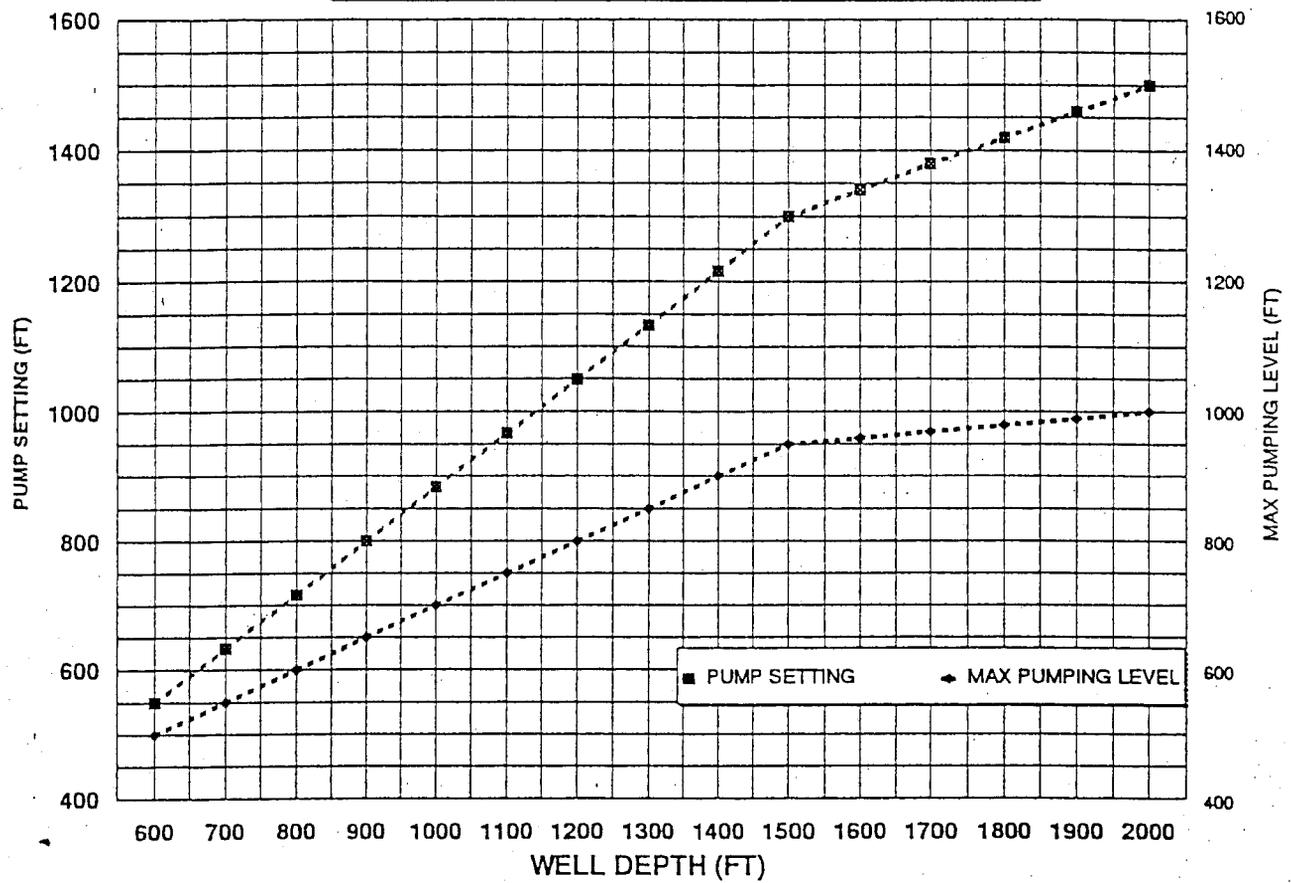
O&M Standards

A. AWC will maintain the replacement wells by brushing, bailing, swabbing and acid treating each well at a minimum frequency of once every seven years.

B. In an effort not to overpump the replacement wells, AWC will limit the use of replacement wells to 18 hours per day on an annual average basis. It is understood that pumping of replacement wells by AWC may exceed 18 hours per day during peak months.

