

When Recorded, Return to:

Arizona Water Banking Authority
500 N. Third Street
Phoenix, Arizona 85004
ATTN: Mr. Tim Henley



2001-01865

Page 1 of 13
Requested BUI. \$91.75 7: 52.6
PATRICIA L WALL, RECORDER
OFFICIAL RECORDS OF LA PAZ COUNTY, AZ
04/25/2001 04:24 PM Recording Fee \$17.00

*Grantee: Vidler Water Co Inc
3264 60th Rd
Suite 153
Phoenix, AZ 85006*

NON-EXCLUSIVE EASEMENT IN GROSS AGREEMENT

DATE: APRIL 24, 2001

PARTIES: SOUTHWESTERN AGRICULTURAL SERVICES, INC., a Delaware corporation (the "Grantor"), a wholly owned subsidiary of Vidler Water Company, Inc., a Delaware Corporation ("Vidler")

ARIZONA WATER BANKING AUTHORITY, a public agency of the State of Arizona ("Grantee")

RECITALS:

A. The Grantor is the owner of certain real property legally described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Real Property"). The Real Property is graphically depicted on Exhibit "A-1" attached hereto and incorporated herein by this reference.

B. The Grantee and Vidler have entered into an agreement for storage of water at Vidler's underground storage facility of even date herewith (the "Agreement") regarding the storage of "Authority Water," as defined in the Agreement, in an underground storage facility ("the Facility") owned and operated by Vidler and described in the Agreement. As used herein, the term "Authority Water" shall mean the excess of CAP Water made available by the Central Arizona Water Conservation District to the Grantee which Grantee stores in the Facility, pursuant to the Agreement.

C. Grantor desires to grant and Grantee desires to acquire solely in furtherance of the purposes and duties of the Authority a non-exclusive easement in gross in the Real Property under the terms and conditions hereof for the construction, operation, maintenance, and replacement of recovery wells, pipelines and related water conveyancing or withdrawal structures and facilities for the recovery of Authority Water from the Real Property and for the delivery of Authority Water to the Central Arizona Project ("CAP") canal (the "CAP Canal").

EXHIBIT - B

GRANT OF EASEMENTS:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is hereby agreed as follows:

1. Defined Terms. Unless otherwise defined, capitalized terms in this Non-Exclusive Easement Agreement (hereinafter the "Easement") shall have the meaning ascribed thereto in the "Recitals" section hereof, except that "Authority" shall mean the Arizona Water Banking Authority or a "Designated Recovery Agent," as described in Section 12 hereof, which has been designated by the Arizona Water Banking Authority to construct, operate, maintain and replace recovery wells and pipelines for the purposes of recovering Authority Water stored in the Facility pursuant to the Agreement and delivering that water to the CAP Canal.

2. Grant of Non-Exclusive Easement In Gross. Subject to the terms and conditions hereof, the Grantor hereby grants to Grantee, for the sole benefit of and exercise by the Authority, the following easements in gross on, over, under and across the Real Property: (i) a non-exclusive easement for the construction, operation, maintenance and replacement of a recovery well or wells (collectively, "the Wells") for the withdrawal of Authority Water stored by the Grantee in the Facility pursuant to the Agreement from the Real Property, (ii) a non-exclusive easement for the construction, operation, maintenance and replacement of a pipeline or pipelines for the conveyance of Authority Water (collectively the "Pipelines") stored in the Facility pursuant to the Agreement from the Wells to the CAP canal, (iii) a non-exclusive easement for the construction, operation, maintenance and replacement of utility facilities necessary to support the construction, operation, maintenance and replacement of the Wells and Pipelines, and (iv) a non-exclusive easement for ingress and egress to and from the Pipelines and the Wells.

