

WATER RIGHTS SPECIAL WARRANTY DEED

THIS DEED, made this 1st day of October, 2004, between KAP No. 2, LLC, a Colorado limited liability company, whose address is PO Box 792, Manitou Springs, CO 80822, hereinafter referred to as "Grantor", and David D. Jenkins, whose address is PO Box 792, Manitou Springs, CO 80822, hereinafter referred to as "Grantee".

WITNESSETH that Grantor, for valuable consideration in hand paid by Grantee, the receipt and sufficiency whereof are hereby confessed and acknowledged, has granted, bargained, sold, and conveyed, and by these presents does grant, bargain, sell, convey and confirm unto Grantee, his successors and assigns forever, the following specifically described ground water rights:

See Exhibit A attached hereto

Have

Together with all and singular the hereditaments and appurtenances thereunto specifically appertaining, and all the estate, right, title, interest, claim, and demand whatsoever, of Grantor, either in law or equity, of, in, and to the above bargained ground water right, **TO HAVE AND TO HOLD** such water rights above granted, bargained, sold, conveyed, and confirmed, with the appurtenances, unto Grantee and its successors and assigns forever.

Grantor warrants title to such above conveyed water rights against all persons claiming through the Grantor; PROVIDED, however, Grantor does not hereby warrant the quantity or quality of water available under or in exercise of the above bargained ground water rights.

IN WITNESS WHEREOF, Grantor has hereunto set his hand and seal the day and year first above written.

KAP No. 2, LLC, a Colorado limited liability company

By: 
Kent A. Petre, Manager

ROBERT C. "BOB" BALINK	El Paso County, CO
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EXHIBIT A

A. Ground Water Rights Conveyed: All ground water contained in the Dawson and Denver aquifers the following described property:

The SE ¼, Section 11, and the NE ¼, Section 14, Township 12 South, Range 65 West of the 6th P.M., in El Paso County, Colorado. (310 acres, more or less.) ("Property")

Such ground water rights are described in the Colorado Ground Water Commission Findings and Order Nos. 462-BD and 463-BD, dated March 16, 2004, and as quantified therein as follows:

<u>Aquifer</u>	<u>Type</u>	<u>Average Annual Amount (Acre-Feet)</u>
Dawson	Not-NT	217.0
Denver	Not-NT	80.1
Denver	NT	88.6

B. Water Rights Reserved:

1. Grantor reserves unto himself the ground water in the Arapahoe and Laramie-Fox Hills aquifers underlying such Property, as described in the Colorado Ground Water Commission Findings and Order Nos. 460-BD and 461-BD, dated March 16, 2004, and as quantified therein as follows:

<u>Aquifer</u>	<u>Type</u>	<u>Average Annual Amount (Acre-Feet)</u>
Arapahoe	NT	134.0
Laramie-Fox Hills	NT	90.7

2. EXCEPT, such ground water in the Arapahoe and Laramie-Fox Hills aquifers that is required by the appropriate authorities for approval of Grantee's Development, as it is contemplated as March 24, 2004, shall be reserved for such purpose. Such reservation shall expire one year from the date that Grantee receives final approval of its development plan and plats for the Property from the El Paso County Commissioners. Within three days of such date, Grantee shall execute a Release, in the form attached hereto, which shall operate to bar any further claim Grantee may have in or against the ground water in the Arapahoe and Laramie-Fox Hills aquifers underlying such above described Property.

C. Adjustments in Quantity:

Pursuant to the Ground Water Commission's retained jurisdiction, the ground water quantities stated above are subject to adjustment based on site-specific information obtained from well drilling or test holes on the Property.

RELEASE

As of _____, 200__, Grantee of a certain Special Warranty Deed dated March 24, 2004, and recorded at _____ in the real property records of El Paso County, Colorado, releases and forever disavows all right and claim whatsoever to any and all ground water contained in the Arapahoe and Laramie-Fox Hills aquifers underlying the property acquired by Grantee in the referenced deed, also described as follows:

The SE ¼, Section 11, and the NE ¼, Section 14, Township 12 South, Range 65 West of the 6th P.M., in El Paso County, Colorado. (310 acres, more or less.)

Note: In the event any of such Arapahoe or Laramie-Fox Hills aquifer ground water is required for the approval of the development by the proper authorities, then an amount certain can be conveyed by deed, and this Release will be modified accordingly.