C. The above O&M Standards will serve as the baseline well operation and maintenance standards for all replacement wells unless a mutually agreed upon alternative standard is developed on an individual well basis.

ARIZONA WATER COMPANY - MIAMI
WELL DEPLETION TESTING PROTOCOL

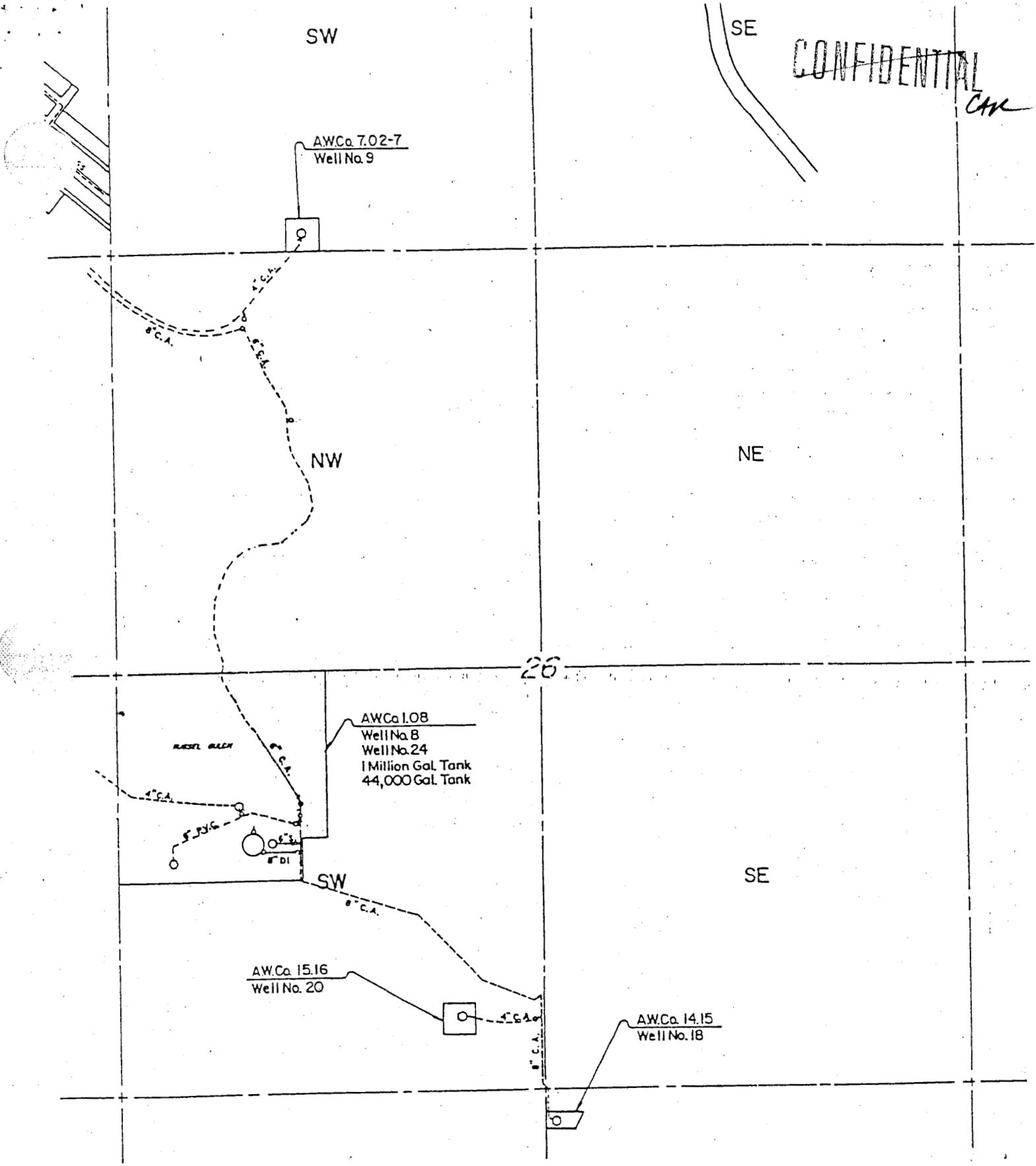


MAX PUMPING LEVEL = MAXIMUM PUMPING LEVEL ALLOWED DURING WELL CAPACITY TEST
MINIMUM WELL DEPTH = 600 FEET, MAXIMUM WELL DEPTH = 2000 FT

