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COVEY NO25494

AGREEMENT

THIS AGREEMENT, made in duplicate this 19th day of April, 1976, between Gene F. Covey

of Box 495 Osburn Idaho 83449 hereinafter termed "Owner" and (Aqua Drilling and Development, Inc.) of Coeur d'Alene, Idaho, hereinafter termed "Contractor".

WHEREAS, Owner desires that a well be drilled on his land hereinafter described; and,

WHEREAS, Contractor is skilled in the practice and possesses the appliances for doing such work,

WITNESSETH: That,

Owner hereby employs and engages Contractor to drill on his land, as hereinafter described, to a depth not exceeding 700 feet, on the following terms and conditions, to wit:

Said well is to be cased with 6 inch diameter casing, quarter inch minimum thickness to a minimum depth of 1/2 feet, and as much further as found necessary in the opinion of the contractor; it is understood and agreed that it may be necessary to install an inner casing of a lesser diameter and thickness as a result of certain formations that may be encountered in the lower strata; it is further understood and agreed that it may also be necessary to install an interliner of an appropriate thickness and diameter. Contractor reserves the right to determine the diameter and thickness of casing or interliner, as the conditions may require; Owner hereby agrees to pay for all said casing and interliner at the rates stated below. It is further understood that the total footage of casing and interliner can be and probably will be greater than the total depth of the hole.

All tools, needed materials, machinery, labor and fuel required for said work are to be furnished by the Contractor.

Owner agrees to pay for said well at the rate of \$ 11.50 per foot for all uncased hole; plus \$ 4.50 per foot for casing installed plus \$ 2.75 per foot for interliner installed. If reaming is required, there shall be an additional charge of \$ 8.25 per foot reamed.

If this contract pertains to the cleaning out or deepening of an existing hole (well), the Owner hereby agrees to pay the sum of \$ N/A per hour for time spent on Clean-out, and \$ N/A per foot drilled or \$ N/A per hour for drilling time spent, whichever is greater, and should casing or interliner be required, the appropriate charges set out above shall apply.

Development of a new well shall be limited to two (2) hours; after which a charge of \$ 500.00 per hour shall apply to all time spent developing said well.

Should, for any reason, Contractor be unable to diligently pursue the drilling of the hole because of being denied access to the hole by the Owner or anyone else claiming an interest in the land, Owner shall pay to Contractor the sum of \$ 500.00 per day as stand-by time (which may be deducted from the minimum charge) for so long as Owner does not request Contractor to cancel and move elsewhere.

Should Owner desire Contractor to furnish, install or do any other work concerning a pump, pressure tank, well houses, etc., it shall be in addition to the charges heretofore set out or may be written into the hereinafter place designated "Comments". PROVIDED, HOWEVER, that in any event, unless specifically agreed otherwise in this Agreement, payment shall be due and payable in full upon completion of the drilling and casing of the hole.

Owner may stop drilling at any time and pay for the footage drilled or a minimum charge of \$ 500.00, plus \$ 4.50 per foot for casing left in the hole, whichever is greater.

Material taken from the hole may be deposited on the ground adjacent to said well, and Contractor shall not be obligated to further remove the same. It is further understood between the parties hereto that the size of the drill hole may be enlarged or reduced should formations be encountered which, in the opinion of the Contractor make it appear advisable. Should the hole be enlarged or reduced, the price per foot thereof shall be agreed upon at that time and noted in the paragraph hereinafter designated "Comments".

Owner hereby takes notice that Contractor does not guarantee that any water will be encountered at any strata, and in the event water is encountered, Contractor cannot, and does not, guarantee the quality or quantity of the water; owner acknowledges that no representations have been made to him concerning the probability or possibility of finding water and that Contractor has no superior knowledge of these matters. Owner fully understands that the hole to be drilled by Contractor may or may not be straight and it may, in fact, drift several feet in one or more directions and the only representations that Contractor makes to Owner concerning the straightness of the hole is that, the hole drilled will be of such a design concerning draft, that it can be cased and that it will be adequate for use of a submersible or jet-type pump if water is hit. Contractor further gives Owner to understand that he makes no representations that the earth conditions underground will permit the drilling of a hole in any particular spot. Should it occur that the earth conditions will not reasonably permit drilling of a hole in the spot picked by the Owner or picked by the Owner in conjunction with Contractor, and the Contractor finds it necessary to make a move due to the earth conditions, the price shall be at the same rate as hereinabove mentioned for the first hole, plus the full price for the new location and hole. The move shall be treated as a new hole for all purposes. It is further agreed that any work (drilling, clean-out, casing, lining, etc.) attempted or completed, in, or having to do with an existing well or hole, is entirely at the risk of the Owner, and Contractor specifically voids any and all warranties and Owner hereby waives any and all warranties herein expressed or implied.

