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TAOS TITLE INC.
FILE# 96-7509

WATER WELL AGREEMENT

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7-19-96

Easements and Restrictive Covenants

THIS AGREEMENT is made by and between Adam Haley and Marcus Haley, single persons (hereinafter referred to as "Haley") and Linda B. Ries and Donald J. Ries, a married couple (hereinafter "Ries").

A. Haley is now or formerly the owner of Tract A-2 as shown on Red Tail Survey Plat No. 248A entitled Cabot to Haley dated 07/26/94 prepared by Robert A. Watt, NMPS No. 11770, which tracts are collectively referred to hereinafter as the property. A reduced copy of that plat of survey is attached hereto as Exhibit A.

B. Ries is the owner of Tract A-3 shown on the above plat of survey, which property is more particularly described in Exhibit A attached hereto and incorporated herein, which property is hereinafter called Tract A-3.

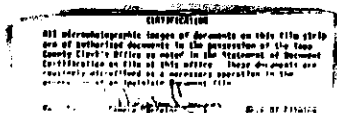
C. The parties desire to establish the rights and duties of the owners of Tracts A-2 and A-3 with respect to the water well, the pump and equipment therefore, all installed and paid for by Haley and located on Tract A-2 and water lines to serve the property. The well, pump, wiring and all other equipment whose use is shared by all the above tracts using the well are collectively referred to herein as "the Well".

THEREFORE, the parties hereby agree as follows:

1. Well Usage. The Well shall exclusively serve the domestic water needs of each of the above tracts whose owners elect in writing to be bound by this agreement and shall serve no other real estate, except that if he so elects and agrees to be bound by the terms of this Agreement, the owner(s) of Tracts A-1 and A-4 shown on Exhibit A may connect to the Well and have an easement for a water line from the Well in as direct line as feasible to the newly benefitted tract(s). The maximum, total amount of water that can be taken from the Well is three (3) acre feet per year and, subject to the limitations herein contained, each tract shall be entitled to a fractional share of that total amount. For each tract the numerator of that fraction shall be one and the denominator of that fraction shall be the total number of tracts (not to exceed four) connected to the Well.

2. Operation, Maintenance and Repair.

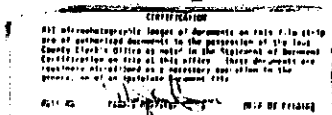
A. The owner of Tract A-2 (Haley) shall provide and pay for electrical power to the Well. As reimbursement therefore, the owner of Tract A-3 shall pay the owner of Tract A-2 their fractional share (as defined in paragraph 1 above) of the total cost of such electricity. The owner of each tract shall pay Haley by the end of the next month for the above share of the electricity consumed the previous month.



B. The owner of Tract A-2 shall install a water meter and shut-off valve in the Well house on the water line to his tract. He shall also install a shut-off valve on the common line to the other tracts, and the owner of each tract shall promptly reimburse the owner of Tract A-2 for all of the cost of such installation. The owner of each of the other tracts shall at his/her own expense, install their own water meter and shut-off valve in a location and manner agreeable to the owner of Tract A-2. The meter is required by the State Engineer. The purpose of the water meter is to assure that no tract owner uses more than his/her allotted fractional share of the total amount of water that may be taken from the Well, subject to the limitations set forth below.

C. In the event replacement, repair, rebuilding or reaming (all of which are collectively referred to herein as "repair") of the Well becomes necessary or prudent, the owner of each tract connected to the Well, shall share the expense equally on the above fractional basis. A lot owner shall be equally responsible and shall promptly pay for all maintenance and repair expenses, including, but not limited to, any necessary pump replacement and improvements to the Well. To the extent of his share, the owner of each lot shall be obligated to reimburse the other lot owner who incurred expenses for needed repairs and maintenance to the Well done in conformity herewith. The costs of installation, maintenance, and repair of any meter, valve and line from the Well to an individual lot which serves only that lot shall be paid promptly and exclusively by the owner of that lot. The cost of installation, maintenance, and repair of that portion of any line, valve and related equipment from the Well which serves more than one lot shall be promptly paid for by each of the owners sharing that line. Notwithstanding the above, if any shut-off valve or meter on the water line from the Well (or any other component of the system) requires repair, any lot owner may undertake such repair on his own, and if such repairs are entirely or partly the responsibility of another owner(s), the undertaking owner shall be entitled to reimbursement for all the reasonable costs for such repair for which the repairing owner is not responsible. To the extent possible, all maintenance and repair shall be performed by the same experienced well-repair person each time, unless a majority of lot owners agree to a different experienced well-repair person or unless that repair person is unavailable at the time a repair is needed.

