This contract, made and entered into this 30th day of June, A. D. 1906, by and between T. C. Henry and Sons and Company, a corporation duly organized and existing under and by virtue of the laws of the State of Wyoming, party of the first part, hereinafter designated as the contractor, and The Montezuma Valley Irrigation District, of the County of Montezuma and State of Colorado, party of the second part, hereinafter designated as the District,

WITNESSETH: That whereas a certain Agreement has been made and entered into and is now existing between said District and The Montezuma Water and Land Company, in words and figures following :-

THIS AGREEMENT made and entered into between The Montezuma Water and Land Company, a corporation existing under and by virtue of the laws of Colorado, party of the first part and The Montezuma Valley Irrigation District, a corporation existing under and by virtue of the laws of Colorado, party of the second part, WITNESSETH:-

WHEREAS, the said party of the first part is desirous of disposing and the said party of the second part is desirous of acquiring under satisfactory and equitable terms and conditions the water system owned by said party of the first part,

NOW THEREFORE, it is hereby agreed by and between the parties here-to as follows, to-wit:

First. The said party of the second part agrees to submit to the electors of the said Irrigation District within seven (7) weeks from the date hereof the question of rescinding the action of said electors here-tofore taken at election held, authorizing the issuance of $500,000 of the bonds of said District, and as well the question as to whether or not the bonds of said District in the amount of $750,000 ( and in addition thereto, according to law, bonds sufficient to pay the first year's interest on said bonds ) shall be authorized to be issued for the purpose of purchasing the water system belonging to the said party of the first part in its entirety, and the enlargement and betterment of the same to an extent sufficient to meet the necessities of all irrigable land within said District.

Second. The said party of the first part hereby gives to the party of the second part up to and including the 31st day of August, A. D. 1906, the right to purchase its said water system in its entirety, as the same now exists, for the sum of $250,000 cash, or for the sum at the option of second party, of $325,000 of the 6 per cent twenty year bonds, issued according to law, of the said The Montezuma Valley Irrigation District, and upon the making of said payments in bonds or said payment in cash, to convey to the said party of the second part the said property by warranty deed or deeds free and clear from all liens, the intention being to convey or cause to be conveyed as a part of the option hereby granted, the telephone line belonging to the first party, the Cortez Lateral, owned by the Cortez Lateral & Flumes Company, and any
and all reservoir sites held by first party or controlled by it, which form a part of said water system and which party of second part will need to utilize in the enlargement of said system.

PROVIDED, HOWEVER, That if the taxes, interest and penalties, as shown by the books of the County Treasurer of Montezuma County, and which are disputed by first party, are still unpaid, and the said dispute unsettled, the said party of the first part may leave sufficient of said bonds or cash with the said party of the second part to cover the said unsettled taxes, interest and penalties, or otherwise secure the payment of the same to the satisfaction of said party of the second part until such time as a settlement or binding court decision may be made as to the amount of such taxes, interest and penalties to be actually paid by the said party of the first part.

Third. The option or right of purchase herein granted shall be null and void if said election on the questions stated in the first article hereof be not held within seven weeks from the date hereof and shall be null and void if the said proposition to be submitted to the said electors at said election fail to carry.

Fourth. It is also agreed between the parties hereto that in event that the payment for said property be made in the bonds of the District, the remainder of the bonds of said District so authorized to be issued shall be issued and deposited with a trust company to be named by the parties hereto, such deposited bonds to be withdraw upon their joint orders and only for the purposes of the enlargement and betterment of the said water system and otherwise, all as herein foreseen.

Fifth. Party of the second part also agrees that if the proposition submitted to the electors, as aforesaid, shall carry, then forthwith, thereafter, the legality of said issue of bonds shall be presented to and approved by the District Court of Colorado for Montezuma County.

Sixth. It is also agreed that the respective parties hereto will give to each other all information energetically and promptly of which each may be, or may become possessed in the matters of the present water system, enlargements, betterments and all things connected with the affairs of this engagement, rendering to each other all assistance possible, and the party of the first part agrees to aid said party of the second part, so far as possible, to obtain the most favorable market for the sale of the bonds of the said Irrigation District.

WITNESS the signatures of the respective parties hereto by their respective proper officers, together with the official seal of each this 1st day of March A. D. 1906.

( Seal)

Attest,

W. H. Ostenberg
Secretary.

THE MONTezuma WATER AND LAND COMPANY.
By .... R. N. Freeman,
President.

THE MONTezuma VALLEY IrrIGATION DISTRICT.
By .... R. P. Gordon,
President.

Attest:

W. P. Horvy
Secretary.
This option and agreement approved by

Colorado State Bank of Durango
By B. N. Freeeman, Prest.
Denver National Bank
J. A. Thatcher, Pt.
John V. Farwell
Per A. L. Farwell.

AND WHEREAS the Receiver of the property of said The Montezuma Water and Land Company has been authorized by the District Court of said Montezuma County to execute said contract, and to do all things necessary to carry out the provisions thereof; and whereas said District has fully complied with the provisions of the first and fifth paragraphs of said agreement, and has ordered the issuance of the full amount of $795,000 of the bonds of said District for the purposes and in manner and of tenor as provided by resolution of its Board of Directors duly adopted and entered in the records of the proceedings of said Board on the 16th day of April, A. D. 1906; and whereas said District is desirous of exercising its rights as provided in paragraph second of said agreement on the basis of the cash payment as therein provided:

NOW THEREFORE, this contract further witnesseth:

I.

THAT said contractor in consideration of the agreements of said District herein, agrees with said District:

I. That said contractor, for the full consideration of $740,000, to be paid to it by said District in the said bonds of said District, as hereinafter provided, will furnish to said District the said amount of $250,000 cash required for the purchase of said system pursuant to the terms of said agreement in due time for tender and payment as provided in said agreement; and that upon the execution and delivery of the deed of conveyance to said District by said The Montezuma Water and Land Company, as provided in said agreement, and delivery of possession of
the property so conveyed to said District, it will extend, reconstruct, enlarge, add to and improve said system, and put the same in good order and repair and bring the same to such capacity and condition of efficiency as shall be necessary for the conveyance and delivery of 750 cubic feet of water per second of time from the Dolores River in said County measurable at the intake from said Dolores River, for the irrigation of the lands in said District, and for the storage for and delivery to said lands of 750,000,000 cubic feet of storage water (to be measured at the place of storage) for the irrigation of said lands in addition to the natural flow of said Dolores River, with 5 per cent in addition to such storage capacity for any reservoir in the McElmo drainage, and 10 per cent additional for storage in any reservoir in the Dolores drainage.

