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GOVERNOR

Arizona
State Land Department

1616 WEST ADAMS
PHOENIX, ARIZONA 85007



J. DENNIS WELLS
STATE LAND COMMISSIONER

March 20, 1997

O.T. Owens
Land Management Engineer
Cyprus Bagdad Copper Corporation
P.O. Box 245
Bagdad, Arizona 86321

RE: Water Agreements Nos. 21-93375 through 21-93379

Dear Terry:

In follow-up to our phone conversation last week, I have the following information: (1) The referenced water agreements expired on March 18, 1997. (2) The water appraisal for the applications (Nos. 21-102152 through 21-102156) has been requested but has not been prepared. (3) We are anticipating the water appraisal to be prepared for the applications in the near future. (4) In December of 1996 we had a water sale in Tucson, the water was appraised and sold at \$85.00 per acre-foot.

We recognize that Cyprus Bagdad's operation needs to continue using the wells. Therefore, by signing the bottom of this letter and returning it to ASLD, Cyprus Bagdad agrees to pay the Land Department for any water withdrawn from March 19, 1997 until the water auction date at the appraisal value or the water auction rate, whichever is greater.

I will continue to update you on the progress of the applications. If you have any questions, please call me at (602) 542-2671.

Sincerely,

Jan Laney
Water Resource Specialist
Water Rights Management Section

JL:ifg

Acknowledged by: O. J. Owens Date April 7, 1997