Selection of drilling location by use of dowsing (water witching) performed by Contractor or his employee(s) shall not be interpreted as a representation by Contractor that said location is any better than any other location and if selected by Owner or by Owner in conjunction with contractor, such selection shall be at Owners own risk.

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Owner Is Hereby Notified That Contractor Does Intend To File A Lien

Owner hereby specifically waives all homestead rights that he now has, or may hereafter acquire, in and to all real property by him for the purposes of further securing Contractor for payment of drilling said hole.

Should any suit be filed by either of the parties hereto, against the other, as a result of any of the terms, covenants or conditions of this Agreement, the winning party in such suit shall be entitled to recover from the losing party, in addition to the usual costs and disbursements allowed by law, a reasonable attorney's fee.

Owner hereby represents to Contractor that the following is an accurate legal description of the 8 acres on which the hole is to be drilled, to wit: 1 + #3 21643 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840. 841.

County of Alameda

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Township _____, Range _____

and further covenants and represents to Contractor that Owner has legal authority to contract for the drilling, either as Owner of the property, agent of the Owner, or as a purchaser with equity.

Owner further hereby releases Contractor from all damages to the real property which may be caused by Contractor in carrying out the normal drilling operations, including placing of debris on the ground, ingress to and egress from the property, etc.

Owner also understands that in some instances, the nature of the ground below the surface will require that a drive shoe be placed upon the casing before the casing is placed in the ground. Contractor shall be the sole judge as to whether or not a drive shoe is necessary. Should a drive shoe be required, in the opinion of Contractor, Owner agrees to pay, in addition to all of the foregoing, the sum of \$35.00 for said shoe which includes the costs of placing the same.

"Casing" as used herein should be defined as casing constructed of metal (iron or steel), with a minimum wall thickness of 1/4 inch.

Owner fully understands that there are numerous federal, state and local laws, rules and regulations governing the drilling of wells, and that the Contractor must abide thereby; there shall be a charge of \$ 23.00 for furnishing and installing a seal in and about the hole, as required by law. Should any unforeseen difficulties arise, governed by the same which would require additional work by Contractor, not contemplated in this Agreement, Owner agrees to repay Contractor his actual costs, plus 15 % for overhead for complying with said laws, rules and regulations.

The charges herein set out do not include the cost of a "Well Screen"; use of a "Well Screen" is not necessarily contemplated, but may be required for proper development of a well in certain formations. If conditions encountered require the use of a "Well Screen" Contractor will attempt to install said "Well Screen", only upon agreement in writing between Contractor and Owner as to cost of materials (screen, packers, etc.) and installation. However, it is understood and agreed that the "Well Screen" and its installation is not part of this contract.

Should prearranged financing be used, Owner covenants to, within two (2) banking days after completion of drilling as aforesaid, deliver to Contractor or the financing institution, a certificate of completion duly signed by Owner, which form shall be furnished by either the financing institution or the Contractor, together with executing all other papers, including notes, mortgages, financing statements, trust deeds, etc., which shall be necessary, in the opinion of the financing institution, to complete the financing arrangements. Owner further hereby acknowledges that there may be, and probably will be, certain financing charges made by the lending institution. Owner will pay for all such costs of financing, recording, filing, etc.

The amounts herein agreed to be paid by the Owner are due and payable to the Contractor in full upon completion of the drilling, as herein agreed; PROVIDED, HOWEVER, any amounts that are not paid to the Contractor within ten (10) days after said completion of drilling, shall be subject to a credit finance charge equal to an ANNUAL PERCENTAGE RATE of 10%, computed on a monthly basis at the PERIODIC RATE of .833% beginning on the date of completion of drilling, until such time as the entire amount herein contracted to be paid, plus any applicable FINANCE CHARGES, have been paid in full.

The Owner hereby agrees that in the event that all amounts, plus accrued finance charges, have not been paid within thirty (30) days after the completion of drilling, unless a different period of time is stipulated in writing, he (and his wife, if applicable) will execute a Deed of Trust or a Mortgage conveying the above described real property for the purpose of securing payment of the remaining balance due hereunder, including any accrued FINANCE CHARGES. Upon the failure or refusal of the Owner to so execute said Deed of Trust, or Mortgage, whichever is demanded by the Contractor, a materialman's lien will be filed and proceedings to enforce this Agreement and collect all sums due hereunder will be initiated by Contractor. Owner hereby agrees to pay, in addition to all other sums due, a reasonable attorney's fee for collection costs, whether or not suit is initiated.

Comments - - Additional terms and conditions:

(Attach additional sheets if necessary)

This Agreement shall be binding upon the heirs, personal representatives, administrators and assigns of all parties hereto.

SCANNED
AUG 30 2010