2. That said improvements, additions to, betterments and extensions of said system shall include more especially the following; namely: new headgates and diverting dam at the intake at the Dolores River; putting in good condition of the tunnel for the delivering through the same of 750 cubic feet of water per second of time; the construction of a lateral to be known as the New Narraguinnep Lateral in lieu of the present Narraguinnep Lateral westerly from the south end of the tunnel, such as to location and capacity as will fully serve the purpose of seasonably filling the Narraguinnep Reservoir hereinafter mentioned with storage water, and also supplying the lands in said District heretofore supplied or supplyable from what is known as the Main No. 2 canal of said system and from said old Narraguinnep Lateral, and also to be in lieu of said Main No. 2 Canal; (the work required hereunder not to be deemed to apply as to said old Narraguinnep Lateral and said Main No. 2 Canal) the enlargement and completion of the East Lateral and the Mesa Verde Lateral, the same with the Simon Gulch connection to be known
as the East High Line Lateral; such work on the Hermans Lateral, including the extension thereof, as shall be necessary for supplying the lands supplantable thereby, and for the seasonable conveyance to said East High Line Lateral of the water to be stored in said Narraguinnep Reservoir; the improvement and enlargement of the Lone Pines, Garrett Ridge, May, Arickaree, Cortez, Corkscrew, Goodland and Rocky Ford Laterals, and the construction of a lateral to be so located and constructed as to cover the lands in said District in the neighborhood of Section Eight, Township 36, North of Range 16, West N.M.P.M., to the elevation of the highest land in said Section Eight; and such other laterals or extensions as may be required to cover any other lands within the District naturally irrigable from said system and not provided with facilities for irrigation under said system; the construction of the Narraguinnep Reservoir at what is known as the Narraguinnep Reservoir site to the full size that the natural depression will permit by filling the canyon at the dam-site therein with a dam to the full height of the apex of the adjoining summit on the immediate west, and the filling of all other low points or gaps to a level with said dam; the construction of one or more reservoirs at such place or places as will, in connection with said Narraguinnep Reservoir, conveniently and amply provide for supplying the lands of said District with the full amount of storage water herein provided for.

3. That it will begin the work herein provided to be done by it forthwith upon the ratification by the electors of the District aforesaid, as hereinafter provided to be sought by the District as provided by law, and the delivery of possession of said system to the District, as above provided, and will diligently prosecute the same so as to fully complete said system, as the same is herein provided to be completed, by not
later than May 1st, A. D. 1907, and will complete the same by said last named date accordingly; Provided, That the contractor shall have until June 1st, A. D. 1907, in which to complete any reservoirs in the McElmo drainage, and until November 1st, A. D. 1907, to complete any reservoirs in the Dolores drainage.

4. That it will perform all work herein provided to be done in good workmanlike manner, and construct, reconstruct and improve all works or structures herein required to be constructed, reconstructed or improved by it according to the recognized standards of engineering and construction in the class of irrigation works in Colorado contemplated as aforesaid to be furnished and provided for said District under this contract, including the customary measures employed in securing the permanency of such work; that all ditches, canals and laterals herein provided for shall be constructed with and given such safe and proper grade and be provided with such properly constructed drops as may be necessary to preserve the same from undue erosion, and have such length and dimensions and location as apply to supply all of the irrigable lands of the District lying under the same respectively with the full amount of water which the owners of such lands shall be entitled to receive therefor, and contemplated hereunder to be supplied to them; that all lumber or timber that shall be used in such work shall be pine cut green and sound, and that all unsound lumber in any structures on said system shall be replaced with sound lumber; that all plans and specifications and work on any reservoir constructed hereunder shall be such as to receive the approval of the State Engineer of Colorado, as provided by law in that behalf; that all such reservoirs shall be provided with stand pipes, valves and other customary appliances of approved pattern and construction for the safe and convenient withdrawal of water therefrom and
with proper wasteways for provision against danger from storm waters, and with such feed and supply ditches as may be necessary for seasonably filling the same; that only materials of standard quality shall be used in any of said work; and that all work herein provided to be done shall be done in accordance with the plans and specifications hereinafter provided for.

5. That it will perform the amount of work required to be done on said Narragunnep Reservoir in due time as provided by the contract between the Colorado State Board of Land Commissioners and said District in that behalf, and will assume the obligations of the District under its contract with one D. H. Dalton on said Narragunnep Reservoir as to payment for work done under said contract.

6. That it will within 30 days after the execution of this contract deliver to the District its bond to the District in the penal sum of Forty Five Thousand Dollars $(45,000)$, with sufficient surety to the satisfaction of the Board of Directors of the District conditioned for the faithful performance by said contractor of its agreements hereunder.

7. That it will, at the option of the District accept $21,000 of the amount of said bonds in excess of $750,000 thereof so provided to be issued for the first years interest on the bonds to be received by it as herein provided as their face value, or cause the same to be so accepted by the holders of any such bonds to whom the same may have been transferred or pledged, or in lieu thereof to purchase said amount of $21,000 of said bonds from the District at 95 cts. on the dollar to provide the cash required to pay such interest; and that it will take the further amount of $5,000 of said bonds at 95 cts. on the dollar, the same to be placed with the Bank hereinafter named at the same time with the $740,000 of said bonds hereinafter named, the proceeds thereof
at said rate to be placed to the credit and subject to the order of said District in said Bank as follows: Half by September 5th, A.D. 1906, and the balance by December 1st, A.D. 1906.

3. That it will protect and save harmless the District against any and all claims for labor and materials furnished in connection with the prosecution of said work by said contractor.

II.