3. Grantor's Approval of Construction of Wells and Pipeline.

(a) Approval Procedure. The Grantee acknowledges and agrees that the number, location, design and types of Wells and Pipelines that may be constructed, operated, maintained and replaced under the terms and conditions of this Easement are subject to the prior written reasonable approval of the Grantor, which approval shall not be unreasonably withheld. Grantor acknowledges that the location of the Wells and Pipelines shall be in such locations that minimize the construction and operation costs to be incurred by the Authority. In connection with the Grantor's approval, the Authority shall:

(i) Deliver to Grantor for Grantor's approval (1) the proposed location of the Wells or Pipelines on the Real Property established pursuant to a survey prepared by a surveyor licensed in the State of Arizona, (2) proposed specifications for the construction of the Wells or Pipelines, (3) plans for the delivery of utility service to the Wells, and (4) the proposed construction schedule. Approval or disapproval shall be communicated in the manner provided for notices under this Easement, and disapproval shall be accompanied by written specifications of the grounds for disapproval; provided that Grantor's failure to disapprove preliminary plans and specifications in writing within

thirty (30) days after delivery of same to Grantor shall be conclusively considered to be approved by Grantor. The Authority shall not deliver working drawings to the appropriate governmental authorities for permits unless the construction plans are in conformity with those plans approved in this Section. Following Grantor's first or any subsequent disapproval, the Authority shall submit to Grantor revised plans and specifications.

(ii) The Authority shall notify Grantor of the Authority's intention to commence construction at least five (5) days before commencement of any such work or delivery of any materials.

(b) Permits. The Grantor authorizes the Authority to apply for, obtain and utilize such permits, registrations and authorizations as are necessary in accordance with applicable law and the rules and regulations of the Arizona Department of Water Resources ("ADWR") to enable the Authority to construct and use the Wells to withdraw Authority Water from the Real Property pursuant to the Agreement and to construct Pipelines to convey the Authority Water. The Authority shall pay all fees and costs associated with all permits. Grantee acknowledges that the Authority is solely responsible for obtaining all permits necessary for the construction, operation and maintenance of the Wells and Pipeline.

(c) Work/Lien Free Completion. All work on the Wells and Pipelines shall be performed in a good and workmanlike manner and shall comply with all applicable permits, laws, ordinances and regulations of the governmental authorities.

The Authority shall pay or cause to be paid the total cost and expense of all works of improvement undertaken for the construction, operation and maintenance of the Wells and Pipelines. The Authority shall defend and indemnify Grantor against all liability and loss of any type arising out of work performed on the Real Property by, or under the authorization of, the Authority.

(d) Inspection and Notice of Non-Responsibility. Grantor shall have the right to post and maintain on the Real Property any notices of non-responsibility provided for under applicable law, and to inspect, or cause its employees or agents to inspect, the construction of the Wells and Pipeline at all reasonable times.

4. Insurance. Prior to commencement of construction of the Wells or Pipelines, the Authority shall provide the Grantor a copy of a Certificate of Insurance from the State of Arizona evidencing that the Authority is a covered party under insurance or self-insurance maintained by the State of Arizona. The insurance or self-insurance shall be for the coverage and amounts deemed appropriate by the State of Arizona, Department of Administration, Risk Management Section, for the construction, operation and maintenance of the Wells and Pipelines.

5. Indemnification. The Authority shall indemnify, defend, and hold Grantor, its agents, employee, officers, and directors harmless for, from, and against any claims, losses,

damages, costs, expenses (including, without limitation, reasonable attorneys' fees and reasonable investigative and discovery costs), liabilities, and judgments, arising directly or indirectly from the Authority's use of the Real Property, or from any act, omission, or negligence of the Authority, or that of its agents, employees, sublessees, contractors, invitees or grantees in or about the Real Property. The Authority further agrees that the indemnification obligations and liability of the Authority under this Section 5 shall not be limited by the insurance maintained by the Authority under this Easement. The indemnity provisions and the obligations of the Authority and Grantor under this Section 5 shall survive the termination or expiration of this Easement.

6. Maintenance and Operation of Wells. Until such time as the Authority has completed the withdrawal of the Authority Water under the terms of the Agreement, Authority shall, at the Authority's sole cost and expense, maintain and repair the Wells and the Pipelines, in good and safe order and condition and repair, ordinary wear and tear excepted, and in accordance with all applicable laws, rules, ordinances, orders and regulations of governmental authorities having or claiming jurisdiction and all their respective departments, bureaus, and officials, including but not limited to the ADWR. As used herein, the term "repair" includes all necessary replacements, renewals, alterations, additions and betterments.

