

EASEMENT AND OPTION FOR USE OF HOT WATER WELL

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THIS AGREEMENT made this 13 day of November, 1981 by and between GEORGE C. FLITCRAFT and MARIJANE DAGGETT FLITCRAFT, husband and wife, hereinafter called Flitcraft, and WILLIAM B. EARLY and KAREN L. EARLY, husband and wife, hereinafter called Early,

W I T N E S S E T H:

WHEREAS, Flitcraft are the owners of the hereinafter described real property in Klamath County, Oregon:

Easterly portion of Lot 43, Lot 44 and Westerly portion of Lot 45, Loma Linda Heights, upon which they are planning to drill for a hot water well to heat their dwelling house; and,

WHEREAS, Early is the owner of the adjacent real property more particularly described as:

Lot 42 and the Westerly portion of Lot 43, Loma Linda Heights,

WHEREAS, the parties desire to grant Flitcraft an Easement to be used in conjunction with the hot water well and grant Early an option to utilize the hot water well for the heating of a dwelling upon their premises.

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED as follows:

1. Early grants a perpetual easement to Flitcraft for a well pad of 15' X 50' together with reasonable ingress and egress as designated by Early from time to time on their premises to be used for reasonable periods of time for the constructing and maintaining of the hot water well. (See Exhibit "A")
2. Flitcraft grants Early an option for a period of five years from the date of activating the hot water well, which may be exercised to use the heat source of Flitcrafts' hot water well for the purpose of heating Earlys' dwelling that may be constructed upon the premises and to construct and maintain a distribution system from Flitcrafts' well to their dwelling.
3. Early shall exercise the option by giving written notice to Flitcraft of their intention to utilize the heat source within the five year period and upon payment of one-half of the cost of constructing and maintaining the well to date of exercise of the option by Early to Flitcraft.
4. Early may then exercise the rights under this agreement as follows:

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- (a) To use the heat from Flitcrafts' well for the purpose of heating their dwelling;
- (b) Share equally with Flitcraft the cost of normal and routine maintenance and operation of the hot water well including casing, downhole heat exchanger, pump and necessary accessories. If the heat source or system deteriorates and becomes inadequate the parties may mutually agree upon the course of action to remedy the condition;
- (c) Pay the cost of constructing and maintaining their distribution system from the well head to their dwelling and heating and/or cooling system.

5. After activation of the well by Flitcraft, it shall be Flitcraft's decision whether there is sufficient heat for two dwellings. Flitcraft shall have the right to terminate this option within thirty days after activation of the well if Flitcraft determines that there is not an acceptable heat source for two dwellings, PROVIDED HOWEVER that if Flitcraft does not terminate the option and the option is exercised by Early then Early shall share equally with Flitcraft the heat source.

6. Each party shall indemnify and hold the other party harmless from any and all claims, damages or loss arising from the parties use of the heat source or the exercise of any rights conferred by this agreement.

7. This agreement shall run with the land and be binding upon the heirs, successors and assigns of the parties hereto.

IN WITNESS WHEREOF the parties hereto have set their hands the day and year first above written.

George C. Flitcraft
George C. Flitcraft

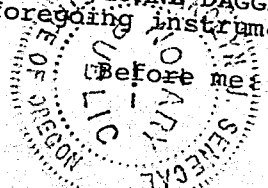
William B. Early
William B. Early

Marijane Daggett Flitcraft
Marijane Daggett Flitcraft

Karen L. Early
Karen L. Early

STATE OF OREGON]
County of Klamath] ss.

Personally appeared the above-named GEORGE C. FLITCRAFT and MARIJANE DAGGETT FLITCRAFT, husband and wife, and acknowledged the foregoing instrument to be their voluntary act.



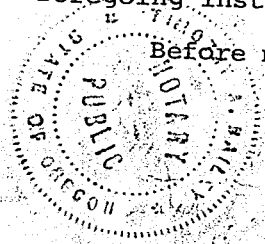
Karen L. Early
Notary Public for Oregon
My Comm. Expires: 7/6/84

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STATE OF OREGON]
County of Klamath] ss.

Personally appeared the above-named Oct 23, 1981
and KAREN L. EARLY, husband and wife, and acknowledged the
foregoing instrument to be their voluntary act.