That the District in consideration of the agreements of the contractor herein contained, agrees with the contractor:

I. That it will submit the proposition for the purchase of said system for the sum of $250,000 cash, as provided in said agreement with said The Montezuma Water and Land Company, and as well this contract to the electors of the District forthwith; and that in the event of such ratification, it will forthwith cause the bonds herebefore ordered to be issued in the amount of $795,000 to be prepared and duly signed and attested by its proper officers ready for delivery; and shall cause the sum of $740,000 of said bonds to be placed with The Metropolitan Trust and Saving Bank of Chicago, Illinois, or such other Trust Company or Savings Institution as may be agreed upon by the parties hereto, to be delivered to said contractor as follows:

Such amount thereof forthwith, not exceeding the sum of $325,000, as may be required by said contractor in its judgment for securing the payment of the consideration for the conveyance of said system to said District, as provided in said agreement, said consideration of $250,000 cash to be deposited with said Bank before the withdrawal of said $325,000 of bonds or any part thereof, to the credit of, and subject to the order of the District for the purpose of making such payment or tender thereof to said The Montezuma Water and Land Company.
Upon completion of the work required to be done upon the tunnel and upon the headgates and diverting dam at intake, as herein provided, the sum of $32,500; upon completion of the New Narraguinnep Lateral, as herein provided, the sum of $75,000; upon completion of the Narraguinnep Reservoir, as herein provided, the sum of $75,000; upon completion of the East High Line Lateral, and Rocky Ford Lateral, as herein provided, the sum of $90,000; upon completion of the additional storage reservoir or reservoirs, as herein provided, the sum of $37,500; upon completion of the Lone Pines, Garrett Ridge, Hermano, May, and Arickaree Laterals, as herein provided, the sum of $57,500; upon completion of the Cortez, Corkscrew and Goodland Laterals and the unnamed laterals specifically mentioned herein to be constructed, as herein provided, and upon the full performance by the contractor of all its covenants and obligations herein, the sum of $47,500; Provided, however, that upon the presentation of proper vouchers approved by the District engineer covering the monthly expenditures made upon each and every one of the foregoing items of construction, there shall be delivered by said Bank to the order of said contractor an amount of said bonds at par value equal to the aggregate sum or sums of such expenditure so vouchered and approved; and provided further, that the bonds so provided to be delivered to the contractor upon the completion of specific portions of work, as aforesaid, shall be delivered only upon certificates of such completion signed by the engineer of each of the parties hereto, or in the event of their inability so jointly to certify, then upon like certificates of the referee herein provided for; and no such certificates or approval of vouchers shall be given until the contractor shall furnish satisfactory evidence to the District that all claims for labor
and material furnished for the portion of the work for which such certificate is demanded have been fully satisfied, unless the contractor, being desirous of contesting any such claim, shall give its further undertaking to the District with such security to be approved by the District Board of Directors, conditioned that it will protect the District from all loss or expense by reason thereof, and diligently cause such claim to be brought to final adjustment.

2. That it will promptly and at its sole expense secure all rights of way necessary for the performance of any work agreed upon to be done by the contractor herein.

3. That it will use its utmost endeavors to induce the purchase by the State Board of Land Commissioners of the State of Colorado of that portion of the said bonds to be issued hereunder, as is provided by law, but all expenses in that connection shall be paid by the contractor herein.

III.

It is further mutually understood and agreed by and between the parties to this contract:

I. That the District shall immediately upon the ratification herein before provided for, cause to be prepared by its engineer an estimate of the carrying capacity required for each of the canals, ditches and laterals herein provided for to supply properly and adequately the lands of the District with water as the same are herein contemplated and provided to be supplied, and submit the same to the contractor within 15 days after such ratification; and that the contractor shall within 30 days after the receipt thereof, prepare a detailed set of plans and specifications for all the work required to be done by it hereunder; and submit the same to the District, provided, that the engineer of the con-
tractor may at its option cooperate with said District engineer in such work, and said engineers, if they can, upon such co-operation agree, shall jointly prepare such detailed set of plans and specifications; but in the event of their inability to so agree, the District shall within 10 days after the receipt by it of such plans and specifications have the right to submit to the contractor its disapproval of such plans and specifications, or of any of the material proposed by the contractor to be used in said work, and to state such modifications as to such plans, specifications and materials as may seem to the District engineer, proper; and in event of any such disapproval, and of the inability of the engineers of the parties to agree as to the proper plans, specifications and materials, any dispute so arising shall be referred for final decision and settlement as is herein provided for reference and settlement of other disagreements between the parties hereto; provided, the contractor may have 90 days additional time for submitting plans and specifications for any storage reservoir or reservoirs in the Dolores drainage; and such plans and specifications when so settled shall be deemed to be the plans and specifications for the work provided to be done hereunder, except as the same may be modified by the written consent of the parties hereto; the general provisions of this contract, however, as to the standards of engineering and good workmanship and material to be regarded as the controlling standards of efficiency and sufficiency in that behalf.

2. That the District engineer shall at all times have access to and right of examination and inspection of all plans, specifications, maps, field notes, and of all work and materials used and employed in the prosecution of said work, and that upon his request he shall be promptly furnished the originals of such plans, specifications, maps and field
notes as have not already been furnished the District as hereinbefore provided, without charge, for the purpose of making copies thereof; and all such originals shall be turned over, free of charge to the District upon completion of said work.

3. That the District engineer shall have the right, on behalf of the District, to object to the character of the work or materials at any time being done or used by the contractor in the prosecution of said work in any case where in his judgment the character of such work or materials would not readily be subject to ascertainment upon the completion of such work; and any dispute between the District and the contractor or so arising shall be immediately referred for decision as is herein provided for reference and decision of other disagreements of the parties; and in the event of the referee deciding that such work or materials are not in accordance with the requirements of this contract in that behalf he shall direct such change therein as is necessary in his judgment to secure compliance with such requirements, and the contractor shall forthwith make good accordingly; provided, the failure of the District engineer to so object shall not bind the District to the acceptance of any such work or materials if the same is in fact not up to the standards of such contract requirements.

4. That upon the completion of any of the specific portions of work the same shall be turned over to the District, and the contractor shall be relieved from further maintenance thereof; but no payment made as herein provided to be made shall be taken as other than as payment upon general account hereunder; and all work done hereunder shall be done under the direction and to the satisfaction of the District engineer in charge, and be approved by the District Board.

5. That the surveys and work provided for hereunder shall not in any
manner interfere with the operation and maintenance of said system by said District during the irrigation season; provided, that the District agrees to cease the operation of said system for the current irrigation season on September 15th, 1906, and shall thereafter run water through said system for domestic and stock purposes for 5 days only, during the first half of November, 1906, and for such period also, as soon after January 1st, 1907, as the weather will permit, not exceeding 5 days; and that during all such other times within the term of this contract outside the irrigation season, the contractor shall have the necessary right of entry upon and occupation of the said property for the purpose of making such enlargements, extensions and improvements as are herein provided to be made; and that no such work as is herein provided for shall be so conducted by the contractor as to leave any portion of said system as heretofore operated in such condition as to make it impossible for the District to operate the same efficiently for the irrigation season of 1907, or to throw any further burden in putting the same into shape for operation for said season upon the District than is incident to the ordinary cleaning and repair work on said system prior to the beginning of the irrigation season.