7. Completion of Withdrawal. At such time as the Authority has recovered the amount of Authority Water from the Real Property that is permitted to be recovered pursuant to the provisions of the Agreement, the Authority shall be responsible for all costs and expenses associated with the closure of the Wells and Pipelines in accordance with applicable law and the requirements and regulations of all applicable governmental authorities, including, but not limited to, the ADWR. Subsequent to the closure of the Wells, Grantor shall be free, at its sole risk and expense, to use such Wells for Grantor's purposes without payment to Grantee or the Authority. Upon the recovery of all Authority Water that is permitted to be recovered pursuant to the Agreement (i) the Grantee and Grantor shall execute, in recordable form, a notice of termination of easement, or (ii) the Grantee shall execute a quit claim deed in favor of Grantor, quit claiming any interest in the Real Property.

8. Utilities. The Grantor makes no representations or warranties regarding the availability of utilities or the ability of the Authority to obtain utilities necessary to service the Wells constructed in accordance with this Easement and the Grantee acknowledges that the Authority will be solely responsible for all costs associated with the delivery of utilities, including but not limited to electrical power, to the Wells constructed by the Authority in accordance with the terms and conditions of this Easement.

9. Non-Exclusive. An exclusive right to the use of the Real Property is not hereby granted by the Grantor. Grantor reserves the right: (a) to use the Real Property in common with the Authority, (b) to grant to others the right to use the Real Property in common with Grantor, the Authority and others entitled to the use thereof, (c) to use the Real Property (and to grant to others the right to use the Real Property) for any surface or subsurface use that does not unreasonably interfere with the Authority's use of the Real Property for the aforesaid purposes; and (d) to grant to public authorities and/or utility companies easements over or across the

easement parcel for utility purposes, provided no such easement shall preclude or restrict the use of the Real Property by the Authority for the purposes set forth in this Easement.

10. Central Arizona Project Canal. The Grantee acknowledges that the Authority is responsible for obtaining all other consents, rights and agreements necessary to deliver the Authority Water to the CAP Canal and that the Grantor makes no representations or warranties regarding the ability of the Authority to construct Pipelines necessary for the delivery of recovered Authority Water to the CAP Canal or gain access to the CAP Canal.

11. Binding Obligations. All of the provisions of this instrument including the benefits and burdens run with the land and are binding upon and inure to the benefit of the parties hereto and their respective successors in interest and assigns.

12. Assignment of Rights. The Grantee may (a) assign, transfer, or convey all of its rights or interest under this Easement to a political subdivision of the State of Arizona or a municipal corporation formed under the laws of the State of Arizona, or (b) designate a "Designated Recovery Agent" to exercise the Authority's rights or interests under this Easement; provided, however, the Designated Recovery Agent or the entity to which the Grantee assigns, transfers, or conveys its rights or interest under this Easement must expressly agree to be bound by all of the terms and conditions of this Easement. The "Designated Recovery Agent" shall be a political subdivision of the State of Arizona or a municipal corporation formed under the laws of the State of Arizona. The Grantor may, without the consent of the Grantee or the Authority, assign its rights under this Agreement to any purchaser of the Real Property.

13. Miscellaneous.

(a) Attorneys' Fees. If, on account of any breach or default by either party of its obligations to the other under the terms, conditions and covenants of this Easement, it shall become necessary for the non-breaching party to employ an attorney to enforce or defend any of its rights or remedies hereunder, then the prevailing party shall be entitled to reasonable attorneys' fees, court costs and related expenses, including experts' expenses, incurred therein, whether or not legal suit is actually brought.

