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WELL AGREEMENT AND CONVEYANCE OF
EASEMENTS REGARDING LOT 9, BLOCK 6
ARROWHEAD VILLAGE SUBDIVISION
KLAMATH COUNTY, OREGON

K-47033

PARTIES:

William J. Cadman and LoEtta A. Cadman
Echo Stout
Lysiane J. Gehrum

"Cadman"
"Stout"
"Gehrum"

RECITALS:

Cadmans were the owners of Lots 2, 3, 4, 5, 6, 7, 8, and 9 of Block 6, Arrowhead Village Subdivision, Klamath County, Oregon.

On Lot 9, a well has been drilled and fixtures built appurtenant thereto.

Cadmans sold Lot 8, which is presently owned by Echo Stout.

Stout is presently the only user of the well on Lot 9 and has sole responsibility for the up-keep of the well and equipment, until such time as another qualified property owner becomes a user of the well.

Gehrum is the purchaser of Lots 6, 7, and 9 from Cadmans.

Cadmans intend to sell Lots 2 & 3 as one parcel.

There presently exists an Agreement of Utility Easement and Joint Water Well Use dated 05/20/82 which is recorded in Klamath County Deed Records at Volume M82 Page 6328 and an Amendment to that Agreement which was recorded 12/06/82 in Vol M82 Page 17193. The Agreement and Amendment apply to the above described real property with the exception of Lot 2. The property owners desire to modify the aforementioned Agreement and Amendment. The parties intend that said Agreement and Amendment shall be superseded by the terms of this modified Agreement.

AGREEMENT:

For good and valuable consideration each to the other, the parties agree as follows:

1. The property owners exclude Lots 4 and 5 from this agreement and include Lot 2.
2. Cadmans convey to Gehrum and all successors in interest a one-third interest in the existing well on said Lot 9 and all fixtures pertinent thereto including bore hole, casing, piping, pressure tank, electrical connections and pumphouse for the well. In consideration for this conveyance, Gehrum agrees to bear one half of the cost of repairing or replacing any of this existing equipment, if necessary, at the time that this equipment is converted to use by more than one party, regardless of the order in which users are added to the well, and in such a manner as to properly provide for an equal supply of water to each of the three parcels covered in this agreement. The work shall include the installation of, and payment for, an electric meter to the pump. The work shall be completed without interfering with existing water delivery other than minimal and reasonable time to reconnect the service.
3. Cadmans will convey to the future owners of Lots 2 & 3 and their successors in interest a one-third interest in the existing well on said Lot 9 and all fixtures pertinent thereto including bore hole, casing, piping, pressure tank, electrical connections and pumphouse for the well. In consideration for this conveyance, the future owners of record shall bear one half of the cost of repairing or replacing any of this existing equipment, if necessary, either at the time that this equipment is converted to use by more than one party, or as a reimbursement to the Cadmans if the conversion has already been completed at the time of purchase of Lots 2 & 3. This conversion will be done in such a manner as to properly provide for an equal supply of water to each of the three parcels covered in this agreement. The work shall include the installation of, and payment for, an electric meter to the pump. The work shall be completed without interfering with

existing water delivery other than minimal and reasonable time to reconnect the service.

4. Cadmans further convey to the future purchaser of Lots 2 & 3 a perpetual utility easement five feet in width for a buried water line to connect the well on Lot 9 with Lot 3, situated as follows:

Angling from the junction box on the south side of the pumphouse, in a northeasterly direction so as to connect with the east side of Lot 9, adjacent to the power line right-of-way at an approximately 45 degree angle, and; thence running along the east side of Lot 9 to Lot 3. The position of this water line shall not interfere with any structure which might be built on Lot 9 prior to the installation of said water line.

This perpetual utility easement is for a buried water line and for ingress and egress by owners of Lots 2 and 3 and their successors in interest to operate and maintain said well and to maintain said buried water line.

5. The well presently provides water to Lot 8. The underground water pipes to Lot 8 from the well shall remain and the owner of Lot 8 is granted a perpetual utility easement for the buried water line and for ingress and egress to operate and maintain said well and to maintain said buried water line.

6. The purchaser of Lots 2 and 3 shall bear all costs for installation of the water line to Lot 3 and for connecting such buried water line to the existing plumbing at the well as the time that said owner decides to become a user of the well. The owner developing the water line for use on Lots 6, 7, & 9 shall bear all costs for installation of the water line to said parcel and for connecting such buried water line to the existing plumbing at the well.