6. That in the event of any disagreement between the parties hereto as to compliance by the contractor with any of the agreements herein as to the construction, enlargement, improvements and extension of said system, the matter in dispute shall be referred for decision to such other engineer as the parties may agree upon, and in the event of their failing to agree upon such referee, the same shall be referred for decision to the State Engineer of Colorado, and in the event of the failure or refusal of such State Engineer to act promptly and in person in the premises, the same shall be referred for decision to the acting
provision of the District Board of Directors be declared to, this contract may be the
fully complete said system as herein provided for the time herein limited
in that event, time being of the essence of this contract. As to the
matters in this paragraph, above referred to, said contractor, as herein
be done by it hereunder within 30 days after delivery of possession
of said system to the District as hereinbefore mentioned, the District
Board of Directors may at its option cancel this contract as to all
matters then remaining unperformed, and recover back from said Bank
any bonus so deposited with it as hereinbefore mentioned and not used
for any purpose other than the completion of the work provided for
herein. The District Board of Directors shall be free and unmolested by
said contractor for the work done by it hereunder. The District Board of
Directors may at its option cancel this contract as to all matters then
remaining unperformed, and recover back from said Bank any bonus so
deposited with it as hereinbefore mentioned and not used for any
purpose other than the completion of the work provided for herein.

6. That if the contractor shall fail to furnish bond for faithful
performance as herein provided or to comply with its agreements as to
the manner of payment, or in any other respect, all such monies and moneys
as may be earned in providing for the purchase price of said system as
ordered by the Board of Directors, shall be paid by the contractor and that
all charges by said Bank for any of the matters to be done by it hereunder shall be
borne equally by the parties hereto.

7. That all bonds provided to be delivered hereunder, except such
bonds as may be delivered hereunder, shall be delivered hereunder, and the
contractor shall be responsible for all the bonds herein provided for.

[Signature]
Professor of Irrigation Engineering in the State Agricultural College.
the same may be ascertained by such engineers or referee engineer as justly retaillable by the District for the completion of said work by the District under the conditions then existing; and in the event of such declaration by the District Directors it shall be entitled to receive from said Bank any of said bonds so placed with it, and not earned by the contractors hereunder, or the value of the same on the basis of 95 cts. on the dollar, any such allowances for "bonds earned" on the use of such bonds for procuring cash for such tender of $250,000 cash to the said The Montezuma Water and Land Company not to exceed the sum of $275,000; and provided, that no such declaration shall relieve either party from any liability theretofore incurred to the other by reason of the breach of any provision of this contract;

9. That the execution of this contract by the District Board of Directors is subject to the ratification thereof, and of the proposition for the purchase of said system for the sum of $250,000 as aforesaid, by the electors of the District, at the election to be held as provided by law; and that in the event of the non-ratification of said matters at such election then this contract shall be of no further binding force or effect on either of the parties hereeto.

10. That the District shall promptly offer for sale pursuant to the provisions of law in that behalf, the remainder of said full bond issue of $795,000 not heretofore offered; and if said bonds shall be sold upon said offer then the contractor agrees to accept 90 cts. on the dollar in cash on said payments for construction, in full satisfaction thereof, and in lieu of the agreement of the District herein as to delivery of said bonds to said Bank as to said remainder thereof.

11. That the District shall use all diligence and efforts in securing title to said system, and in obtaining possession thereof, under
and pursuant to the terms of said agreement between it and said The Montezuma Water and Land Company, to the full extent of its rights thereunder; and if for any cause not arising from the default of the District, the District be delayed in so securing title and possession, such delay shall not relieve the contractor from any of his obligations hereunder nor render the District liable to the contractor for any claim of damage on the part of the contractor by reason of any such delay; provided, that if any such delay shall extend beyond the 15th day of September, A. D. 1906, and be from any cause not arising from the fault of the contractor, then the contractor may have such further time for the completion of the work herein provided to be done as such delay may extend beyond said last named date; that if upon such tender being made pursuant to said agreement dated March 1st, A. D. 1906 and to the tenor of this contract, and the said The Montezuma Water and Land Company, should for any reason fail or refuse to accept the same and to execute and deliver to the District the deed or deeds of conveyance therein provided to be made, then the contractor shall hold itself in readiness at any time up to August 31st, A. D. 1907, upon 60 days notice from the District, to furnish the said amount of $250,000 cash necessary to make good such tender, upon the terms of this contract in other respects; and that, if from any cause the District shall fail to secure title to and possession of said system by the 31st day of August, A. D. 1907, the either party hereto, if not responsible for such failure by reason of default in its agreements hereunder, may at its option declare this contract of no further effect; and in the event of such last named declaration, the District shall be entitled to receive back from said Bank its bonds delivered to said Bank hereunder; and in the event of failure of the District, not arising from its default hereunder, so to secure title and possession of said system herein named, it
shall not be liable to said contractor for any claim of damage on the part of said contractor by reason of such failure.

12. That the District shall not begin the operation of said system prior to May 1st, A. D. 1907, in such manner as to interfere with the work herein required to be done by the contractor; and if any such delay as is mentioned in the paragraph foregoing shall extend the time for completion of said work, required to be done by May 1st, A. D. 1907, beyond September 15th, A. D. 1907, then the contractor shall have the same rights for the season of 1907, as therein provided for the season of 1906.

13. It is further agreed that the contractor shall have the right at any time during the life of this contract to sell the bonds in the possession of the said Bank at the rate of not less than 85 cts. on the dollar of the principal of said bonds and the proceeds of such sale shall be substituted for said bonds and left in the possession of said Bank for delivery to the contractor as provided with regard to said bonds, and the said Bank is authorized to deliver bonds so received only on receipt and deposit of such proceeds; in case of such sale of bonds the contractor agrees to provide for and pay the accruing interest on such bonds sold under this privilege until such time as the bonds would have been delivered to it under this contract; the contractor shall have the option of taking either the moneys so deposited at the rate for which such bonds were sold, or bonds at par as the bonds shall have been earned under this contract.

