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WHEN RECORDED MAIL TO:

OC Giacomini Law Office
706 Main Street
Klamath Falls, OR 97601

Vol MQ1 Page 41047

MAIL TAX STATEMENTS TO

Robert L. Anderson, Jr.
Marcy A. Anderson
4243 Old Midland Road
Klamath Falls, OR 97603

EASEMENT

EASEMENT FOR COMMON WELL (EASEMENT), made as of the last date set opposite the signatures of the parties, between ROBERT L. ANDERSON and MARCY A. ANDERSON, husband and wife, (ANDERSON) and STEVEN F. MICHAELS and IRENE A. MICHAELS, husband and wife, (MICHAELS).

WITNESSETH:

RECITALS: The parties recite:

A. The parties have commenced drilling and are establishing the necessary facilities to provide irrigation facilities for the mutual benefit of the real properties owned by ANDERSON and by MICHAELS (BENEFITED PROPERTY), including, without limiting the generality of the foregoing, the necessary water distribution facilities for said purpose.

B. ANDERSON is the owner of the following real property situate in Klamath County, Oregon, to wit:

PARCEL 1:

Tracts 11 and 12 of "400" Subdivision, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon, SAVING AND EXCEPTING the following described portion: Beginning at the Southwest corner of said Tract 12; thence Easterly along the South boundary of said Tract 12, 218 feet; then Northerly and parallel with the West boundary of said Tract 12, 300 feet to a point; thence Easterly and parallel with the South boundary of said Tract 12, 210 feet; thence Northerly and parallel with the West boundary of said Tract 12, 900 feet; thence Westerly and parallel with the South boundary of said Tract 12, 428 feet to the West boundary of said Tract 12; thence Southerly along the West boundary of said Tract 12, 1,200 feet to the point of beginning.

PARCEL 2:

Beginning at the Southwest corner of said Tract 12; thence Easterly along the South boundary of said Tract 12, 218 feet; thence Northerly and parallel with the West boundary of said Tract 12, 300 feet to a point; thence Easterly and parallel with the South boundary of said Tract 12, 210 feet; thence Northerly and parallel with the West boundary of said Tract 12, 900 feet; thence Westerly and parallel with the South boundary of said Tract 12, 428 feet to the West boundary of said Tract 12; thence Southerly along the West boundary of said Tract 12, 1,200 feet to the point of beginning.

Property address: 4243 Old Midland Road 97603, Klamath Falls, OR

C. MICHAELS is the owner of the following real property situate in Klamath County, Oregon, to wit:

All that portion of the E ½ SE ¼ of Section 34, Township 39 South, Range 9 East of the Willamette Meridian Klamath County Oregon, described as follows:

Beginning at the Southeast corner of the SE ¼ SE ¼ of said Section 34, running thence Westerly along the South line of Section 34, 640 feet; thence North 20 degrees 40' West 31.5 feet; thence North 2 degrees 50' East 754 feet, thence North 50 degrees 49' West 175 feet; thence North 2 degrees 53' West 325 feet; thence North 11 degrees East 530 feet, more or less, to a point in the centerline of the U.S.B.R. C-4 Canal; thence along the centerline of said Canal, South 88 degrees East 670 feet, more or less, to a point in

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the East line of the NE ¼ SE ¼ of said Section 34 at a point 1725 feet North of the point of beginning; thence South 1725 feet to the point of beginning.

LESS AND EXCEPTING rights of way for irrigation ditches, drain ditches and county roads.

Property address: 4179 Old Midland Road, Klamath Falls, OR 97603

D. Both parties expect the facilities (FACILITIES) to consist of an irrigation well, pump, pump control, electric service, any structure to enclose and/or cover the irrigation well, pump, electric service, well site, and any ditch or pipe line from the well to MICHAELS' land or transportation of irrigation water from the well and a main line running west from the irrigation well to the property line that separates ANDERSON'S land from MICHAELS' land.

E. Both parties have drilled an irrigation well on ANDERSON'S land at a point designated by both parties to be located approximately 310' North from Midland Road and 25' West of drain ditch and 820' East from the common boundary between ANDERSON'S property and MICHAELS' property (WELL SITE).

AGREEMENT: The parties agree:

A. Subject to the terms, conditions and provisions of this easement, ANDERSON and MICHAELS hereby grant, bargain, sell, and convey to each other a permanent common EASEMENT in and to the FACILITIES to be constructed on ANDERSON'S land for the benefit of MICHAELS together with mutual rights of way to use and maintain the FACILITIES situated on the WELL SITE for the benefit of both ANDERSON'S and MICHAELS' land. This grant of easement includes the perpetual right to enter upon either ANDERSON'S and MICHAELS' lands, at any time either party may see fit, and construct, maintain, and repair the well and its appurtenances.

