

Recorded at the request of
The Talon Group

Recording Requested By:

P4
Ho

When recorded mail to:
Rio Ranches, LLC
William J. Hardison
30151 West Old US 80
Palo Verde, AZ 85343

WELL AGREEMENT

1. PROPERTIES.

This agreement applies to the following properties described in EXHIBIT "A" attached hereto and by this reference made a part hereof.

2. OBJECTIVES.

To provide domestic water supply on a continuous basis so that the needs of the property owners described in EXHIBIT "A" may be realized.

3. WELL SITE.

Each owner of the property described in EXHIBIT "A" shall hold an undivided twenty-five (25) percent fee simple title interest in the property and all appurtenant improvements on the property described in EXHIBIT "B", hereinafter referred to as the "WELL SITE". Each individual interest may not be further split or divided for the purpose of providing domestic water to another property and/or party. **THE OWNER OF THE FIRST PARCEL OF SAID 4 PARCELS TO CLOSE ESCROW SHALL BE DESIGNATED AS THE "WELL SIGHT MANGER" THE INITIAL DEPOSIT MADE BY THE SELLER WILL BE REIMBURSED IMMEDIATELY. SELLER ONLY GUANTEES WATER AT THE TIME OF CLOSING. AFTER THIS POINT THERE IS ABSOLUTELY NO GUANTEE BY WELL DRILLER OR SELLER. EACH OWNER OF PROPERTY AGREES TO PAY FOR THEIR SHARE OF THE ELECTRICAL TRENCH, CONDUIT & CONNECTION TO WELL.**

4. INTEREST

Each owner of the property has a twenty-five (25) percent interest in the WELL SITE, and shares a corresponding twenty-five (25) percent interest in, and responsibility for expenses incurred for operation and repair and/or replacement of appurtenant equipment necessary for efficient daily operation.

5. MAINTENANCE AND IMPROVEMENTS ON WELL SITE

Property owners agree to have periodic inspection of the well and equipment. If preventive maintenance is required, then it shall be performed in a timely manner,

If emergency maintenance is required, a licensed professional shall perform it. Any property owner may call for maintenance, but may not authorize more than \$400.00 for repairs without written consent of all property owners or their designated representative. If at any time, the well site manager in unavailable

any length of time and cannot be reached within a 12 hour period, then the property owner designated before hand will then be responsible to call for maintenance and make a full report to the well site manager upon their return.

6. PARTIES IN CONFLICT

In the event that parties to this agreement shall engage in conflict of interest or rights in the subject WELL SITE, or to stipulations of the AGREEMENT, then all parties to this agreement shall bring their grievances to a joint meeting of the then property owners described in EXHIBIT "A" attached hereto to resolve their conflicts. In the event that said conflicts cannot be resolved by said meeting, then the parties in conflict shall bring the matter to a court of competent jurisdiction, so that a decision may be rendered. The prevailing party shall be entitled to reimbursement of reasonable attorney's fees connected with the dispute.

7. FORFEITURE OF INTEREST

Any property owner may discontinue use of water or drill his/her own well at his/her sole expense. A permanent discontinuance of use by means of disconnecting from the WELL SITE, or the drilling of another well by any property shall be considered by the terms of this AGREEMENT as forfeiture of interest. Forfeiture of interest by any party to this AGREEMENT is permanent, and the remaining property owners shall have a proportionately increased interest. Interest in the WELL SITE may be sold or conveyed only in conjunction with the sale or conveyance of a property listed in EXHIBIT "A", and only to the same party taking title to that property.

Any property owner who forfeits interest is liable for all outstanding fees, charges or assessments levied prior to forfeiture.

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Forfeiture of interest is permanent, and the remaining property owners holding the remaining interest in WELL SITE will permanently disconnect water service to the property for which interest was forfeited.

8. Monthly Billing

The WELL SITE MANAGER, a party to be mutually agreed upon by property owners, shall provide a monthly billing to property owners which shall include prorated share of electricity costs for operation of the WELL SITE, prorated share of maintenance and/or repair costs, and a monthly operations cost assessment of \$10.00 per month, unless changed at the annual meeting. Electricity bills shall be prorated on the basis of actual water used, based on the amount of water used by each property, which shall be in turn determined by the monthly reading of each water meter by WELL SITE MANAGER. All parties to this agreement must pay outstanding monthly billings within three days of receipt of same.

9. OPERATIONS ACCOUNT

The WELL SITE MANAGER shall establish a bank checking account, which shall be referred to herein as the OPERATIONS ACCOUNT. The property owners of each property shall initially contribute the sum of \$100.00 per property for the purpose of establishing said account. The WELL SITE MANAGER shall be responsible for the orderly maintenance and stewardship of said account, and shall deposit all proceeds of monthly billings in this account, and disburse all payments for operations and maintenance from this account. WELL SITE MANAGER shall be paid \$15.00 per month, or until changed at the annual meeting.

