

WELL LEASE AND WATER LINE EXTENSION AGREEMENT

THIS AGREEMENT made and entered into this 7th day of April, 1977, by and between JESSE H. DANSIE, hereinafter referred to as "Dansie", and GERALD H. BAGLEY, hereinafter referred to as "Bagley",

W I T N E S S E T H :

WHEREAS, Dansie is the owner of property located in Sections 33, 34 and 35, Township 3 South, Range 2 West, Salt Lake Base and Meridian, and is also the owner of water rights evidenced by Certificate No. 8212 Application No. 26451, and the rights to water therefrom and a water distribution system located on such property; and

WHEREAS, Bagley is the owner of property located in Section 33, Township 3 South, Range 2 West, and Sections 1, 2, 4, 5, and 11, Township 4 South, Range 2 West Salt Lake Base and Meridian, and is also the owner of a water distribution system located on part of the property owned by him; and

WHEREAS, Dansie and Bagley desire to connect their water systems and make use of the Dansie well and water for their mutual benefit, upon the terms and conditions provided herein;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter provided, the parties hereto agree as follows:

A. WELL LEASE

1. Dansie hereby leases to Bagley the well located South 758 Feet and East 1350 Feet from the West quarter corner of Section 33, Township 3 South, Range 2 West, Salt Lake Base and Meridian, identified by Certificate No. 26451 issued by the Utah State Engineer's Office, hereinafter referred to as "Dansie Well No. 1", including the equipment for operation of such well and the rights to all of the water therefrom, for a period of ten (10) years from the date of this Agreement.

EXHIBIT A

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2. Bagley shall pay to Dansie Five Thousand One Hundred Dollars (\$5,100.00) the receipt of which is hereby acknowledged, and as rental for such lease, Bagley shall pay to Dansie \$300.00 each month during the first five years of this lease commencing April 10, 1977, provided the monthly rental shall be increased to \$600.00 per month at such time as thirty (30) additional hook-ups are installed on the Hi-Country Water Company Distribution System operated by Bagley. As of the date of this Agreement, there are 28 hook-ups, such hook-ups being detailed in Exhibit #1.

3. Commencing April 10, 1982, the monthly rental payments shall be increased to \$600.00 per month unless they have already been increased to that amount pursuant to Paragraph 2 above.

4. Bagley shall have the right to renew this Well Lease on terms to be agreed to by Bagley and Dansie at the termination of this Lease on April 10, 1987.

5. Bagley agrees to provide and install a seal around the well pipe of Dansie Well No. 1 as required to meet the Utah State Division of Health standards and to install a new pump on the well within the first five (5) years of this lease and shall be responsible for all maintenance of Dansie Well No. 1 during the term of this lease.

6. Bagley agrees to pay all pumping costs, repairs, and maintenance of said well for the period of this Agreement. Bagley agrees to maintain the said well, and electric motor in good operating condition. Any changes or modifications to said well, motor and pumping equipment shall be paid for by Bagley and will become the property of Dansie at the termination of this Agreement.

7. The existing pump, electric motor and transformers will remain the property of Dansie and will be delivered to Dansie if removed from said well. Any new equipment to be installed in said well such as an electric motor, pumps and transformers and

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pipng shall become the property of Dansie and shall be free and clear of any mortgages, liens or encumbrances at the termination of this Agreement.

8. Bagley agrees for himself, his successors, and assigns to be responsible for and to indemnify Dansie, his successors and assigns, against any and all liability, losses and damages, of any nature whatever, and charges and expenses, including court costs and attorneys' fees that Dansie may sustain or be put to and which arise out of the operations, rights and obligations of Bagley pursuant to this Agreement whether such liability, loss, damage charges or expenses are the result of the actions or omissions of Bagley, his employees, agents or otherwise.

9. Dansie does not warrant that the water from Dansie Well No. 1 does now or at any time during the term of this Agreement, and any extension thereof, will meet any standards for culinary water as required by the Utah State Division of Health. However, a letter of approval of the water by the Utah State Board of Health is attached (Exhibit #2) and the requirements are set forth in said letter.

B. EXTENSION NO. 1

1. Within one year from the date hereof, Dansie shall with his equipment perform all labor required to excavate for and install a 6-inch P.V.C. Class 200 pipeline connecting the Dansie Well No. 1 to the existing Hi-Country Water Company water system owned by Bagley at a point in Lot #9 as referenced by the map in Exhibit #1. Bagley shall purchase and furnish all permits, pipe, materials and supplies required for this connection and shall obtain an easement across Lot #9 at his expense.

2. Dansie shall own the line upon completion of the work and Bagley shall be able to use said line during the term of this Agreement. Bagley shall have a right to enter the property upon which the pipeline and connection is located for the purpose

of installing, maintaining and using the water line to be installed thereon pursuant to Paragraph B (1) above. Bagley hereby grants and conveys to Dansie an easement and right-of-way over and across property in the Hi-Country Estate Subdivision for the same purpose. Dansie shall have a right to take water from the line at points that may serve the property along the line of Extension No. 1. Dansie shall own and Bagley will be responsible for maintenance of the extension during the life of this Agreement.