| WELL DEPTH (FEET) | PUMP SETTING (FEET) | MAX PUMPING LEVEL DURING TEST (FEET) |
|-------------------|---------------------|--------------------------------------|
| 600 | 550 | 500 |
| 700 | 633 | 550 |
| 800 | 716 | 600 |
| 900 | 800 | 650 |
| 1000 | 883 | 700 |
| 1100 | 966 | 750 |
| 1200 | 1050 | 800 |
| 1300 | 1133 | 850 |
| 1400 | 1216 | 900 |
| 1500 | 1300 | 950 |
| 1600 | 1340 | 960 |
| 1700 | 1380 | 970 |
| 1800 | 1420 | 980 |
| 1900 | 1460 | 990 |
| 2000 | 1500 | 1000 |

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EXHIBIT C
Form of Special Warranty Deed

When recorded, mail to:

Information This Space Reserved For Recording

SPECIAL WARRANTY DEED

THIS SPECIAL WARRANTY DEED, made effective the _____ day of _____, 1998, is by and between ARIZONA WATER COMPANY, an Arizona corporation with an address of 3805 North Black Canyon Highway, Phoenix, Arizona 85015 ("Grantee") and [INSERT NAME AND ADDRESS] ("Grantor").

WITNESSETH, THAT, Grantor, for and in consideration of the sum of Ten and no/100 Dollars (\$10.00) and other good and valuable consideration to the said Grantor, in hand paid by the said Grantee, the receipt of which is hereby acknowledged, has granted, bargained, sold and conveyed and by these presents does grant, bargain, sell and convey unto the said Grantee, its successors and assigns forever, all the estate, right, title, interest, claim and demand whatsoever, of the said Grantor, whether in law or in equity, in those certain properties situated in Gila County, State of Arizona, more particularly described in Exhibit "A" attached hereto and made a part hereof (the Property") free and clear of all encumbrances that render the Property unuseable for the intended purpose and liens other than liens for taxes due but not yet payable;

TOGETHER with all and singular hereditaments and appurtenances thereunto belonging, or in anywise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof; and all estate, right, title, interest, claim and demand whatsoever, of the said Grantor, both in law and in equity, of, in and the Property.

TO HAVE AND TO HOLD, the Property with the hereditaments and appurtenances, unto said Grantee, its heirs, successors and assigns, forever; and the said Grantor for its successors and assigns does covenant and agree to and with the said Grantee's heirs, successors and assigns that it is lawfully seized in fee of the aforesaid property; that it has good right to sell and convey the same to Grantee as aforesaid; and that it will specially warrant the title to the Property hereby conveyed against all acts of Grantor and no others.

IN WITNESS WHEREOF, Grantor has executed this Special Warranty Deed by and through its duly authorized officers effective the date first above written.

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GRANTOR:

[NAME OF GRANTOR],
a _____ corporation

By: _____

Title: _____

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CORPORATE ACKNOWLEDGMENT - ARIZONA

STATE OF ARIZONA)
)ss:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____
____, 1998, by _____ known to me to be the _____ of
[NAME OF GRANTOR], a _____ corporation.

Notary Public
Address: _____

My Commission expires:

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Form of Bill of Sale

BILL OF SALE

THIS BILL OF SALE, made and delivered this _____ day of _____, 19___, by _____, a _____ corporation ("Seller") and Arizona Water Company, an Arizona corporation ("Buyer"):

WITNESSETH:

For good and valuable consideration, receipt of which is hereby acknowledged, Seller does hereby assign, sell, transfer, grant, and convey, without warranty or representation of any kind whatsoever to Buyer, and Buyer's successors and assigns, except as set forth below, Seller's interest in that certain personal property ("Property") more particularly described in Exhibit "A" attached hereto and made a part hereof.

TO HAVE AND TO HOLD the Property hereby transferred and conveyed unto Buyer, and Buyer's successors and assigns, forever, free and clear of all liens and other encumbrances.

