

WATER SERVICE AGREEMENT

THIS AGREEMENT made, dated, and signed this 11th day of February, 1997, by and between Powder Horn Ranch, L.L.C., (hereinafter referred to as "Developer"), and the Sheridan Area Water Supply Joint Powers Board (hereinafter referred to as "Board").

WITNESSETH:

WHEREAS, Developer is the owner of those lands described in Exhibit A to this agreement, said lands comprising the proposed Powder Horn Ranch Subdivision - Phase III (hereinafter referred to as "the Subdivision") of Sheridan County, Wyoming; and,

WHEREAS, Developer desires to obtain domestic water service from Board for said lands described in Exhibit A.

NOW, THEREFORE, IT IS HEREBY AGREED AMONG THE PARTIES AS FOLLOWS:

1. Developer shall install all necessary water mains, service lines, and related appurtenances to provide domestic water service to the Subdivision. All work shall be constructed in accordance with plans and specifications prepared by a professional engineer registered to practice in the State of Wyoming. The plans and specifications must be approved by the Board, or its duly-authorized agent or successor in interest, and the Wyoming Department of Environmental Quality prior to commencement of construction of the domestic water system. Prior to acceptance of the work by the Board, its duly-authorized agent or successor in interest, a professional engineer registered to practice in the State of Wyoming shall certify that the work was performed in accordance with the approved plans and specifications. Developer shall provide full-time inspection of all underground facilities to assure that the work was in fact performed in accordance with the approved plans and specifications.

Upon acceptance of the work, all water mains and related appurtenances shall become the property and responsibility of the Board, or its successor in interest. Similarly, all water meters shall become the property and responsibility of the Board, or its successor in interest. All service lines and related appurtenances shall become the property and responsibility of the owners of the respective lots receiving domestic water service, in accordance with the Board's rules and regulations.

2. Developer shall provide to the Board, or its successor in interest, any and all easements necessary for the purveyance of domestic water service, at no cost to the Board or its successor in interest.

3. Developer shall make application for service and pay to the Board, or its successor in interest, the then-current water tap installation fees for each lot or property to be served at the time of receipt of a building permit from Sheridan County, or upon commencement of construction of the residential dwelling unit upon the individual lot to be served, whichever occurs first. Billing for domestic water service shall commence at the time of connection to the Board's domestic water system. Once connection has been made to the Board's domestic water system, the owner of the property to be served shall be obligated to henceforth pay all fees in compliance with the rate schedule as established by the Board.

4. The Board, its duly-authorized agent, or successor in interest, shall have the right to inspect all water main and water service line construction. Construction of any residential dwelling unit shall not begin until the domestic water system serving the respective lot has been substantially completed and accepted by the Board, its duly-authorized agent, or successor in interest. Occupancy of any residential dwelling unit shall not take place until the domestic water system serving the respective lot has reached final completion.

5. All water meters shall be obtained from the Board, its duly-authorized agent, or successor in interest, and installed according to the regulations of the Board or its successor in

interest.

6. Developer agrees to abide by the rules and regulations of the Board or its successor in interest.

7. It is recognized by both parties to this agreement that the current capacity of the Board's domestic water system in the area of the Subdivision is limited. Therefore, Developer agrees to perform the following in order to reduce the demands placed upon the Board's domestic water system as a result of the development of the Subdivision.

A. Developer shall not exceed thirty-two (32) 3/4" residential connections, or equivalent. Connections shall be for residential dwelling units only (as opposed to commercial use). No connections for commercial use are allowed unless specific written permission is otherwise granted by the Board.

B. Developer shall install at its own cost an irrigation system within the Subdivision that utilizes a source of water separate and distinct from that of the Board's. This irrigation system shall be utilized for the purpose of supplying irrigation water for any and all exterior lawns, gardens, greenbelts, golf courses and landscaping. It shall not be physically connected in any manner to the Board's system.

The irrigation system serving each property or lot shall be fully operational prior to the receipt of domestic water service for the respective property or lot from the Board.

C. Developer shall include within the covenants of the Subdivision language prohibiting the use of domestic water supplied by the Board for the purpose of irrigating any and all exterior lawns, gardens, greenbelts, golf courses and landscaping. Developer further agrees to establish a homeowners association within the Subdivision which shall, among other items, be responsible for the assurance that domestic water from the Board's system is

not being utilized for irrigation purposes.

Developer agrees that under no circumstances will domestic water from the Board's system be utilized for the purpose of supplying irrigation water for any and all exterior lawns, gardens, greenbelts, golf courses and landscaping within the Subdivision.

8. The domestic water system to be constructed by Developer shall meet fire flows as required by the Board of County Commissioners of Sheridan County.

This Agreement shall be binding upon all heirs, successors in interest, and assigns.

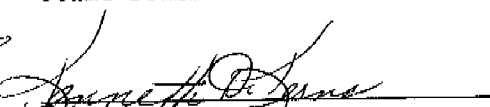
IN WITNESS WHEREOF, the parties to this agreement execute it as of the date first above written.

Attest:

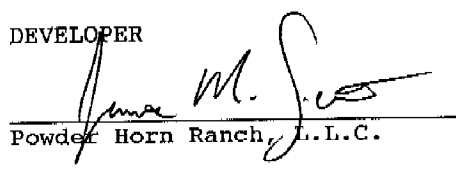
SHERIDAN AREA WATER SUPPLY
JOINT POWERS BOARD

By:


Charles L. Whiton
Secretary


Kenneth D. Kerns
Chairman

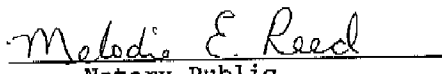
DEVELOPER


Powder Horn Ranch, L.L.C.