B. The parties shall construct the FACILITIES and shall share equally the cost of the construction. To assure all parties are aware of the construction costs, they shall regularly meet and review all construction cost items including, without limiting the generality of the foregoing, well driller's charges, casing, pump, electrical installation, cover, and pipe line from the WELL SITE to ANDERSON'S westerly property line and to MICHAELS' easterly property line.

C. All expenses and costs of repairing and maintaining the FACILITIES shall be shared between the parties as follows: Two-thirds (2/3) ANDERSON and One-third (1/3) MICHAELS. The repairs and maintenance to be undertaken and performed under this grant shall include repair of the pump, pump control, cover, electrical installation, pipe line from ANDERSON'S land to MICHAELS' land, so there will be no leakage or seepage or any defects which may cause injury to either party's lands. All expenses and costs incurred by each party in making and maintaining connections to the FACILITIES for each party's respective individual use, including the cost of ditches, drains, and pipe lines shall be at the sole cost and expense of the party requiring and using the same.

D. All charges of the supplier of electricity to the pump shall be shared ratably according to use. To assure an equitable allocation of the charges, both parties shall meet monthly to settle on the allocations and each pay monthly their aliquot share of those charges either directly to the supplier or into the common checking account described in this instrument.

E. To assure prompt payment of the construction costs, repairs and maintenance, charges of the supplier of electricity, and any other amounts relating to the construction, use, repair and maintenance of the FACILITIES, the parties shall open and maintain a common checking account requiring at least two signatures: one from ANDERSON and one from MICHAELS.

F. The FACILITIES shall be used for irrigation purposes only and only on the land described in this instrument. Under no circumstances shall any of the water be used on or become appurtenant to any other tract or tracts of land or used for any purpose not connected with or incidental to irrigation purposes on the lands benefited by this instrument. Neither party shall allow any of the water supplied by the FACILITIES run waste and, wherever practicable, waste water normally resulting from the usual standards of irrigation in the area shall be reused for the benefit of either ANDERSON'S or MICHAELS' lands. Notwithstanding the foregoing, the parties may mutually agree in writing to sell irrigation water to others in compliance with the rules and regulations of the Oregon Department of Water Resources and applicable law.

G. The parties shall use the FACILITIES only from April 1 to October 31 of each calendar year.

H. Only ANDERSON and MICHAELS shall turn the FACILITIES on or off. Each party shall exercise this authority in good faith after apprising each other of the other party's needs.

GRANT OF EASEMENT

I. ANDERSON grants MICHAELS the right of ingress and egress over ANDERSON'S land for the purposes of operating the well, maintenance of the FACILITIES and monitoring the use of the water.

J. Neither party shall be liable to the other for any failure of the FACILITIES from any cause other than the negligence or deliberate acts of either party, or either party's agents, employees, or invitees. In the event of any damage resulting from the negligence or deliberate acts of a party's agents, employees, or invitees, the principal of the same shall promptly repair any damage upon being notified of the same.

K. ANDERSON shall provide insurance coverage for the well pump, motor, all controls, and electric panel from damage caused from all insurable risks related to acts of nature and vandalism. ANDERSON shall list MICHAELS as a co-insured on the policy. MICHAELS shall reimburse ANDERSON one-half (1/2) costs of such insurance within thirty (30) days after receiving a statement for the same from ANDERSON.

L. Both parties shall apply for such permits as may be required by any Governmental Entity. All water rights accruing from any such applications shall be equally owned by each party, or their respective successors-in-interests or assigns.

M. This instrument is not intended to create any irrigation or improvement district and all benefits and burdens arising out of this instrument are personal to each party, or such parties successor-in-interest.

N. Each party releases the other party from any and all claims for damages arising in any way or incident to the use of the easement hereby granted for the transportation and/or drainage of irrigation water to or from the BENEFITED PROPERTY.

O. This easement is to and shall run with the BENEFITED PROPERTY and shall be for the benefit and use of MICHAELS and MICHAELS' heirs, personal representatives, successors, or assigns.

P. Either party may sell its interest in the FACILITIES separate from the BENEFITED PROPERTY provided, however, the party desiring to sell the FACILITIES shall observe the provisions contained in the immediately following paragraph Q.