Before me:

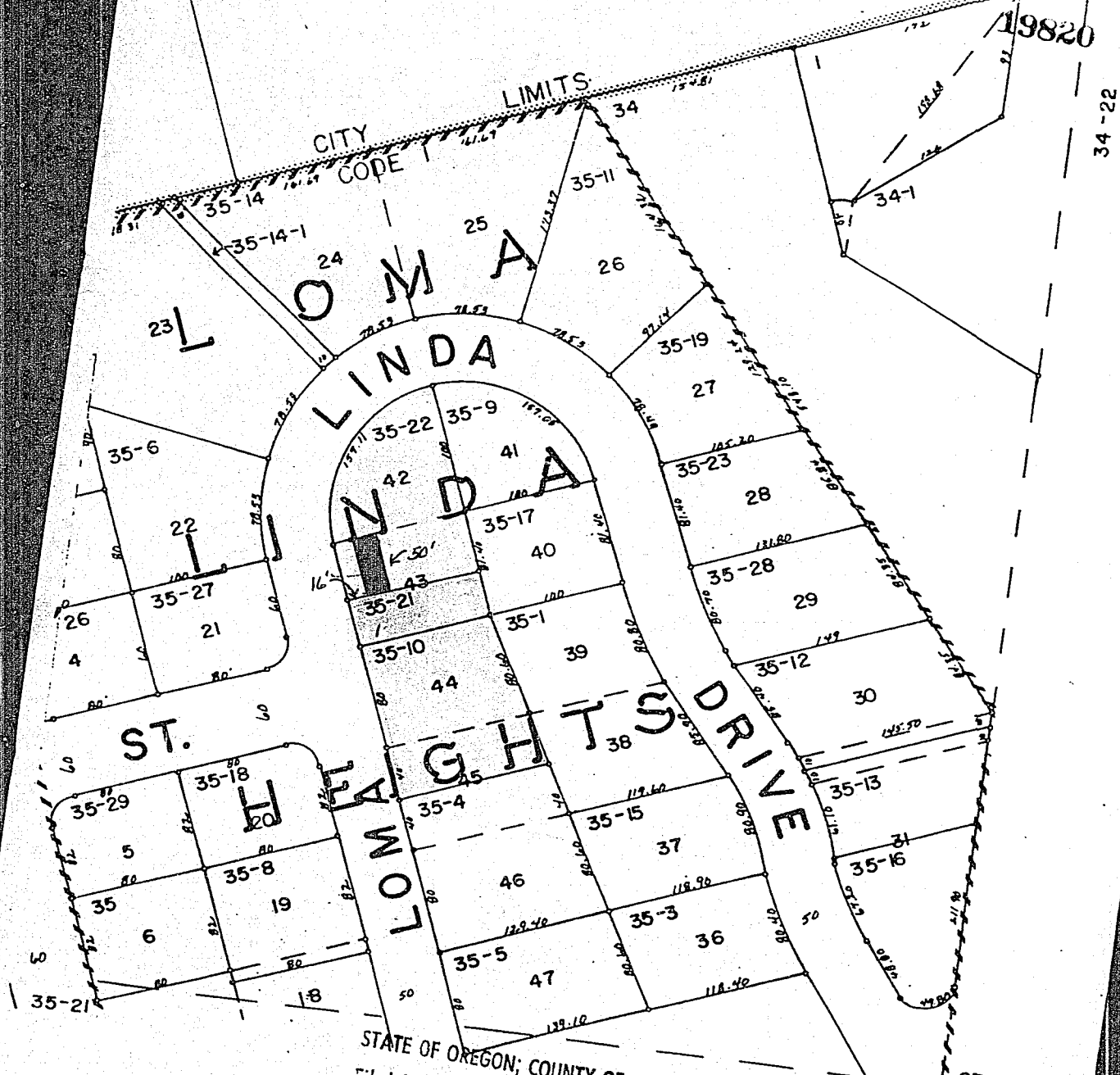


[Signature]
Notary Public for Oregon
My Comm. Expires: 4-11-84

*Return
16 cc
745 Hammond
K. Falls*

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PROCTOR, PUCKETT & FAIRCLO
ATTORNEYS AT LAW
280 MAIN STREET
KLAMATH FALLS, OREGON 97601



STATE OF OREGON; COUNTY OF KLAMATH; ss.
 Filed for record at request of _____
 this 13 day of Nov. A.D. 19 81 at 1:29 o'clock PM
 duly recorded in Vol. M 81 of Deeds _____ on a 19817
 Fee \$16.00
 By Lyn Biehn, County Clerk
Lyn Biehn