C. EXTENSION NO. 2

1. Within one year from the date hereof, Dansie shall, with his equipment and at his expense, perform all labor required to excavate for and install a 6-inch P.V.C. Class 200 pipeline connecting the Hi-Country Estates Water Company water system, from its most Easterly point at approximately 7350 West and 13300 South in Salt Lake County, to the Dansie water line at approximately 7200 West and 13300 South, including a pressure-reducing valve at the point of connection with the Hi-Country Estates Water Company system at 7350 West 13300 South. Dansie shall purchase and furnish all pipe, materials and supplies required for this connection.

2. Dansie shall obtain and provide all easements and permits and pay all fees required for this connection and extension, except as for such line that may be on property of Hi-Country Homeowners Association or Bagley.

3. Dansie shall own and be responsible for all maintenance of this Extension No. 2.

4. Bagley shall have the right, at all times during the term of this Agreement or any extension thereof, to run water from the Hi-Country Estates Water Company system through the Dansie water system and Extension No. 1 and No. 2 and No. 3 to property owned by Bagley in Sections 1, 2, and 11, Township 4 South, Range 1 West, Salt Lake Base and Meridian.

D. EXTENSION NO. 3

1. Within one year from the date hereof, Dansie shall, with his equipment perform all labor required to excavate for and install a 6-inch P.V.C. Class 200 pipeline connecting to the Dansie water system at 6800 West and 13000 South in Salt Lake County and extending along 6800 West to 13400 South. Bagley shall purchase and furnish all permits, pipe, materials and supplies required for this connection and extension.

2. Dansie shall own and Bagley shall be responsible for all maintenance of this Extension No. 3 during the life of this Agreement.

E. OTHER WELLS AND HOOK-UPS

1. Dansie shall have the right, at his expense, to connect any additional wells owned by him, located in Section 33, 34 and 35, Township 3 South, Range 2 West, Salt Lake Base and Meridian identified by Certificate No. _____ issued by the Utah State Engineers Office, hereinafter referred to as "Dansie Wells" and by change application No. 9-8635 (59-3879) issued by the Utah State Engineers Office, hereinafter referred to as "Dansie Well No. 3," to the water system owned by Dansie, including Extension No. 2, and to commingle the water from these wells with that in the system from other sources so long as the water from such wells at all times meet all standards for culinary water required by the Utah State Division of Health.

2. Dansie shall have the right to receive up to five (5) residential hook-ups onto the water system on the Dansie property for members of his immediate family without any payment of hook-up fees and shall further have the right to receive reasonable amounts of water from the system through these five (5) hook-ups for culinary and yard irrigation at no cost.

3. Dansie shall further have the right to receive up to fifty (50) residential hook-ups onto the water system on the Dansie property for which no hook-up fees will be charged. Water service

charges shall be charged to the recipients thereof of which Dansie shall receive fifty percent (50%) of the water service billings paid by those recipients in consideration for Dansie's maintenance of his part of the water system.

4. Dansie shall receive not less than \$4,000.00 or One Hundred percent (100%) of all of the hook-up fees to the water system on the Leon property located between the Hi-Country Estates property in Sections 33, Township 3 South, Range 2 West, and the Dansie property in Section 34, Township 3 South, Range 2 West, Salt Lake Base and Meridian and shall receive fifty percent (50%) of the revenues from water service charges to such property.

5. Dansie shall have the right to use for any purposes and at no cost, any excess water from the Hi-Country Estates Water Company system Well No. 1, not required or being used by Bagley or customers of the Hi-Country Estates Water Company. Any power or other costs of pumping such excess water shall be paid by Dansie.

F. MISCELLANEOUS

1. It is understood that Bagley intends to use the entire water system formed by the extensions and connections provided for herein, including the present systems owned by Bagley and Dansie, for the purpose of providing water to users in the area covered by this system or which can be reached by extensions and connections to this system, that Bagley intends to charge hook-up and water service fees to water users, that Bagley is entitled to all such fees and other charges except as otherwise provided in this Agreement, and that Bagley is responsible for all costs of other extensions and connections except as otherwise provided in this Agreement.

2. Dansie agrees that Bagley may form a water company, using such entity or form of organization as Bagley desires, and may convey all his rights to the water system referred to in this Agreement and assign his interest in this Agreement to any such

entity or organization. Bagley will be personally responsible for lease terms and conditions if assignee fails to meet the terms and conditions of the lease. No assignment, conveyance or sublease shall release Bagley from liabilities and obligation under this Agreement.