IN WITNESS WHEREOF, the said parties to this contract, pursuant to resolution of their respective Boards of Directors, duly adopted in that behalf, have caused these Presents to be signed in
their respective corporate names, by their respective Presidents, and to be attested by their respective Secretaries, with their respective corporate Seals, the day and year first above written.

T. C. Henry and Sons and Company.

By, T. C. Henry President.

[Signature]

[Signature]

The Montezuma Valley Irrigation District.

By, President.

Attest,

Secretary.
The Montezuma Valley Irrigation District:

My dear Sirs:—

I have looked over casually the proposed contract between you and the Montezuma Water and Land Company for the sale of the ditch properties of the latter company to your district. In my judgment this contract would result in the water users of the District paying $70,000. for the Co. ditch system in said county except main #2 east of the great cut with the system so improved by re-building the dam and head gate at the intake of canal and so timbering or re-timbering the tunnel as to stop the carrying on the completion of the Narraguinnip lateral, the completion of the East High Line and Rocky Ford Laterals, the completion of the Hermance, Lone Pine, May & Arie Keree Laterals and showing enough water to supply annually 1,000,000 cubic feet of water for each 30 acres of irrigable ground now in the district or which may thereafter be added thereto.

The work herein is to be done according to the recognized standards of engineering. In particularizing the contract features of this contract at page 4, there appear these provisions:

First.

And immediately upon said bonds being in readiness for delivery as above provided, the first party shall deliver said deed to the second party, and the second party shall deliver to the first party, the amount of $200,000. of said bonds, and cause the remainder of said bonds to be placed in escrow to be delivered up to the first party as follows: Upon the completion of the timbering tunnel and building new head gate and dam at intake $50,000. Upon completion of New Narraguinnip Lateral $65,000. Upon completion of East Highline and Rocky
Ford $85,000. laterals. Upon completion of the Narraguinnip Reservoir $70,000. Upon completion of the other storage $40,000. Upon completion of the Hermosa "Lone Pine" May and Akre Kerese Laterals $60,000.

Upon the completion of all other work required hereunder and full performance by the first party hereunder, $170,000.

While not saying so in direct language the necessary inference must be drawn from this contract that the original system as it now stands is worth $200,000. That to timber the tunnel, build a new dam and head gate at the intake is worth $50,000. That to build the Narraguinnip Lateral is worth 65,000.

That to complete the east High Line and Rocky Ford Lateral is worth 95,000.

To build Narraguinnip Reservoir is worth 70,000.

To complete Hermosa, Lone Pine and May and Akre Kerese Laterals 60,000.

To complete the other work required will take 170,000.

This contract provides for an enormous expenditure of money irrevocably fastened upon the lands of the District drawing interest at 6% per annum, which can be easily born if a water system is secured, which will sufficiently water the ground and be practically exempt from further re-building or repairs for the 20 year period of payment, but should such water supply be inadequate or the work done be insufficient to insure a constant inexpensive flow, then the result would probably cause a sacrifice of many homes and much arduous toil. The responsibility is so enormous, and the chances for disaster so great that no one connected with this enterprise from the voter to the president can afford to overlook a single precaution in the preliminary step in an attempt to accomplish the proper watering of their lands. When these bonds are once fastened upon the lands, they are inextricable and all safe guards must precede their delivery or the land owners are without protection. In the first place there
are no kinds of plans or specifications provided or referred to for the building of the new dam, headgate, and timbering of the tunnel, for the completion of the new Narraguinnip Lateral, for the completion of the east High Line and Rocky Ford laterals, for the building of the Narraguinnip Reservoir, for the completion of the Hermano, Lone Pine, May and Aric Keres Laterals.

These all important measures were left to the Land and Water Company, subject only to the general provision that they shall be sufficient to insure a flow of one cubic foot of water per second for each 30 acre tract in the District, and shall store 1,000,000 cubic feet of water for each 30 acre tract and that the work shall be according to the recognized standards of engineering, shall be in a good and workmanlike manner, the timbering of the tunnel shall be in such a manner as to prevent further caving of sides and roof, etc.

From the overwhelming importance of this transaction to every individual land owner as well as the community at large I would suggest that ordinary prudence requires that these salutary general provisions should be preceded by a well matured adopted set of plans and specifications worked out by a competent engineer, providing, for instance, just where the dam of the reservoir shall be built; that the foundation shall at all points rest solidly on the bed rock of so many feet in width, with such a slope from the dirt level to the top with a certain character or quality of cement with a certain base and with a solid and cement face connecting with the solid cliffs on either side and with a certain character of chute or outlet with a certain character of head gate insuring a permanent structure that will not require re-building or material repairs during the 30 year payment period to be approved by said engineer in addition to you, and timbering the tunnel for instance, the size and character of timbers, how often set, how coupled and what shall be removed before setting, so you will have assurances that it will be permanent and lasting. The same as to headgate and dam, but
only an engineer can work out these details. The last specific item set forth in the contract for instance, "upon completion of all other work required hereunder and full performance hereunder $170,000. This great sum of money is not specifically applied. Evidently the preceding items each have had additions made to cover contingencies and this great floating sundry expense of $70,000, for the completion of work is only visible to the party of the first part, should be specifically applied. I am further strongly impressed with the idea that the board cannot in justice to the land owners or itself afford to submit this contract to the electors until a competent engineer not only makes such plans and specifications but adds to it a detailed estimate of the necessary expense of the work and material required. For instance, the first specific item sets forth in the contract after paying $200,000, for the system, is "Upon completion of timbering tunnel, building new dam and headgate, $50,000.00 on the publication of this contract, the irresistible implication in that this work is reasonably worth in the market $50,000.

However, in this vast sum there does not seem to be a plan or specification of the manner of building, character of material or any kind of estimate of necessary cost. This indefiniteness not only subjects the land owner to every opportunity to excessive prices, but leaves the whole subject open for contention and opens the door for endless disputes and litigation. The land owners are entitled to vote on a contract that definitely defines their rights with every provision in the contract so direct that there can be no occasion for dispute. For instance, instead of saying that the party of the first part shall store enough water to supply 1,000,000 cubic feet to each 80 acres including the completion in the Narraguinnip Reservoir if you in detail describe just how this reservoir shall be built,
then the measuring of the reservoir complete, the obligations on both sides or instead of saying that tunnel shall be timbered in a manner that will prevent the coming in of sides and roof, if you determine what is necessary to take out of the tunnel, then the kind of timbers and the manner of putting them in when your engineer approves the work and you pay for both sides are relieved from further responsibility and so it will be with every other item.