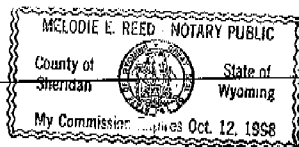
STATE OF WYOMING)
 : ss.
COUNTY OF SHERIDAN)

The foregoing instrument was acknowledged before me this 11th day of February, 1997, by the Chairman of the Sheridan Area Water Supply Joint Powers Board.

Witness my hand and official seal.


Notary Public

My Commission Expires:



STATE OF WYOMING)
 : ss.
COUNTY OF SHERIDAN)

The foregoing instrument was acknowledged before me by _____

James M. Scott, personally know to me as the
Manager of the Powder Horn Ranch, LLC
this 21st day of January, 1997.

Witness my hand and official seal.



Tom Mentock
Notary Public

My Commission Expires: May 18, 2000

EXHIBIT A
LEGAL DESCRIPTION
PHASE THREE
POWDER HORN RANCH
PLANNED UNIT DEVELOPMENT

A tract of land located in the East Half of the Northeast Quarter of Section 4, and the Southwest Quarter of the Northwest Quarter of Section 3, Township 54 North, Range 84 West, of the Sixth Principal Meridian, Sheridan County, Wyoming, being more particularly described as follows:

Beginning at a point located S42°36'33"W, 1784.67 feet from the Northeast corner of section 4: thence S72°31'40"E, 53.82 feet; thence S53°41'30"E, 196.60 feet; thence N71°46'33"E, 166.61 feet; thence N65°56'48"E, 118.38 feet; thence S28°19'01"E, 224.60 feet; thence N51°38'05"E, 51.66 feet; thence N28°19'01"W, 257.30 feet; thence N43°22'58"E, 161.55 feet; thence N15°11'52"E, 93.40 feet; thence S80°32'38"E, 151.60 feet; thence S57°39'58"E, 452.54 feet; thence S20°08'24"W, 136.95 feet; thence along a curve to the right having a radius of 775.00 feet, a central angle of 13°53'14", and an arc length of 187.84 feet, with a chord bearing and distance S62°54'59"E, 187.38 feet; thence S55°58'22"E, 432.53 feet; thence along a curve to the left having a radius of 275.00 feet, a central angle of 30°15'15", and an arc length of 145.21 feet, with a chord bearing and distance S71°06'00"E, 143.53 feet; thence S86°13'38"E, 43.60 feet; thence along a curve to the left having a radius of 425.00 feet, a central angle of 6°44'40", and an arc length of 50.03 feet, with a chord bearing and distance S3°46'22"W, 50.00 feet; thence N86°13'38"W, 43.60 feet; thence along a curve to the right having a radius of 325.00 feet, a central angle of 30°15'15", and an arc length of 171.61 feet, with a chord bearing and distance N71°06'00"W, 169.62 feet; thence N55°58'22"W, 181.88 feet; thence S34°01'38"W, 94.33 feet; thence S87°44'24"W, 136.47 feet; thence N74°33'02"W, 505.12 feet; thence N31°40'34"W, 192.64 feet; thence along a curve to the left having a radius of 375.00 feet, a central angle of 6°41'21", and an arc length of 43.78 feet, with a chord bearing and distance S54°58'46"W, 43.76 feet; thence S51°38'05"W, 80.61 feet; thence S38°21'55"E, 221.71 feet; thence S60°50'41"W, 407.36 feet; thence S72°51'20"W, 164.67 feet; thence S8°29'25"W, 18.00 feet; thence S57°01'17"W, 265.79 feet; thence along a curve to the right having a radius of 325.00 feet, a central angle of 56°10'02", and an arc length of 318.60 feet, with a chord bearing and distance N0°39'01"E, 305.99 feet; thence N61°15'58"W, 68.76 feet; thence N01°16'18"W, 112.46 feet; thence N28°44'02"E, 273.60 feet; thence along a curve to the right having a radius of 285.00 feet, a central angle of 60°20'31", and an arc length of 300.15 feet, with a chord bearing and distance N12°41'55"W, 286.47 feet; thence N17°28'20"E, 168.20 feet; thence along a curve to the left having a radius of 275.00 feet, a central angle of 18°44'38", and an arc length of 89.96 feet, with a chord bearing and length N8°06'01"E, 89.56 feet; thence N01°16'18"W, 100.06 feet; thence along a curve to the right having a radius of 469.24 feet, a central angle of 2°08'21", and an arc length of 17.52 feet, with a chord bearing and distance N0°12'07"W, 17.52 feet; thence S89°07'57"E, 50.00 feet; thence along a curve to the left having a radius of 419.24 feet, a central angle of 2°08'27", and an arc length of 15.67 feet, with a chord bearing and distance S0°12'27"E, 15.66 feet; thence S01°16'18"E, 100.04 feet; thence along a curve to the right having a radius 325.00 feet, a central angle of 18°44'38", and an arc length of 106.32 feet, with a chord bearing and distance S8°06'01", 105.85 feet; thence S17°28'20"W, 168.20 feet to the point of beginning, containing 18.79 acres, more or less.