Q. The party (OFFERING PARTY) desiring to sell its interest in the FACILITIES separate from the BENEFITED PROPERTY, OFFERING PARTY shall give written notice to the other party (OPTIONEE) of the OFFERING PARTY'S intent to sell its interest in the FACILITIES stating in its written notice the purchase price and terms of which the OFFERING PARTY is willing to sell its interest in the FACILITIES. The OPTIONEE shall be obligated to either (1) purchase all of the OFFERING PARTY'S interest in the FACILITIES at a price equal to the selling price set forth in the written notice; (2) sell its interest to the OFFERING PARTY at a price equal to the selling price set forth in the written notice; or (3) decline to purchase the OFFERING PARTY'S interest in the FACILITIES. All of OPTIONEE'S decisions shall be evidenced by written notice to the OFFERING PARTY given no later than thirty (30) days from the date of the OFFERING PARTY'S notice. Whenever a party is obligated to purchase the other party's interest in the FACILITIES, the obligated party shall pay for that interest in the FACILITIES according to the terms set forth in the OFFERING PARTY'S notice.

R. This instrument shall be subject to the following provisions which shall apply to each portion of it as the circumstances and the context may require.

1. In any controversy involving construction or application of any of the terms, covenants, provisions, or conditions of this instrument, the same shall be submitted to arbitration. Arbitration shall be a condition precedent to the filing of any action or suit regarding any matter arising under or in connection with this instrument. Arbitration is initiated by the party seeking arbitration giving notice specifying the matter to be arbitrated. The arbitration shall be in conformity with, and subject to, the rules and regulations of the American Arbitration Association as they stand at the time of the notice. The arbitrators shall be bound by this instrument. The parties shall be conclusively bound by the arbitration results. Pleadings in any action on the same matter shall, if arbitration is initiated, be deemed amended to limit the issues to those memorialized by the arbitration specified above. The arbitrator's fees shall be shared equally among the parties participating in the arbitration. Attorney fees, and the fees of other experts, shall be awarded to the party prevailing in the arbitration or, if no prevailing party, shared equally among the parties to the arbitration. Venue for the arbitration shall be Klamath County, Oregon. If any action or suit should be instituted in a court of competent jurisdiction prior to arbitration, the action or suit shall be abated until arbitration is final and the pleadings in the action or suit shall be amended as provided herein.

2. If any dispute arises in connection with (a) the interpretation or enforcement of this instrument or (b) any issues related to the U. S. Bankruptcy Code (whether or not such issues relate to the terms of this instrument), the prevailing party in any such dispute will be entitled to recover all of its attorney fees, paralegal fees, costs, disbursements, and other expenses from the nonprevailing party, including without limitation those arising before and at any trial, arbitration, bankruptcy, or other proceeding, and in any appeal.

3. Each party covenants that each possesses all necessary capacity and authority to sign and enter this instrument. Each individual signing this instrument for a corporation, a partnership, or other legal entity, or signing under a power of attorney, or as a trustee, guardian, conservator, or in any other legal capacity, covenants that each has the necessary capacity and authority to act for, sign, and bind the respective entity or principal on whose behalf the individual signs.

4. Each party shall execute, with acknowledgment or affidavit (if required), all documents and/or instruments reasonably necessary or expedient in the achievement of the purpose of this instrument.

5. All cross-references in this instrument, unless specifically directed to another instrument or document, refer to provisions within this instrument and shall not be considered to be references to the overall transaction or to any other instrument or document.

6. The titles and headings of the various sections of this instrument are intended solely for convenience of reference and are not intended to explain, modify, or place any construction on any of the provisions of this instrument.

7. This instrument constitutes the entire instrument between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and understandings of the parties. No supplement, modification, or amendment of this instrument will be binding unless executed in writing by all the parties. No waiver of any of the provisions of this instrument will constitute a waiver of any other provision, whether or not similar, nor will any waiver constitute a continuing waiver. No waiver will be binding unless executed in writing by the party making the waiver. Correspondence, memorandums, and oral or written agreements that originated before the date of this instrument are replaced in total by this instrument unless otherwise expressly stated in this instrument.

8. This instrument shall be governed by and construed according to the laws of the State of Oregon.

9. No party considers the professional services of the Giacomini Law Office, 706 Main Street, Klamath Falls, OR 97601, in connection with the preparation and implementation of this instrument to create any conflict of interest. Each party acknowledges that each has, at all times, been free to consult with an attorney of its own choosing and selection prior to the execution of this instrument.

10. A party's failure to insist on the strict performance of any covenant or duty required by this instrument, or to pursue any remedy under this instrument, shall not constitute a waiver of the breach or the remedy.