In the event that any operational or maintenance costs shall exceed the current balance in the OPERATIONS ACCOUNT, then the WELL SITE MANAGER shall issue a SPECIAL ASSESSMENT

BILL to each property owner for the prorated share of the amount by which the funds required exceed that account balance, plus the amount of \$100.00 to replenish the OPERATIONS ACCOUNT.

SPECIAL ASSESSMENT BILLINGS ARE DUE IMMEDIATELY UPON RECEIPT.

10. DEFAULT REMEDIES

When the account of a property owner becomes delinquent, Property owner(s) whose account(s) are not delinquent may pursue and remedy available in law or equity to insure collections, including, but not limited to, judgment, lien and reporting of late payment to credit reporting agencies. All payments are due as previously defined in this agreement, and shall be considered delinquent if not received by WELL SITE MANAGER within five business days after due date. Delinquent accounts shall incur a monthly late charge of \$10.00 for each thirty-day period until paid in full.

11. MEETINGS

Property owners who are parties to this agreement shall hold an ANNUAL MEETING to accomplish the following:

- **Select a WELL SITE MANAGER**
- **Review financial statement and OPERATIONS ACCOUNT**
- **Conduct any other business necessary for the orderly operation and maintenance of the well site in accordance with the objective of this AGREEMENT.**

12. WELL SITE MANAGER

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The WELL SITE MANAGER shall be selected by mutual agreement by all parties to this AGREEMENT. This individual shall be responsible for reading of meters, monthly billing, disbursement of funds, records keeping, and conducting any other business attendant to the orderly operation and maintenance of the WELL SITE.

13. INDEMNIFICATION

All parties to this agreement, both jointly and severally, do indemnify and hold harmless all other parties to this agreement, including previous property owners, for any damages resulting from loss of water service caused by routine equipment failure, natural disaster, drought, natural depletion of water table, and not caused by an act of negligence or malice by any party to this agreement.

14. MODIFICATION OF AGREEMENT

This AGREEMENT may be modified at any time by mutual agreement by all parties to this agreement. In order to be binding any modification must be in writing, signed by all parties, and recorded in the public records of Maricopa County.

15. OWNERSHIP CHANGES

At the time of the sale or conveyance of any property listed in EXHIBIT "A" all billings due the OPERATIONS ACCOUNT must be paid in full. There shall be no prorating of funds held in OPERATIONS ACCOUNT.

There shall be no more than twenty-five (25) percent ownership interests in subject WELL SITE. Therefore there shall be no transfer of ownership of less than twenty-five (25) percent interest in the WELL SITE and appurtenant equipment.

EXHIBIT "A" & EXHIBIT "B"

Located in the Northwest quarter of Section 15, T6N, R3E of the G&SR B&M, Maricopa County, Arizona

BOUNDARY SURVEY

LEGAL DESCRIPTIONS

Portions of the North 352.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of Section 15, Township 6 North, Range 3 East of the Gila and Salt River base and Meridian, Maricopa County, Arizona, also being a portion of Parcel 9, Record of Land Survey of Greer Ranch, recorded in Book 580 of Maps, Page 24, records of Maricopa County, Arizona, described as follows:

DESCRIPTION "A"
The South 130.00' of the North 352.00' of the East 333.00' of the Northwest quarter of the Northwest quarter of said Section 15;
And contiguous with:

The South 15.00' of the North 222.00' of the East 130.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15.
Containing an area of 1.0386 acres.

DESCRIPTION "B"
The South 15.00' of the North 222.00' of the West 76.00' of the East 206.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15;
And contiguous with:

The North 207.00' of the East 206.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15.
Containing an area of 1.0051 acres.

DESCRIPTION "C"
The North 222.00' of the East 412.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15.
Containing an area of 1.0489 acres.

DESCRIPTION "D"

The North 222.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15, Except the East 412.00' and Except the West 30.00' thereof;
And contiguous with:

The South 130.00' of the North 352.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15, Except the East 333.00' and Except the West 30.00' thereof.
Containing an area of 2.0064 acres.

EASEMENT DESCRIPTION

A proposed 15' wide easement for ingress and egress and utilities described as follows:
The East 15.00' of the North 212.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15.