If you let this contract on such indefinite a basis with the Water and Land Company, its engineers and witnesses will consider sufficient and in accordance with good engineering, the District Engineer, land owners etc. will probably consider wholly insufficient and not in accordance with good engineering. Here parties, engineers and witnesses will disagree and an almost interminable contest will be required in the Courts to the great detriment and disgust of all parties concerned.

The very object of a written contract is to preserve the evidence of the perfect understanding of the parties and to leave nothing possible for Courts or others to construe and now is the time to understand one another and to agree word your agreement as to cut off all opportunity for future misunderstandings. I would further suggest that after detailed plans are made and adopted between the parties, that there be added after the word "bond" it being the third word from the left margin of page 4, line 7, the following phrase or sentence "which deed shall vest the indefeasible fee simple absolute title of all said property in said district and its successors and assigns forever subject only to its failure to make said bond payment, or its equivalent in cash good as hereinafter provided, and add to the end of each of the following lines, viz. line 11-13-14-15-16 and 20 on page four, the following words in a strict accordance with the plans and specifications thereof, on file in the office of the secretary of said district.
I also suggest that the parties agree on such other reservations and the manner of building specifically defining what is to be done.

The absorption of the old water system and so supplementing it as to water all of the land of this great valley by one system would constitute the ideal combination but those charged with the execution of this plan should not become so over-admired with this possibility of the ideal condition as to overlook the great possibility of paying an adequate price for such a system without obtaining it. It will require the greatest vigilance of the officers and electors to avoid miscalculations and mistakes, which may prove disastrous. If this land had adequate water for each acre, so they could grow winter wheat, sugar beets, and mature thoroughly the highest types of fruit then the farmer can thrive under this great burden, but if on the other hand the electors and officers should become so infatuated with the ideal system so as to neglect the details as to permit the work to be done, to be so inefficiently performed as not to last practically during the 20 years, the period of payment, or if each system should not supply an adequate supply of water as to enable the farmer to grow all of the lines of high priced crops to which these high rolling and perfectly drained lands are so well adapted, then the great burden of 6½ interest on $12.50 per acre, and a large maintenance charge for the first 11 years and thereafter the large tax for annual payments, on principal, for the succeeding 10 years, would in all probability dispossess the original land owners.

Therefore, we consider it all important that the officers, engineers and electors must vigilantly scrutinizing every improvement proposed, manner of improvement proposed, permanency of proposed plans, and the comparative sufficiency of the water supply, before these enormous burdens are by vote fastened upon your lands. The greatest caution that may be exercised in drawing a contract for these electors to approve or reject, cannot determine for them the value of the improvements, and character of said material must be determined and judged by the officers, engineers and electors.

Respectfully submitted, 

[Signature]
Board of Directors of M.V. Irr. Dist.,

Gentlemen:

In regard to the draft of contract presented for your consideration by Mr. T. C. Henry last December, and referred to me by you for my consideration, I have the following to say:

The Henry draft is very much on the general lines of the Bell draft, which latter was based on a rough draft originally prepared by me as a basis of figuring, but for the final form of which I have always refused to accept responsibility, under the circumstances under which it was finally put into shape; and after careful consideration I am much inclined to the view that the proposed plan of "purchase and construction" is open to the objection that has been suggested to it; that is, that under sec. 53 of the 1905 Irr. Dist. Act, the "construction" feature is not authorized by said act, and to the further objection, that I do not find in the articles of incorporation of The M. W. & L. Co., any authority for said company to go into the contracting business of building or improving irrigation works for other parties. Nor is this merely a matter for the water company to consider; for, if the district has not the power to make such a contract, any proceedings under it might be enjoined at the instance of a dissatisfied tax-payer of the district. On the other hand, it is perfectly competent for the district, in my judgment, to make a contract for the purchase of the system after it has been put into a certain shape by the company, the property in the meantime remaining the property of the company; and the difficulties suggested can be avoided by recasting the contract on the lines of a "contract for purchase" accordingly, without disadvantage to either party, and any question of legality thus avoided.

Another objection to the Henry draft is, that it calls for a system on the basis of a flat 60,000 acres of land, irrespective of the actual acreage, which latter is the only legal basis under the statute for the District to operate on. 60,000 acres, at 30 acres to the cubic foot per second, means the provision of a capacity of 750 cubic feet per second, and similarly, the "storage" provision means 750,000,000 cubic feet of storage water. If that is what is intended, the contract should so state it; as it stands in the Henry draft, a dissatisfied tax-payer might well object, on the ground that the contract calls for water for at least 10,000 acres more land than there is in the District! If, on the other hand, the District engineer estimates that 750 cubic feet per second, and 750,000,000 cubic feet of storage water are necessary for the land in the District, (which he can safely do) and no one can go behind his estimate, sanctioned by the directors, the basis of 1 cubic foot to 60 acres, etc., "is purely arbitrary, at best, especially in a region of such varying conditions as that embraced in the District.

And in this connection, should be noted, further, that on page 3 there is a provision that the estimates of the District Engineer shall call for only the water required for the land actually under each lateral! On the basis I suggest, he could so distribute the capacities of the various ditches to make allowance for the important factors of evaporation and seepage, which increase with the distance from intake; and if there should prove to be water to spare, it could be used on the lands which may come into the District later, and the contract seems to contemplate certain lands shall.

Another objectionable feature under the District law, as I take it, is the provision for the district to run the works in advance of their completion and title being made to the District. On the basis of contract of purchase, such operation by the District would be in the nature of a lease of the system, which is nowhere authorized by the Act.
I may add, that the basis of contract for deed would do away with the very objectionable feature, from a practical standpoint, of "reconveyance in the event of the failure of proceedings for confirmation of bonds". Any such reconveyance would also be of very questionable authority on the part of the district, under the law, after it had once acquired title.

The provisions as issuance of additional bonds should be extended to cover the amount required for expenses of construction that the district has to stand, and the provision as to bonds drawing interest only from date of actual delivery should be extended to all bonds. In fact they are in law not "bonds" until delivered.

The provisions as to using bonds at 85c. (p.3) is contrary to the express provisions of the Act, and the same as to using bonds at less than par in payment of interest.