7. The property owned by the Cadmans will no longer be divided such that a second well will be necessary as was contemplated in the prior agreement.

8. The users of the well shall not exceed three (3) in number.

9. After connecting to the well, the user shall then share its proportionate cost of all present users of:

- a) electric service to operate the well;
- b) necessary costs of maintaining and repairing the well and fixtures pertinent thereto;
- c) insurance and other related costs incurred in the operation of the well.

10. The parties' interest in the water from said well is limited to supplying water for domestic and irrigation use on the above-described lots.

11. The users of the well, at their discretion, may maintain insurance to protect the well and fixtures pertinent thereto from fire and other catastrophic damage, including movement of the earth, and in the event of such insurable loss, each of the parties shall have a one-third interest in the proceeds thereof and/or the repaired or rebuilt well and fixtures appurtenant thereto to the same extent as the original well as set forth in this Agreement.

12. In the event that the well ceases to function, such that it is necessary to drill a new bore hole, then each party shall have a right to a one-third interest in the replacement well and fixtures appurtenant thereto which shall be located adjacent to the existing well. All the terms and conditions of this Agreement shall apply to the replacement well. Each party shall bear one-third cost in drilling, casing and constructing the replacement well.

13. The owners of Lots 2, 3, 6, 7, and 8 shall hold harmless any owner of Lot 9 from any and all claims made by third parties arising from use of well water delivered to Lots 2, 3, 6, 7, and 8 and the rights herein granted.

14. Except as noted herein, owner of Lot 9 shall have full use and control of Lot 9, Block 6, Arrowhead Village Subdivision, Klamath County, Oregon.

15. The recitals of this agreement shall be a part hereof.

16. Any dispute between the parties hereto shall be resolved by arbitration in accordance with the provisions of the American Arbitration Association and Oregon Revised Statute.

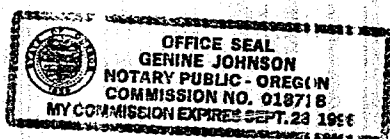
17. This agreement shall bind and inure to each of said parcels of land and be appurtenant thereto and run therewith.

18. In the event any party or owner of any parcel of land shall at any time hereafter institute any suit action or proceeding to enforce any of the covenants or agreements hereto contained, the arbitrator or the courts shall award the prevailing party in such suit action or proceeding such sum as such arbitrator or court deems reasonable as attorney's fees.

William J. Cadman LoEtta A. Cadman
William J. Cadman LoEtta A. Cadman

STATE OF OREGON)
County of Klamath) ss 23rd day of August, 1994.

Personally appeared William J. Cadman and LoEtta A. Cadman and acknowledged the foregoing instrument to be their voluntary act and deed. Before me:

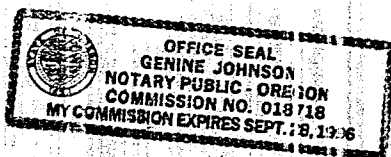


Genine Johnson
Notary Public for Oregon
My Commission expires: 9/28/94

Echo Stout
Echo Stout

STATE OF OREGON)
County of Klamath) ss. 27th day of Sept. August, 1994

Personally appeared Echo Stout and acknowledged the foregoing instrument to be her voluntary act and deed. Before me:

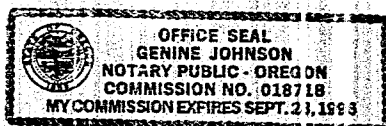


Genine Johnson
Notary Public for Oregon
My Commission expires: 9/28/94

Lysiane J. Gehrum
Lysiane J. Gehrum

STATE OF OREGON)
County of Klamath) ss. 2nd day of Sept. August, 1994

Personally appeared Lysiane J. Gehrum and acknowledged the foregoing instrument to be her voluntary act and deed. Before me:



Genine Johnson
Notary Public for Oregon
My Commission expires: 9/28/94

30400

In witness whereof, I, the undersigned, have hereunto set my hand and the seal of the County of Klamath, Oregon, at Medford, Oregon, this 28th day of September, 1994.

The validity of this agreement shall be determined by the courts of the State of Oregon.

And it is hereby agreed that the provisions of the American Arbitration Association shall be resolved by arbitration and not the local statutes.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co the 28th day
of Sept A.D. 19 94 at 10:51 o'clock A.M. and duly recorded in Vol. M94
of Deeds on Page 30397

FEE \$45.00

Evelyn Biehn - County Clerk
By Quiline M. Henderson