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State of Oregon, County of Klamath
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Linda Smith, County Clerk
Fee \$ 31.00 # of Pgs 3

WELL RIGHT DECLARATION AND AGREEMENT

THIS DECLARATION AND AGREEMENT is made by and between DANNY L. PHILLIPS, hereinafter referred to as "Danny," and VIRGINIA R. PHILLIPS, hereinafter referred to as "Virginia."

WHEREAS Danny and Virginia are the fee simple owners, as tenants by the entirety, of two adjoining parcels of land, to wit: Lot 12 and Lot 13, both in Block 72 of KLAMATH FALLS FOREST ESTATES HIGHWAY 66 UNIT, PLAT NO. 3, Klamath County, Oregon; and

WHEREAS Danny and Virginia wish to establish rights to a well which will benefit both parcels and which recognizes the existing domestic well located on Lot 12;

The following is declared and agreed to be restrictions and benefits on the title to both parcels and to run with the land:

Danny and Virginia hereby create an easement across Lot 12 for the existing well, and water delivery system, to deliver water to Lot 13. This declaration and agreement burdens Lot 12 and benefits Lot 13.

The owners of each parcel shall be responsible for maintenance for the non-common water delivery lines to their respective parcels. The owners of each parcel shall share equally the costs of all common maintenance and related expenses, such as the well, pump, and casing, unless such common maintenance and related expenses are caused by the activities of one of such owners or their agents, contractors, or employees, in which case such common maintenance and related expenses shall be borne by the owner causing such costs.

The owners of Lot 13 shall pay each month to the owners of Lot 12 an amount of fifteen dollars (\$15.00) for their proportional share of the electricity expended to pump water from the well. At the end of each one-year period from the date of this instrument, the owners of each parcel shall reassess this monthly amount paid for electricity to determine if prospective adjustment is necessary due to fluctuating electrical rates. The parties shall agree on a monthly amount, and if they cannot agree, the matter shall be submitted to arbitration in the manner set forth in this instrument.

It is agreed that the owners of each parcel shall use the well system for one residence only and that the use shall be limited to domestic purposes. Neither owner shall use the well and water delivered therefrom for irrigation, other than incidental lawn and garden use, or any use not consistent with domestic use, without first obtaining written permission from the owners of the other parcel.

In the event a dispute arises regarding the subject matter of this declaration and agreement, the owners shall submit to arbitration where each party appoints one arbitrator, and those two arbitrators choose a third arbitrator. The three arbitrators shall decide the resolution of said dispute, and the parties shall be bound thereby. The costs of arbitration shall be borne equally by the parties.

If suit or action is instituted to enforce any of the provision of this declaration and agreement, the party prevailing therein shall be entitled to recover from the other such

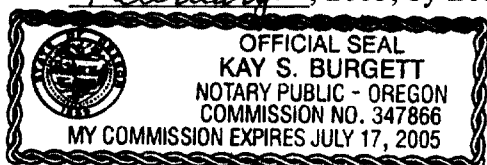
sum as the court may adjudge reasonable as attorneys fees therein, including any appeal thereof.

IN WITNESS WHEREOF, the owners hereunto set their hands this date as below stated.

Danny L. Phillips: Danny L. Phillips
 Virginia R. Phillips: Virginia R. Phillips

STATE OF OREGON)
) ss.
 County of Klamath)

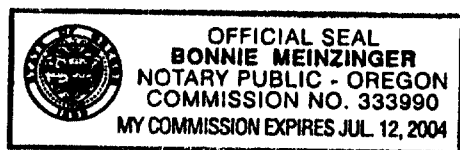
The foregoing instrument was acknowledged before me this 14th day of February, 2003, by DANNY L. PHILLIPS.



Kay S. Burgett
 Notary Public for Oregon
 My commission expires: 7/17/05

STATE OF OREGON)
) ss.
 County of Klamath)

The foregoing instrument was acknowledged before me this 7th day of March, 2003, by VIRGINIA R. PHILLIPS.



Bonnie Meinzinga
 Notary Public for Oregon
 My commission expires: 7-12-2004