Another provision that would seem to be required, on the basis of "contract of sale" would be bond for faithful performance generally; but this would seem necessary anyhow, in view of the change whereby the amount held back for faithful performance is reduced $130,000.

Provision should also be made for due certification of "completion" before payments are made, and should include assurance that the work is free from possible "mechanic's liens".

Provision should also be made for the disposition of the receivership proceedings before the contract goes into effect.

There are other minor points of change that have occurred to me in figuring the matter over, which however, will appear in the "rough draft" which I have made (and append hereto) for the purpose of having the matter more clearly before me for consideration, and as a basis of figuring in case of final draft being called for; but which I have not completed owing to the fact that you have been advised that Mr. Henry's plans in this connection are for the present blocked. I have also in this recast given the various provisions a logical order, where heretofore they have been scattered along through the contract regardless of due and systematic arrangement. Should the deal with Mr. Henry proceed, this can be used as a basis of further figuring. And considerable repetition has been avoided by such rearrangement of the provisions, particularly as regards the matter in the Henry draft, on p.4.

As to the insertion of any provisions relating to the company being limited to a charge of $90 per cubic foot for water while continuing to operate the system, or not being required to run water after a certain date, I would say, that on the basis of the title not passing until the works are completed, these are matters as to which the company and district could not contract, they are regulated by statute. With the provision as to dismissal of receivership proceedings there could, however, be no pretense of authority for the company to charge in excess of the "$90 rate".

Yours resp'y,

[Signature]
This contract, made and entered into this ______ day of _________, A.D. 1906, by and between The Montezuma Water and Land Company, a corporation duly organized and existing under the laws of the State of Colorado, hereinafter designated as the Company, party of the first part, and The Montezuma Valley Irrigation District, hereinafter designated as the District, party of the second part, both of Montezuma County, Colorado, WITNESSETH:

1. That the company, in consideration of the agreements of the District herein contained, agrees with the District as follows: The District will sell and convey to the District all its certain system of ditches, canals and irrigation works in Montezuma County, Colorado, together with all rights of way, rights of water, priorities of rights of water, headgates, tunnel, flumes and all other structures and appurtenances, including its telephone line and all rights in that connection, and all reservoir sites, rights to reservoir sites and claims or filings for reservoir sites or rights of way for ditches or canals acquired, held or owned by the company, and all improvements, betterments, additions to and extensions and enlargements of said system and rights hereinafter more particularly mentioned or provided to be made by said company or acquired by it in connection with said system; at and for the full consideration and purchase price of $______ dollars, to be paid by said District to said company as hereinafter provided.

2. That, in pursuance of the above agreement, it will extend, reconstruct, enlarge, add to and improve said system, and put the same into good order and repair, and bring the same to such capacity and condition of efficiency as shall be necessary for the conveyance and delivery of ______ cubic feet of water per second of time from the Dolores river in said county for the irrigation of the lands in said District, and for the storage, and delivery to said lands of ________ cubic feet of storage water for the irrigation of said lands in addition to
the natural flow of said Dolores river, with 5 per cent, in addition to such storage capacity in any reservoir in the McElmo drainage, and 10 per cent, additional for storage in any reservoir in the Dolores drainage; any part of what is commonly known as the "Cortez lateral" not now owned by said company to be acquired by it, and to be deemed a part of said system for all the purposes of this contract.

5. That said improvements, betterments, additions to and extensions of said system and rights shall include more especially the following: new headgates at the intake at the Dolores river; the cleaning out and timbering throughout of the tunnel in such manner as to prevent further caving of sides and roof; the construction of a lateral to be known as the New Narraguinep lateral, in lieu of the present Narraguinep lateral westerly from the south end of the tunnel, such as to location and capacity as will fully serve the purposes of seasonably filling the Narraguinep reservoir hereinafter mentioned with storage water and also supplying the lands in said District heretofore supplied or suppliable from what is known as "Main No. 2" of said system and from said Narraguinep lateral; the enlargement and completion of the East lateral and the Mesa Verde lateral, the same with the Simon Gulch connection to be known as the "East High Line" lateral; such work on the Hermosa lateral including the extension thereof, as shall be necessary for supplying the town supply to Throckmorton, and for the conveyance to said East High Line lateral of the water to be stored in said Narraguinep reservoir; the improvement and enlargement of the Lone Pines, Garrett Ridge, May, Arickaree, Cortez, Corkscrew and Goodlands and Rocky Ford laterals, and the construction of a lateral to be so located and constructed as to cover the lands in said District in the neighborhood of section 8, Tp. 36 N., R. 16 W., M. M., to the elevation of the highest land in said section 8;
the construction of the Narraguinep Reservoir at what is known as the Narraguinep reservoir—site to the full size that the natural depression will permit by filling the canyon at the damsite therein with a dam to the full height of the apex of the adjoining summit on the mountain immediately west, and the filling of all other low points or gaps to a level with said dam; the construction of one or more storage reservoirs at such place or places as will, in connection with said Narraguinep reservoir, conveniently and amply provide for supplying the lands of said District with the full amount of storage water herein provided for. (Better designate specifically.)

4. That it will begin the work herein provided to be done by it, forthwith upon the ratification of this contract by the electors of the District, and the authorization of the bonds hereinafter provided to be issued, and will diligently prosecute the same so as fully to complete said system, as the same is herein provided to be completed, by not later than______________, 190__, and will complete the same accordingly by said lastnamed date.

5. That it will perform all work herein provided to be done in good, workmanlike manner, and construct, reconstruct and improve all works or structures herein required to be constructed, reconstructed or improved by it, according to the recognized standards of engineering and construction in the class of irrigation works in Colorado contemplated as aforesaid to be furnished said District under this contract, including the customary measures employed in securing the permanence of such work; that all ditches, canals and laterals herein provided for shall be constructed with and given such safe and proper grade and be provided with such properly constructed drops as may be necessary to preserve the same from undue erosion, and have such length and dimensions as amply to supply all of the lands lying under the same respectively with the full amount of water which the owners of such
lands shall be entitled to receive therefor; that all timber or lumber that shall be used in such work shall be either pine or red spruce, cut green, and sound, and with the bark fully removed, and that all unsound lumber in any structures on said system shall be replaced with sound lumber; that all plans, specification and work on any reservoir constructed hereunder shall be such as to receive the approval of the State Engineer of Colorado, as provided by law in that behalf; and that all work herein provided to be done shall be done in accordance with the plans and specifications hereinafter provided for; that all such reservoirs shall be furnished with stand pipes, valves and other customary appliances of approved pattern and construction for the safe and convenient withdrawal of water therefrom and with the proper waterways for provision against danger from storm waters, and with such feed and supply ditches as may be necessary to ensure the delivery to any such reservoir of the water necessary for seasonably filling the same; that only material of standard quality shall be used in said work.