3. Easements and Shut-Offs. Because the Well is located on Tract A-2, that tract (A-2) is subject to such easements as may be necessary for the purpose of installation, operation maintenance and repair of the Well and for underground water and power lines. The easement for the water line(s) shall be from the Well house on Tract A-2 to Tract A-3 in as reasonably a direct line as feasible (in its present location) and shall be ten feet in width to enable the use of mechanical equipment if needed to install or repair the line. There shall be a shut-off valve at the Well for each of the water lines leading out from the Well. If a problem is suspected in a line or water system from the Well to or upon the property whose owner is either absent or does not immediately authorize inspection or repair, or if there is an emergency or repair which requires such shut-off, the other owner(s) or his/their agent may shut off the water line(s) until the repair is accomplished to the extent needed to avoid damage to the system or the users.



The easements for utilities along the southerly side of each tract (shown on the above survey plat) may be used for water and electrical lines where appropriate.

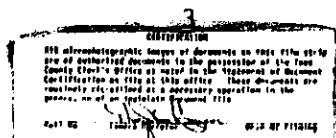
4. Limits on Consumption. Water use is restricted to no more than 1.5 acre feet per year for each lot. However, if more than two tracts are connected to the Well, then water use is restricted to the fraction described in paragraph 1 above times three (3.0) acre feet. If the Well proves unable to supply each household with up to the lesser of 1.5 acre foot or the above fractional share, and there is not sufficient water for all uses to which the parties seek to put the water, then the total amount of water available to each tract owner shall be reduced pro-rata. No owner shall use more water than the maximum allowable to such owner under the terms of this Agreement.

5. Priority and Meters. Subject to the limits as stated above for water consumption, each lot shall have equal rights and priority to the water produced by the Well. If the Well produces less than 3.0 acre feet per year, each lot shall be entitled to the above fractional share of the total production of the Well, subject to the limits stated above. Each water line from the Well serving each lot shall contain both the above shut-off valve and a meter which shall show the water usage of each lot. The owner of each lot shall be entitled to inspect at reasonable times the water meters of the other lots and to repair, and to require the other tract owners to maintain, their meters in good operable condition.

6. Water Line Expense. The owner of each tract shall be responsible for promptly paying the expense of installing and maintaining the valve and water line from the common line from the Well to their homesite as well as the water meter required by this Agreement. The owner of Tract A-2 shall not be responsible for any expenses for water line(s), valve(s) and meter(s) from the Well to the other tracts, even though such water lines, valves, and meters happen to be on the property of the owner of Tract A-2. The owner of the other tracts shall not permit any lien to attach to Tract A-2 on account of the individual or shared water line, valve, equipment and meter serving the other tracts, but if any lien does attach thereto, the owner of the tract whose actions resulted in the attachment of the lien shall indemnify and hold the owner of Tract A-2 harmless from any and all expenses and fees related thereto.

7. Term. The term of this Agreement shall commence on the date hereof and shall continue thereafter for ninety (90) years so long as the Well (or substitute shared well agreed to by the owners of the above tracts served at the time by the Well) is able to produce a volume of water adequate to serve the reasonable and lawful domestic uses of each tract (a total of at least one half of one acre foot per year).

8. Termination and Modification. Each of the owners of Tracts A-2 and A-3 shall be entitled to terminate his or her obligations to maintain, operate and repair, by abandoning, in a notarized, recordable writing, his/her claim to use water from the Well and to the above easements on Tract A-2 for the purpose of water lines and Well. Upon



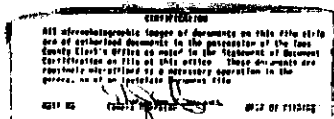
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execution and delivery to the owner of Tract A-2 or of such a termination and abandonment document, in a form reasonably satisfactory to the owner of Tract A-2 or A-3, the tract abandoning such rights herein shall thereafter have no rights in or to the Well, its water, or the easements described herein for the purposes of water lines or the Well. Thereafter said owner of the abandoning tract shall have no responsibility for payment of utilities or repairs for the Well.

9. Default. All payments and other performance called for herein shall be made or done within thirty (30) days of notice thereof, unless a sooner performance is specified herein. In the event a lot owner fails to substantially perform any of his/her obligations provided herein, such owner shall be in default. In such event, any of the other owners ("enforcing owner") may notify the defaulting owner in writing of such default, and, if such default is not fully corrected within fifteen (15) days after the giving of such notice, the enforcing owner may commence a legal action to require the defaulting owner to perform his/her obligations hereunder. In the event the enforcing owner obtains substantially the relief sought in such legal action or obtains other relief which the court deems substantial, the defaulting owner shall pay the enforcing owner's reasonable attorney's fees and other related expenses and costs incurred in connection with such enforcement or legal action.

10. Entire Agreement: Amendments. This Agreement constitutes the entire agreement between the parties relating to the subject matters hereof and may only be amended by a writing duly executed by all parties or their successors.