(b) Notices. Any notice given under the terms of this Easement shall be in writing and shall be either delivered by hand or sent by United States mail, registered or certified, return receipt requested, postage prepaid. Such address may be changed from time to time by either party by giving notice as provided herein. Notice is considered given either (i) when delivered in person to the recipient named as below, or (ii) two (2) days after deposit in the United States mail in a sealed envelope or container, either registered or certified mail, return receipt requested, postage and postal charges prepaid, addressed by name and address to the party or person intended as follows:

If to Grantor:	Southwestern Agricultural Services, Inc. c/o Vidler Water Company, Inc. 3264 Goni Road
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Suite 153
Carson City, Nevada 89706
Attn: Ms. Dorothy Timian-Palmer

If to Grantee: Manager
Arizona Water Banking Authority
500 North Third Street
Phoenix, Arizona 85004

(c) Time of the Essence. In all instances where any party hereto or Grantor is required to pay any sum or do any act at a particular indicated time or within an indicated period, it is understood that time is of the essence.

(d) Applicable Law. The laws of the State of Arizona shall govern the interpretation, validity, performance and enforcement of this Easement.

(e) Relationship of Parties. Nothing herein contained shall be deemed or construed by the parties hereto, nor by any third party, as creating the relationship of principal and agent, landlord and tenant or of partnership or of joint venture between the parties hereto, it being understood and agreed that neither any provision contained herein, nor any acts of the parties hereto, shall be deemed to create any relationship between the parties hereto other than the relationship of a grantor and a grantee under an easement in gross.

(f) Use of Language. Words of any gender used in this Easement shall be held and construed to include any other gender and words in the singular shall be held to include the plural, unless the context otherwise requires. The captions or headings of paragraphs in this Easement are inserted for convenience only and shall not be considered in construing the provisions hereof if any question of intent should arise.

(g) Successors. The provisions of this Easement shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the parties.

(h) Severability. If any term or provision of this Easement shall to any extent be held invalid or unenforceable by a final judgment of a court of competent jurisdiction, the remainder of this Easement shall not be affected thereby.

(i) Entire Agreement. This Easement and the Agreement into which this Easement Agreement is incorporated is the entire agreement of the parties with regard to the subject matter hereof; that no prior representations, warranties, understandings, stipulations, agreements or promises pertaining to this Easement or the Real Property shall be binding on either party unless such representations, warranties, understandings, stipulations, agreements or promises are expressly stated in the Agreement, this Easement, or the documents incorporated herein. All exhibits, attachments, annexed instruments and addenda referred to herein shall be considered a part hereof for all purposes with the same force and effect as if copied at full length

herein. It is likewise agreed that this Easement may not be altered, waived, amended, or extended except by an instrument in writing signed by both Grantor and Grantee.

(j) No Dedication to Public. Nothing contained in this easement shall be deemed to be a gift or dedication of any portion of the Real Property to the general public or any public use or purpose whatsoever other than the purpose of the Authority, it being the intention of the parties hereto that this Easement is for the exclusive benefit of the Grantor, the Grantee and the Authority and that nothing in this Easement, express or implied, shall confer upon anyone, other than as specified herein, any rights or remedies under or by reason of this Easement.

(k) Cancellation. This Agreement is subject to cancellation in accordance with the provisions of A.R.S. § 38-511.

IN WITNESS WHEREOF, the parties have executed this Easement as of the day and year first above written.

SOUTHWESTERN AGRICULTURAL SERVICES, INC., a Delaware corporation

By: [Signature]
Its: Chief Operating Officer

("Grantor")

ARIZONA WATER BANKING AUTHORITY

Attest: [Signature]
Secretary

By: [Signature]
Chairman

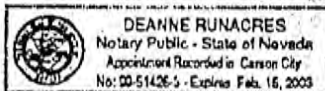
("Grantee")

STATE OF NEVADA)
) ss.
County of CARSON CITY)

The foregoing instrument was acknowledged before me this 24th day of APRIL, 2001, by DEBBY TIMMAN-PALMER the CHIEF OPERATING OFFICER of Southwestern Agricultural Services, Inc., a Delaware corporation, on behalf of the corporation.

Deanne Runacres
Notary Public

My commission expires:
2/15/03



STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 19th day of April, 2001, by RITA PEARSON MAQUIRE the CHAIRPERSON of Arizona Water Banking Authority, on behalf of the Authority.