By execution hereof, Buyer accepts the Property "WHERE IS, AND IN AN AS IS CONDITION, WITH ALL FAULTS, WITHOUT WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, AND/OR WITHOUT ANY OTHER TYPE OF WARRANTY WHETHER EXPRESSED OR IMPLIED BY LAW OR IN FACT." Notwithstanding the foregoing, Seller warrants that the Property is in good operating condition upon execution hereof, it being understood that Seller makes no warranty or representation concerning the good operating condition after execution hereof.

Seller warrants that it has title to and the right to convey the Property.

IN WITNESS, WHEREOF, Seller has caused this Bill of Sale to be executed on the day and year first above written.

SELLER:

By: _____
Title: _____

BUYER:

By: _____
Title: _____

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EXHIBIT D

Map of Alluvial Aquifer Including the Pinal Creek Site

Neville, Chris & J. G. Brown, 1994. Hydrogeology and Hydrologic Systems of Pinal Creek Basin of Gila County, Arizona, U.S.G.S. Water-Resources Investigations Report 93-4212.

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EXHIBIT E

Form of Public Statement of Support of Environmental Response Actions

[LETTERHEAD OF PRESIDENT, ARIZONA WATER COMPANY]

Arizona Water Company and the Pinal Creek Group have worked together to ensure an adequate future drinking water supply within the Arizona Water Company's Miami service area. Drinking water supply issues have been resolved in a cooperative and mutually beneficial manner, and Arizona Water Company fully supports the Pinal Creek Group Consent Decree and the Pinal Creek Group's remediation efforts and objectives within the Pinal Creek Site.

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EXHIBIT F
Water Quality Parameters

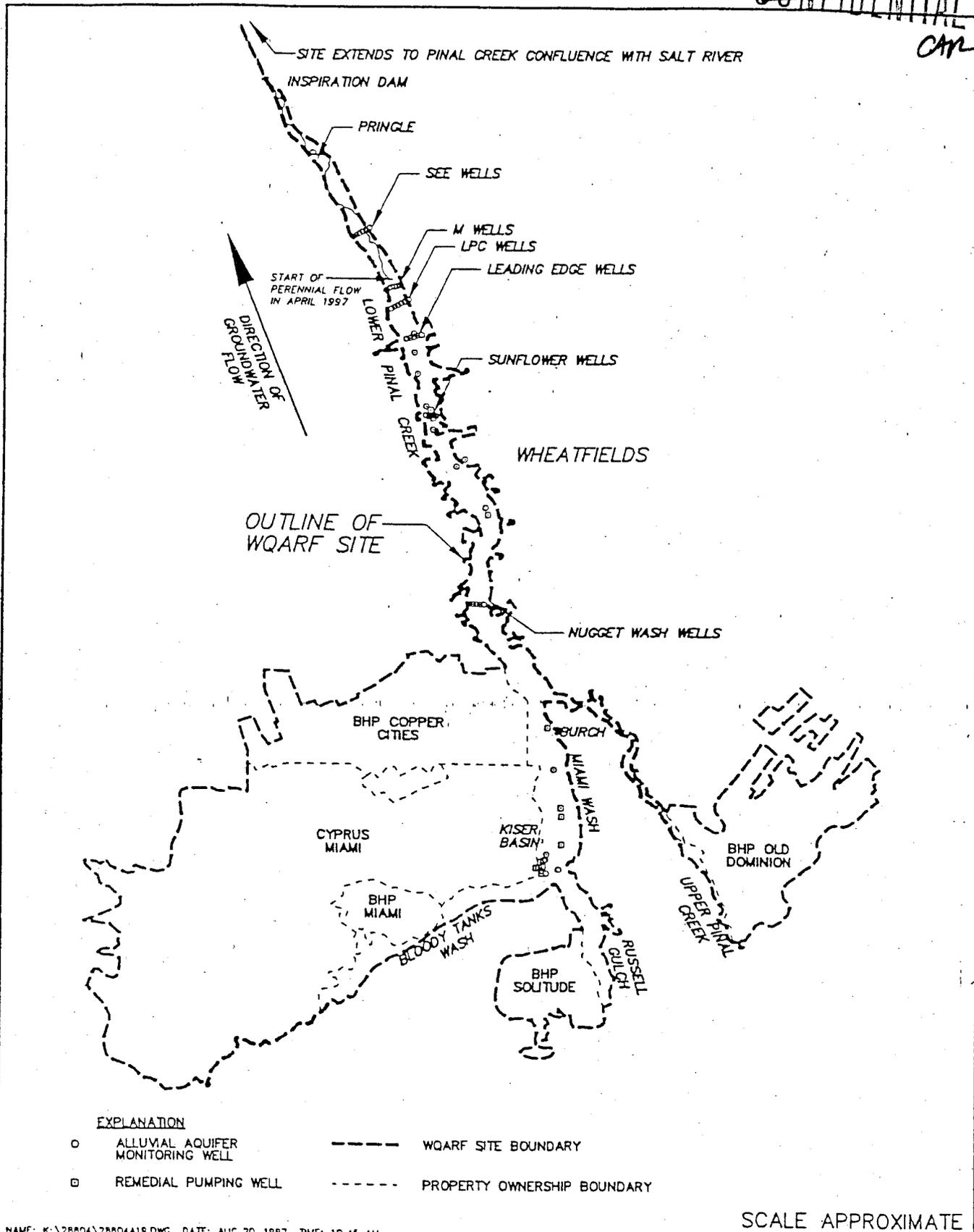
| CONTAMINANT NAME | PRIMARY MCL (mg/L) | SECONDARY MCL (mg/L) | PCG HBGL (mg/L) | NEGOTIATED STANDARDS (mg/L) |
|----------------------|--------------------|----------------------|-----------------|--|
| ANTIMONY | 0.006 | | | |
| ARSENIC | 0.05 | | | |
| BARIUM | 2.0 | | | |
| BERYLLIUM | 0.004 | | | |
| BORON | | | 0.600 | |
| CADMIUM | 0.005 | | | |
| CHROMIUM | 0.1 | | | |
| COPPER | | | | 1.3 |
| CYANIDE | 0.2 | | | |
| LEAD | | | | 0.015 |
| FLUORIDE | 4.0 | | | |
| MERCURY | 0.002 | | | |
| NITRATES | 10.0 | | | |
| NITRITE | 1.0 | | | |
| NITRATES/ NITRATE | 10.0 | | | |
| SILVER | 0.05 | | | |
| STRONTIUM | | | 17.0 | |
| SULFATE | | | | 500 (to be replaced by any future Primary MCL) |
| THALLIUM | 0.002 | | | |
| TIN | | | 21.0 | |
| URANIUM | 20.0 | | | |
| ZINC | | 5.0 | | |
| SELENIUM | 0.05 | | | |