WELL EASEMENT

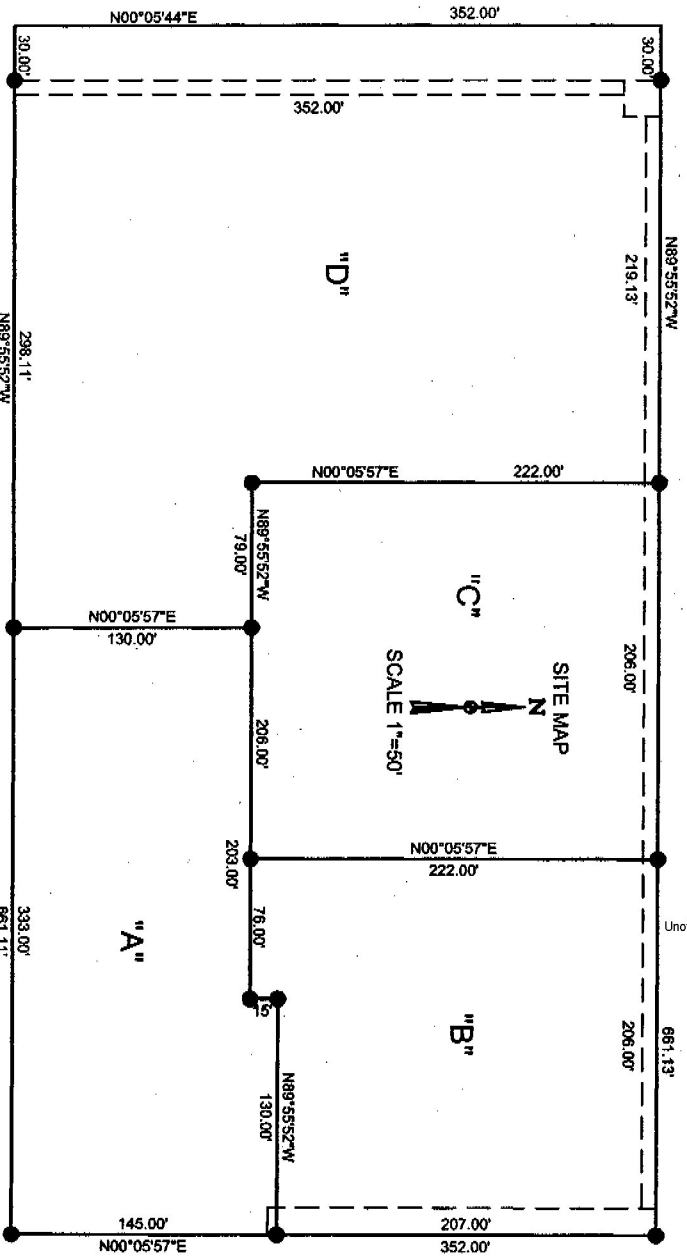
A proposed 20' by 20' well easement described as follows:
The North 20.00' of the West 50.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15.

UTILITY EASEMENT

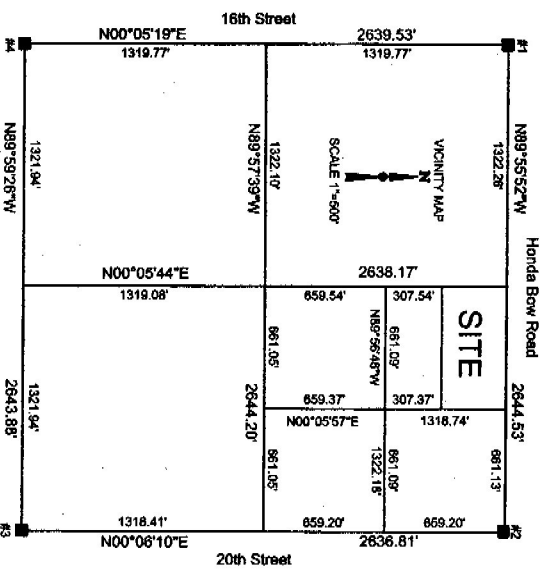
A proposed 8' wide utility easement described as follows:
The North 8.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15, Except the East 15.00' and Except the West 50.00' thereof.

UTILITY EASEMENT

A proposed 8' wide utility easement described as follows:
The East 8.00' of the West 38.00' of the South 352.00' of the Northwest quarter of the Northeast quarter of the Northwest quarter of said Section 15.



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TITLE REPORT
No title report was provided for this project.

BASIS OF BEARING
Per Greer Ranch, Book 580, Page 24
M.C.R.

LEGEND

- = Set 1/2" rebar capped U.S. 15333
- = Found survey monument

CERTIFICATION

I, hereby certify that this map correctly represents a survey done by me during May, 2004,
Jerral Jones, P.O. Box 5597, Glendale, AZ 85312
602 439 1820



BOUNDARY SURVEY
Jerral Jones, R.L.S.
P.O. Box 5597
Glendale, AZ 85312
(602) 439-1820