Nannette Flores
Notary Public

My Commission Expires:
December 1, 2001

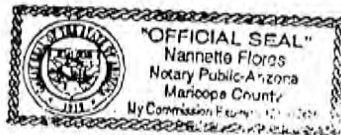


EXHIBIT A

Abbott Letch

The West half of the Southwest quarter of Section 28, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona.

Bartley Woods

The East half of the Southeast quarter of Section 28, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona.

Birmingham

PARCEL NO. 1:

The West 2970 feet of the South half of the South half of Section 35, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona.

EXCEPTING therefrom the East 660 feet thereof.

PARCEL NO. 2:

The South half of the South half of Section 35, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona.

EXCEPTING therefrom the West 2970.00 feet thereof.

Buskala

The North half of Section 33, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona.

Chatkin

PARCEL NO. 1:

The North half (N 1/2) of section 29, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, Yuma (now La Paz) County, Arizona, lying South and adjacent to Interstate Highway 10.

EXHIBIT A

Chatkin (Cont'd)

EXCEPT the East 80 acres thereof.

EXCEPT therefrom that portion of said land lying East of a line which runs parallel to and is 67.30 feet West of the West line of the Northeast quarter (NE 1/4) of said Section 29.

PARCEL NO. 2:

The North half (N 1/2) Section 30, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, Yuma (now La Paz) County, Arizona, lying South and adjacent to the southerly boundary line of Interstate Highway 10.

Groman

The northeast quarter of the southwest quarter section 28, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona

Morgenson

The West half of the Southeast quarter of Section 28, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona.

MBT Ranch Deeded

The North half and the Southeast quarter of Section 34, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona.

MBT Ranch Desert

PARCEL NO. 1:

The South half of the South half of Section 8, Township 2 North, Range 10 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

EXHIBIT A

MBT Ranch Desert (Cont'd)PARCEL NO. 2:

The West half of the North half of the North half, and the West half of the East half of the North half of the North half of Section 17, Township 2 North, Range 10 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

Romero

That portion of the South half (S 1/2) of Section 30, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona, described as follows:

The South half (S 1/2) of said Section 30, lying North of the following described line:

COMMENCING at the southwest corner of Said Section 30;
Thence North along the West line of said Section 30, 1120.93 feet to the POINT OF BEGINNING of the herein described line;
Thence North 88 degrees 06 minutes 56 seconds East 579.82 feet;
Thence North 16 degrees 33 minutes 05 seconds East 412.25 feet;
Thence South 87 degrees 29 minutes 07 seconds East 999.87 feet;
Thence South 42 degrees 29 minutes 10 seconds East 1272.62 feet;
Thence North 51 degrees 54 minutes 49 seconds East 921.83 feet;
Thence South 89 degrees 38 minutes 14 seconds East 1927.80 feet to a point on the East line of said Section 30, said point being the end of said line

VandenburgPARCEL NO. 1:

Lots 1 and 2, the East half of the Northwest quarter, and the Northeast quarter of Section 7, Township 2 North, Range 10 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona

EXCEPT that portion lying within La Paz County, Arizona being approximately the West 390 feet thereof.

EXHIBIT A

Vandenburg (Cont'd)

PARCEL NO. 2:

GLO Lots One (1) and Two (2), Section 7, Township 2 North, Range 10 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona.

PARCEL NO. 3:

GLO Lots Four (4) and Five (5), Section 6, Township 2 North, Range 10 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona.