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| CONTAMINANT NAME | PRIMARY MCL (mg/L) | SECONDARY MCL (mg/L) | PCG HBGL (mg/L) | NEGOTIATED STANDARDS (mg/L) |
|------------------|--------------------|----------------------|-----------------|-----------------------------|
| TDS | | | | 800 |
| NICKEL | 0.1 | | | |
| pH | | 6.5 to 8.5 | | |
| ODOR | | 3 Threshold #'s | | |
| MANGANESE | | | 1.600 | |
| COBALT | | | 0.875 | |
| MOLYBDENUM | | | 0.040 | |
| VANADIUM | | | 0.250 | |
| IRON | | | | 0.6 |

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EXHIBIT G
Map of Pinal Creek Site



EXPLANATION

- ALLUVIAL AQUIFER MONITORING WELL
- REMEDIAL PUMPING WELL
- WQARF SITE BOUNDARY
- PROPERTY OWNERSHIP BOUNDARY

SCALE APPROXIMATE

NAME: K:\28804\28804A19.DWG DATE: AUG 20 1997 TIME: 10:45 AM



**HYDRO
GEO
CHEM, INC.**

1430 NORTH SIXTH AVENUE
TUCSON, ARIZONA 85705-6671
(520) 623-6981 (520) 623-6984 FAX

BOUNDARIES OF PINAL CREEK WQARF SITE *

* Boundaries may be altered pursuant to Section 30 ("modifications") to reflect new information concerning the areal extent of contamination.

| | | | | | |
|-----------------|----------------|---------|------|------------------------|-----------|
| Approved JRN | Date 8/5/97 | Revised | Date | Reference: 28804A19 | FIG. 2 |
|-----------------|----------------|---------|------|------------------------|-----------|