11. Nothing in this instrument, whether express or implied, is intended to confer any rights or remedies under or by reason of this instrument on any persons other than the parties to it and their respective successors and assigns. Nothing in this instrument is intended to relieve or discharge the obligation or liability of any third persons to any party to this instrument. No provision gives any third persons any right of subrogation or action against any party to this instrument.

12. Each party's obligation under this instrument is unique. If any party should default in its obligations under this instrument, both parties acknowledge that it would be extremely impracticable to measure the resulting damages; accordingly, the nondefaulting party or parties, in addition to any other available rights or remedies, may sue in equity for specific performance or injunctive relief or damages as the nondefaulting party shall elect. All remedies provided in this instrument shall be cumulative and exercise of one shall not preclude the exercise of another.

13. If any provision of this instrument is determined to be illegal or unenforceable, all other parts shall remain in effect.

14. This instrument shall be construed as prepared by all parties.

15. Unless the context clearly requires otherwise:

a. Nouns and pronouns used in this instrument shall be construed in accordance with the appropriate gender or neuter, and as either singular or plural, as the context requires.

b. "Shall," "will," "must," "agree," and "covenants" are each mandatory.

c. "May" is permissive.

d. "Or" is not exclusive.

e. "Includes" and "including" are not limiting.

16. The definitions contained in this paragraph are in addition to, and not in place of, the definitions contained in the body of this instrument, and shall apply throughout it. The definitions contained in this paragraph are:

a. The term "instrument" shall mean this document.

b. The term "Governmental Entity" shall mean the United States of America, State thereof, or political subdivision of any State or any quasi-governmental entity, or any agency thereof, or any country other than the United States of America.

c. The terms "party", "party's", or "parties" (whenever used as a specific term and not generically), shall mean all those who are signatory to this instrument as the context and circumstances shall require.

SIGNED by the parties on the date set opposite the signatures following.

DATE

SIGNATURE

8-13-01

Robert L. Anderson Jr.
ROBERT L. ANDERSON, JR.

8-13-01

Marcy A. Anderson
MARCY A. ANDERSON

8-7-01

Steven F. Michaels
STEVEN F. MICHAELS

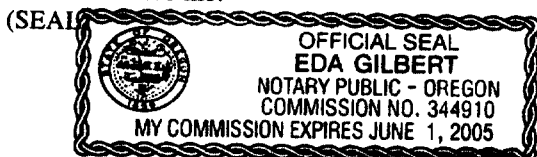
8-9-01

Irene A. Michaels
IRENE A. MICHAELS

STATE OF OREGON)
) ss.
 COUNTY OF KLAMATH)

On this 13 day of Aug, 2001, personally appeared the above named ROBERT L. ANDERSON acknowledged the foregoing instrument to be his voluntary act and deed.

Before me:



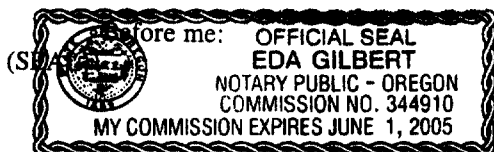
Eda Gilbert

Notary Public

My Commission expires: 6-1-05

STATE OF OREGON)
) ss.
 COUNTY OF KLAMATH)

On this 13 day of Aug, 2001, personally appeared the above named MARCY A. ANDERSON acknowledged the foregoing instrument to be her voluntary act and deed.



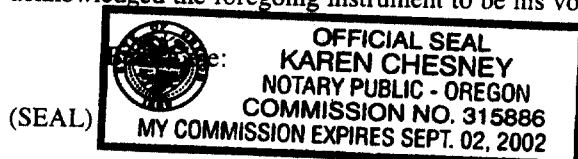
Eda Gilbert

Notary Public

My Commission expires: 6-1-05

STATE OF OREGON)
) ss.
 COUNTY OF KLAMATH)

On this 10th day of August, 2001, personally appeared the above named STEVEN F. MICHAELS acknowledged the foregoing instrument to be his voluntary act and deed.



Karen Chesney

Notary Public

My Commission expires: 9/2/02

STATE OF OREGON)
) ss.
 COUNTY OF KLAMATH)

On this 13th day of August, 2001, personally appeared the above named IRENE A. MICHAELS acknowledged the foregoing instrument to be her voluntary act and deed.

Before me:

(SEAL)

Karen Chesney

Notary Public

My Commission expires: 9/2/02



State of Oregon, County of Klamath

Recorded 08/14/01 at 3:31 p.m.

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Linda Smith,

County Clerk Fee \$ 46.00