

**WATER USAGE AGREEMENT
SKUNK CANYON WATER WELL**

T13N, R9W Secion 17, SW SW NW

Commercial Lease 03-1393

Water Agreement 21-93375-08

Cyprus Bagdad Copper Corporation (hereinafter called Cyprus) and J. L. Fann Contracting Company (hereinafter called Fann) do hereby enter into this Water Usage Agreement effective this 22 day of January, 1988, and agree as follows:

1. Term of Agreement

The term of this Water Usage Agreement shall be from the 1ST day of January, 1988, through the 1ST day of SEPTEMBER, 1988. Cyprus reserves the right to cancel this Agreement at any time, upon written notice to Fann.

2. Usage and Occupancy

Cyprus hereby grants to Fann the right to use Cyprus water well located in the SW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 17, Township 13 North, Range 9 West, G.S.R.B.&M., Yavapai County, Arizona, for the sole purpose of obtaining water for its road construction activities on Arizona Highway 97. No one other than the servants, employees, or officers of Fann shall have the right to enter upon the premises to use, extract, remove or dispose of the water therefrom.

3. Conduct of Operation

A. Fann hereby agrees to conduct its operation on the premises in a workmanlike manner at all times, and to protect the premises from any undue degradation. Fann shall comply with all applicable laws.

B. Any rights-of-way or leases required by the State Land Department will be the sole responsibility of Fann, and Fann will furnish Cyprus with copies of all decisions rendered by the State Land Department.

4. Rents and Payments

If water usage is over 30 acre feet (9,775,530 gallons), Cyprus will bill Fann for the amount over the hereinabove stated limit at a rate of \$35.00 per acre foot or \$0.11 per 1,000 gallons, to be paid upon termination or expiration of this Agreement.

5. Water Records Metering

Prior to the extraction of water, Fann shall install a metering device at the well head, and by the 5th day of each month, report to Cyprus the meter readings and gallons of water used.

6. Rights Reserved

Cyprus shall have the right to enter upon or inspect the premises at any time during the term of this Agreement.

7. Liability

A. Fann agrees to save, hold harmless and indemnify Cyprus, its officers, and employees against any and all claims, cost, damages, expenses or charges arising from Fann's operations in using the water or constructing the road.

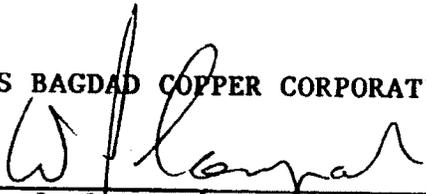
B. Fann agrees to pay Cyprus in full for any damages which might occur to the well or premises during the term of this Agreement.

8. Termination of Agreement

Upon termination of this Agreement for any reason, Fann agrees to leave the surface of the land in a reasonable condition as close to original condition as possible; and shall cap the well in a customary manner. Upon completion of the above, Cyprus shall inspect the premises for compliance.

Cyprus and Fann have executed this Water Usage Agreement effective the date and year first above written.

CYPRUS BAGDAD COPPER CORPORATION

By: 

W. J. Lampard
Vice President & General Manager

J. L. FANN CONTRACTING COMPANY

By: 

CORPORATE ACKNOWLEDGEMENT - ARIZONA

STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 27th day of January, 1988, by W. J. Lampard known to me to be the Vice President and General Manager of Cyprus Bagdad Copper Corporation, a corporation, on behalf of the corporation.

Witness my hand and official seal.

SEAL

Pamela S. Parker
Notary Public

L-100940

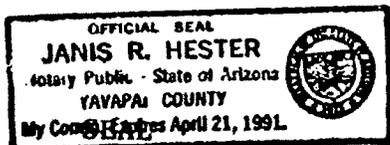
My Commission Expires: January 3, 1992

CORPORATE ACKNOWLEDGEMENT - ARIZONA

STATE OF ARIZONA)
) ss.
COUNTY OF YAVAPAI)

The foregoing instrument was acknowledged before me this 22nd day of January, 1988, by Michael Fann, known to me to be the Vice-President of J. L. Fann Contracting Company, on behalf of the corporation.

Witness my hand and official seal.



Janis R. Hester
Notary Public

My Commission Expires: 04-21-91