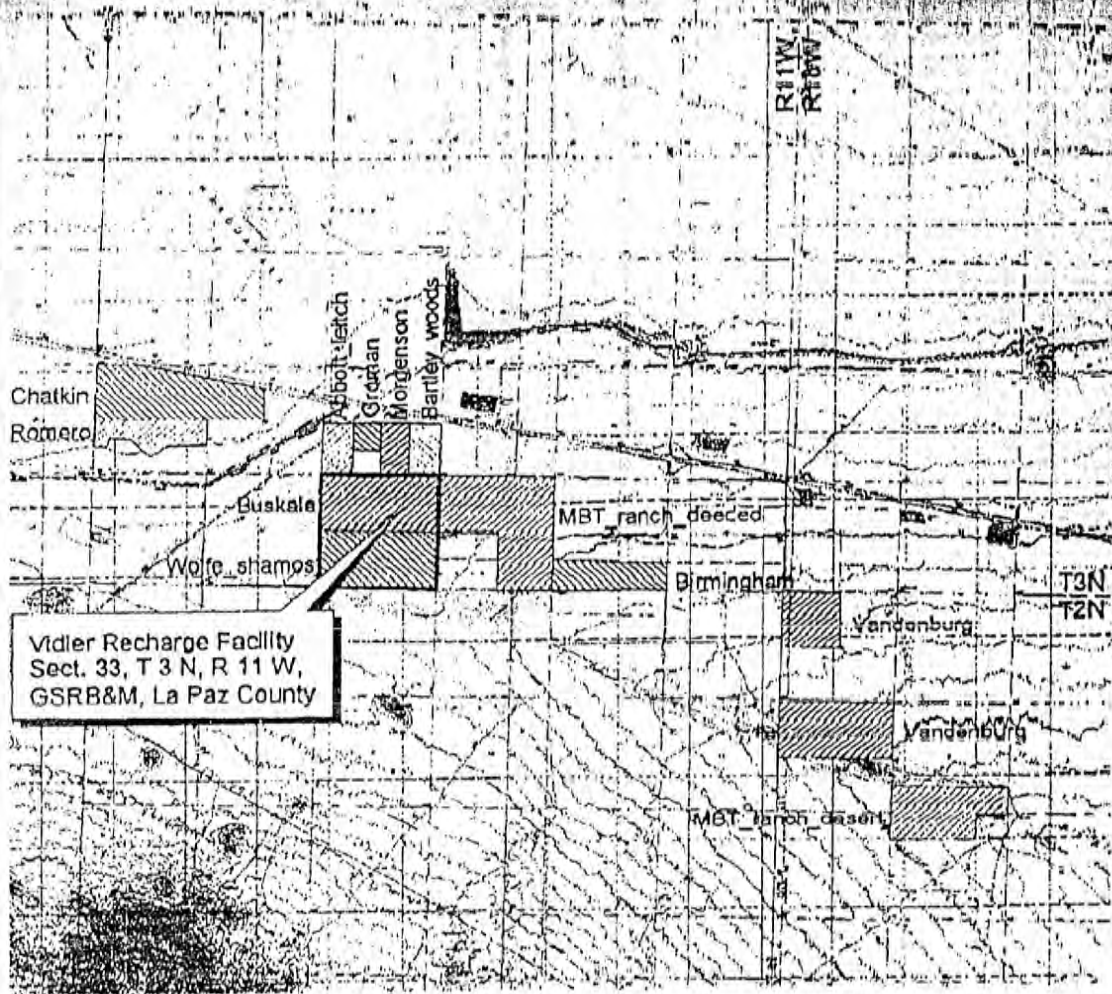
PARCEL NO. 4:

Lots 3, 4 and 5 and the Southeast quarter of the Northwest quarter of Section 6, Township 2 North, Range 10 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

EXCEPT that portion lying within La Paz County, Arizona being approximately the West 390 feet thereof.

Wolf Shamos

The south half of section 33, Township 3 North, Range 11 West of the Gila and Salt River Base and Meridian, La Paz County, Arizona



Vidler Recharge Facility
Sect. 33, T 3 N, R 11 W,
GSRB&M, La Paz County

VIDLER HARQUAHALA PROPERTIES
DESIGNATED AS
RECHARGE PROPERTIES
Drawing Revised 03/22/01



0.8 0 0.8 1.6 Miles



- Abbott_leitch - 80 Ac
- Bartley_woods - 80 Ac
- Birmingham - 160 Ac
- Buskala - 320 Ac
- Chatkin - 393 Ac
- Groman - 40 Ac
- Morgenson - 80 Ac
- MBT_ranch_deeded - 480 Ac
- MBT_ranch_desert - 280 Ac
- Romero - 158 Ac
- Vandenburg - 133 Ac
- Vandenburg - 342 Ac
- Wolfe_shamos - 320 Ac

TOTAL ACRES = 2864 +/-