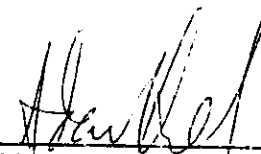
11. Binding Effect: Miscellaneous Provisions. This Agreement shall be recorded with the Taos County Clerk and shall be binding upon and inure to the benefit of all owners of Tracts A-2 and A-3 who have agreed in writing (either by this instrument or by a subsequent duly recorded instrument) to be bound by the provisions hereof, their heirs, representatives, successors, and assigns. References to the masculine shall include the feminine and neuter and vice versa, and references to the singular shall include the plural, and vice versa. The undertakings hereof benefit and burden Tracts A-2 and A-3 shown on the above plat of survey and described in Exhibit A and B and run with the land. Any bills and notices required or provided for herein shall be sent to the address set forth below or in the other recorded instrument by which a tract owner accedes to the terms hereof or at such other address as the addressee has provided in writing to the person sending the bill or giving notice.



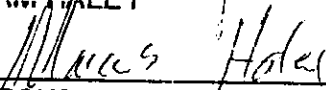
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12. Additional parties to Agreement. Any new party to this Agreement shall be approved by FUNONE in writing, a copy of which shall be provided to owners of Tracts A-2 and A-3. Water well share for Tracts A-1 and A-4 shall be permissible only for single family residential usage or for single family with office in home. Should either Tract A-1 or A-4 become party to this Agreement, present share holders shall not be responsible for any of the expenses required to modify equipment or water storage capabilities to provide adequate water supply to all parties to the Agreement. Such initial expenses, if required, shall be the responsibility of FUNONE, and thereafter, any maintenance expenses shall be the responsibility of all parties to this Agreement as provided herein. FUNONE shall charge a fee to any new member to the well share, the amount of which shall be negotiated at the time of membership.

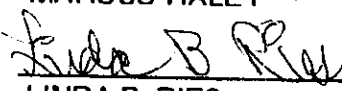
IN WITNESS WHEREOF, the undersigned have executed this Agreement as of this 18 day of July, 1996.



ADAM HALEY



MARCUS HALEY



LINDA B. RIES



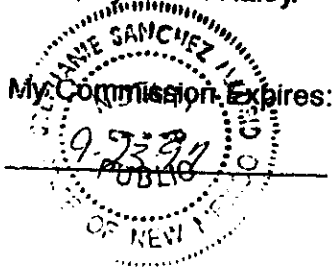
DONALD J. RIES

STATE OF NEW MEXICO)
) ss
COUNTY OF TAOS)

This instrument was acknowledged before me this 10th day of June, 1996, by Adam Haley.



NOTARY PUBLIC



NOTIFICATION
All microfotographic copies of documents on this file strip are of authorized documents in the possession of the local County Clerk's Office on order in the Department of Document Certification on file at this office. These documents are promptly microfilmed as a necessary operation in the process, and an additional document file.

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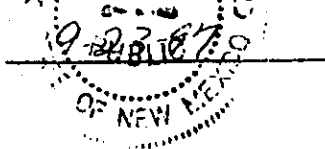
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STATE OF NEW MEXICO)
) ss
COUNTY OF TAOS)

This instrument was acknowledged before me this 10th day of June, 1996, by Marcus Haley.

Stephanie Sanchez Madrid
NOTARY PUBLIC

My Commission Expires:

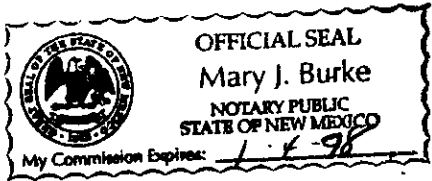


STATE OF NEW MEXICO)
) ss
COUNTY OF TAOS)

This instrument was acknowledged before me this 18th day of July, 1996, by Linda B. Ries and Donald J. Ries.

Mary J. Burke
NOTARY PUBLIC

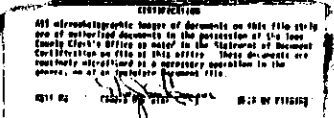
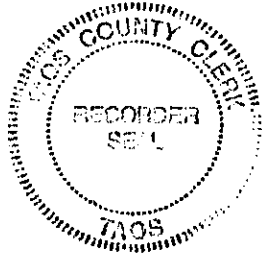
My Commission Expires:



COUNTY OF TAOS) ss
STATE OF NEW MEXICO)

I heret / certify that this instrument was filed for record on the 19 day of July, A.D. 1996 at 4:28 o'clock A.M. and was duly recorded in book m-187 page 743-748 of the records of Taos County.

Witness my Hand and Seal of Office
Stephanie Sanchez Madrid
County Clerk, Taos County, N.M.
Deputy



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