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AGREEMENT
RELEASE OF WATER RIGHTS

This agreement is by and between KLAMATH BASIN IMPROVEMENT DISTRICT, referred to herein as KBID and Michael L. Kaibel

referred to herein as Owner.

WHEREAS:

Owner owns land more particularly described in Exhibit "A" attached hereto, in Klamath County, Oregon, referred to as Klamath County Tax Lot(s):
4110-1400-00700 0.59 acre and 4110-1400-00800 1.15 acres

Owner or Owner's predecessors in interest agreed to be included within the KBID for the purposes of receiving services, including delivery of water pursuant to the contracts that KBID has with the United States of America by and through the Bureau of Reclamation, Klamath Irrigation District and other districts located within the Klamath Project. KBID is obligated by contract to the following district or districts, hereinafter referred to as Delivery Districts, regarding water delivery to Owner's land:
Van Brimmer Ditch Co.

Owner no longer desires to receive water deliveries and pay the costs thereof.

IT IS THEREFORE AGREED:

CONDITIONS

This agreement is conditioned upon Delivery Districts forgiving payments owed by KBID associated with such real property by reason of contractual obligation between KBID and Delivery Districts. It is agreed that KBID will cooperate with Owner as Owner makes such requests upon Delivery Districts.

This agreement is further conditioned upon all mortgage and lienholders consenting and agreeing with this agreement, and such mortgage and lienholders subordinating their interest to KBID herein.

This agreement is further conditioned upon all construction charges owed to the United States, acting by and through the Bureau of Reclamation have been paid in full.

A further condition of this agreement is approval of this agreement, and approval of resolution exempting the subject real property from assessments, by the Board of Directors of KBID.

KBID agrees as follows:

1. Upon proper execution of this agreement by all parties, including Delivery Districts, Mortgage and lienholders, and Owner, and upon conditions to this agreement being met, KBID releases Owner from KBID assessments, lien, collection and foreclosure rights KBID has under Oregon law.

OWNER agrees and represents as follows:

1. Owner are the sole owners and holders of the fee simple title to the subject real property, and have good right and title to enter into this agreement.
2. Owner hereby relinquishes, waives and releases all rights of membership and by virtue of being included in the boundaries of KBID, including waiving the right to vote, and receive irrigation water.
3. Owner understands that by entering into this agreement and Owner's failure to apply irrigation water by virtue of rights under KBID and the Klamath Project, Bureau of Reclamation, that Owner may be waiving and forfeiting water rights, including claims to water rights under the laws of the State of Oregon. Owner assigns, transfers and quitclaims to KBID all water rights, if any, appurtenant to the subject real property. Owner irrevocably appoints the Chairman of the Directors of KBID as attorney in fact for the purposes of transferring water rights and for exclusion of lands from KBID.
4. Owner hereby releases KBID, Delivery Districts, and the United States from any and all claims of liability for any damages or injuries to person or property which may have occurred or is presently occurring in connection with the ownership, operation or maintenance of the Klamath Project and district operations and assessments.
5. KBID makes no representations about the possibility of allowing the real property to be included in KBID water deliveries in the future. Owner understands and agrees that should Owner request inclusion into KBID in the future and such inclusion can be allowed, then Owner shall be required to pay all assessments that have been exempted herein, plus interest which would have been chargeable for nonpayment of such assessments if they had not been exempted herein, plus other conditions or assessments as then determined by the Board of Directors of KBID.
6. The restrictions, grants and agreements contained herein shall run with subject real property and shall bind all future owners thereof in perpetuity.

OWNER and KBID agree as follows:

1. This agreement is binding upon the heirs, successors and assigns of the respective parties.

This agreement is executed the 14th day of December, 1998.

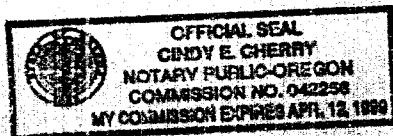
OWNER: Michael L. Kachel

STATE OF OREGON

County of Klamath

}
} ss.

The foregoing instrument was acknowledged before me this 14th day of December, 1998, by Michael L. Kachel



Cindy E. Cherry
Notary Public for Oregon
My Commission expires 4/12/99

KLAMATH BASIN IMPROVEMENT DISTRICT by:

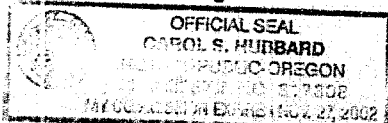
Warren HoughtCindy E Cherry

STATE OF OREGON

County of Klamath

} ss.

On this 1st day of January, 1999, personally appeared Warren Hought and Cindy E Cherry, who, being duly sworn, each for himself and not one for the other, did say that the former is the President and that latter is the secretary of Klamath Basin Improvement District and that said instrument was signed and sealed in behalf of said district by authority of its board of directors; and each of them acknowledged said instrument to be its voluntary act and deed. Before me:

Carol S. Hubbard

Notary Public for Oregon

My Commission expires: 11-27-02

After recording return to: Klamath Basin Improvement District 6640 KID Lane, Klamath Falls, Oregon, 97603

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ the _____ day
of _____ A.D., 199__ at _____ o'clock _____ M., and duly recorded in Vol. _____
of _____ on Page _____

FEE \$ _____

County Clerk

By _____

EXHIBIT "A"
LEGAL DESCRIPTIONPARCEL 1: 1/2 ACRE

Commencing at the Southeast corner of Lot 4, Section 14, Township 41 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon; extending thence West along the South line of said Lot 4 a distance of 104.3 feet; thence North at right angles a distance of 208.6 feet; thence East and parallel to the South line of said Lot 4 a distance of 104.3 feet, more or less, to the East line of said Lot 4; thence South a distance of 208.6 feet, more or less, to the point of beginning, being in Lot 4, Section 14, Township 41 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

* PARCEL 2: 3 ACRES The Lots "700", "800"

A tract of land situated in Government Lot 3 in Section 14, Township 41 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at the Southwest corner of Government Lot 3 in Section 14, Township 41 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon; thence East along the South line of said Lot 3, 255 feet to a point; thence North parallel to the West line of said Lot 3, 511.25 feet to a point; thence West parallel to the North line of said Lot 3, 255 feet to a point on the West line of said Lot 3; thence South along the West line of said Lot 3, 511.25 feet to the point of beginning.

Agreement/Release of water right
Page 3.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of KBID the 12th day
of January A.D., 99 at 10:19 o'clock A. M., and duly recorded in Vol. M99
of _____ Deeds on Page 871

Return: KBID

Linda Smith, County Clerk

FEE

\$20.00

6640 KID Lane
KFO 97603

by

Kathleen Rosa