3. Dansie further agrees that Bagley may apply to the Utah Public Service Commission for such permits or approvals as may be required and Dansie shall cooperate fully in all respects as may be required to obtain such permits or approvals as may be required by the Public Service Commission. Bagley agrees to pay all costs incurred in obtaining such approval, including but not limited to, legal and engineering fees.

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4. Bagley and Dansie each agree to execute and deliver any additional documents and/or easements which may be necessary to carry out the provisions and intent of this Agreement.

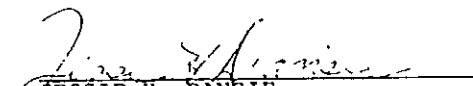
5. Non-payment of any monthly installment will, at the option of Dansie, automatically terminate this Agreement. All remaining lease payments, in the event of termination for non-payment of any monthly installment, shall become immediately due and payable to Dansie. If it becomes necessary for Dansie to sue for the liquidated damages (remaining lease payments), Bagley shall pay attorneys' fees and costs incurred by Dansie.

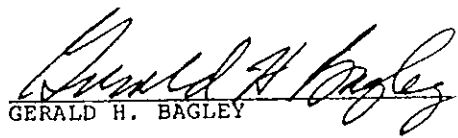
6. Dansie shall have first right of refusal to purchase the entire Hi-Country water system if it is to be sold or assigned to a third party.

7. Bagley, and his assigns or successors, agree to supply water to the Dansie property as provided for in this Agreement and for such time beyond the expiration or termination of this Agreement as water is supplied to any of the Hi-Country properties or that the lines and water system referred to in this Agreement are in existence and water is being supplied from another source such as Salt Lake County Conservancy District. } Such water as is provided subsequent

to the expiration or termination of this Agreement shall be made available upon the same terms, conditions and rates as are set forth in this Agreement.

DATED this 7th day of April, 1977.


JESSIE H. DANSIE


GERALD H. BAGLEY

AMENDMENT TO WELL LEASE AND WATER LINE EXTENSION AGREEMENT

This Amendment made and entered into this 2nd day of July, 1985, by and between Jesse H. Dansie, hereinafter referred to as "Dansie," and Gerald H. Bagley, hereinafter referred to as "Bagley."

W I T N E S S E T H

WHEREAS, Dansie and Bagley, on April 7, 1977, entered into a Well Lease and Water Line Extension Agreement (hereinafter "Well Lease Agreement"); and

WHEREAS, Dansie and Bagley are concerned about possible ambiguities in Paragraph E. 2. of the Well Lease Agreement; and

WHEREAS, the Hi-Country Estates Homeowners Association has filed a lawsuit based in part on interpretation of the Well Lease Agreement; and

WHEREAS, Bagley is delinquent in the payment of his monthly rental payments, but desires to continue the Well Lease Agreement;

NOW, THEREFORE, in consideration of \$10.00 (Ten) and other good and valuable consideration, the sufficiency of which is hereby admitted, Dansie and Bagley agree as follows:

1. Paragraph E. 2. of the April 7, 1977 Well Lease Agreement is amended to read as follows:
2. Dansie shall have the right to receive up to five (5) residential hook-ups on to the water system on the Dansie property for

members of his immediate family without any payment of hook-up fees and shall further have the right to receive up to 12 million (12,000,000) gallons of water per year from the combined water system at no cost for culinary and yard irrigation use on the Dansie property described herein plus Lot 51 of Hi-Country Estates. Any meters required at any time by any person or entity for metering of Dansie's water shall be purchased and installed by Bagley at no cost to Dansie. Any use of water for the fighting of fires, or losses caused by breaks or line ruptures shall not be charged against the 12,000,000 gallons to which Dansie is otherwise entitled.

2. Paragraph E.5. of the April 7, 1977 Well Lease Agreement is amended to read as follows:

5. Dansie shall have the right to use for any purpose and at no cost, any excess water from the High Country Estates Water Company System Well No. 1, not required or being used by Bagley or customers of the High Country Estates Water Company. Dansie shall pay only the incremental pumping power costs associated with producing such excess water.

3. All other provisions of the Well Lease Agreement shall remain in full force and effect.

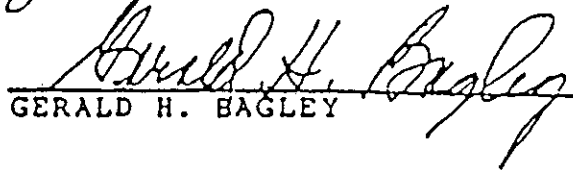
4. Nothing herein shall relieve Bagley from the obligation to make the monthly payments now delinquent or to become due under the Well Lease Agreement.

4. This Amendment and the Well Lease Agreement as amended herewith, shall be binding upon and inure to the benefit of the respective parties hereto, their successors and assigns.

IN WITNESS WHEREOF, each of the parties has caused this Amendment to be executed the day and year first above written.



JESSIE H. DANSIE



GERALD H. BAGLEY

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