6 That it will, without expense to said District, do all things further required to furnish and make title to the sites for the reservoirs hereby required to be constructed, including title to the north 20 acres of the North-west Quarter of section 9, in Tp. 37 N.R. 18 W. N.M.P.M., upon which the damsite of the Narraguinep reservoir is situated, and will perform the amount of work required to be done on said Narraguinep reservoir in due time as provided by the contract between the Colorado State Board of Land Commissioners and said District in that behalf, and will assume the obligation of the District under its contract with one D.H. Dalton on said Narraguinep reservoir.

7 That if the bonds herein provided to be issued shall be sold on the preliminary offer provided by law in that behalf, which shall be on the shortest time allowed by law, it will accept 85 cents on the dollar in cash on the payments herein provided to be made to it by the District, as the same become payable, in full satisfaction thereof;
and will cause a good and sufficient deed of conveyance, with the usual covenants of warranty and title, to be prepared and signed, sealed and acknowledged by its proper officers, conveying to said District in fee simple absolute and indefeasible all the property herein by it agreed to be conveyed to said District, and to be placed in escrow with the Trust Company hereinafter mentioned, for delivery to the District as hereinafter provided.
that it will, at the option of the District, accept such bonds for the first year's interest on the bonds to be received by it as herein provided at their face value, or cause the same to be so accepted by the holders of any of such bonds to whom the same may have been transferred or pledged, or in lieu thereof purchase enough of said bonds from the District at 95 cents on the dollar to provide the cash required to pay such interest; and that it will purchase enough of said bonds from said District at 95 cents on the dollar as may be necessary to provide said District with funds for the purpose of acquiring rights of way or paying engineering or other expenses in connection with the carrying out of the provisions of this contract.

2. That it will, upon the bonds being in readiness for delivery by said District, as hereinafter provided, and upon tender by said District of the initial payment in said bonds hereinafter provided to be made, cause all taxes, liens and encumbrances whatsoever upon said property or any part thereof to be fully satisfied, released and discharged of record, and cause the records in the Recorder's office of said Montezuma County to show clear and unencumbered title in said company to said system and property, so that this contract shall thereupon be a first charge thereon, and so appear of record when thereupon filed for record in said office, and will deliver to said District its bond in the penal sum of ______________________ dollars, with sufficient sureties to the satisfaction of the District Board of Directors, conditioned for the faithful performance by said company of its agreements hereunder, and payable to said District.

2. That it will promptly upon the event of the ratification of this contract by the electors of said District, as hereinafter provided to be sought by said District, procure the dismissal of the action now pending in the District Court of said Montezuma County for the foreclosure of the deed of trust now a lien upon said system of works; and that it will within ten days after the execution by it of this contract, give to the District its undertaking payable to said District,
with good and sufficient sureties to the satisfaction of the District Board of Directors, conditioned that it will pay said District the sum of $50,000 as liquidated damages in the event of its failure to comply with said lastnamed agreement, or failure to comply with its agreement herein as to discharge of liens, encumbrances and taxes, or failure to comply with its agreements in paragraph 6, Division I., as to performance of work on the Narragunnee reservoir.

10. That upon the District becoming entitled to the delivery of the deed for said property as herein provided, the company will promptly cause the same to be delivered to the District, together with full possession of the system of works herein provided to be conveyed thereby; and that upon demand of the District it will cause such other and further deed of conveyance from it to the District by way of further assurance to be duly executed and acknowledged and delivered to the District as the District may be advised may be necessary for the full vesting in the District of all the property and rights herein contracted to be conveyed by the Company to the District.
That the District, in consideration of the agreements of the Company herein contained, agrees with the Company:

1. That it will submit this contract to the electors of the District for their ratification or rejection, as provided by law, promptly upon the execution thereof by the parties thereto, and as well the question of the rescinding of the action of said electors at the election held in said District on November 12, 1904, and also the question as to whether or not the bonds of said District shall be issued in an amount sufficient to make the payment of said purchase price of $750,000, and to provide for the first year's interest on said bond issue, and for such engineering providing the District with funds for the purpose of acquiring rights of way or paying engineering or other expenses in connection with carrying out the provisions of this contract; that in the event of such ratification, rescinding and authorization of bond issue at such election, it will forthwith cause an order to be entered on the records of its Board of Directors rescinding the action of said Board ordering the issuance of bonds authorized at said election held November 12, 1904, and will forthwith cause the bonds herein provided to be issued to be prepared and duly signed and attested by its proper officers ready for delivery as hereinafter provided.

2. That upon such bonds being in readiness for delivery as aforesaid, and upon such record title being made to appear as is provided for in paragraph 1 of said company’s agreements herein, and upon tender of the bond for faithful performance on the part of said company as is herein before provided to be given by it, the District shall cause the sum of ___________________________ thousand dollars of said bonds to be delivered to said company in part payment of the purchase price herein agreed to be paid for said property, and shall cause the remainder of said ___________________________ thousand dollars to be placed in escrow with The Continental Trust Company, of Denver, Colorado, to be delivered by it to said Company at the times and in the amounts as follows:
Upon completion of the work herein required to be done upon the tunnel, and upon the headgates and dam at intake §

Upon completion as herein provided of the New Narraguinep Lateral

Upon completion as herein provided of the East High Line and Rocky Ford Laterals

Upon completion of the Narraguinep Reservoir, as herein provided

Upon completion of the additional storage reservoir or reservoirs herein provided for, as herein provided

Upon completion of the Lone Pines, Garrett Ridge, Hermano, May and Azickaree Laterals, as herein provided

Upon completion of the Cortez, Corkscrew, and Goodland Laterals, and the unnamed lateral herein provided to be constructed, as herein provided

Upon full performance by the first party of all its covenants, agreements and obligations herein and upon its delivery to the District of all the property herein provided to be conveyed and turned over by it clear and free from all liens and encumbrances

provided, that such delivery of such escrowed bonds shall be made only upon the joint certificate of completion signed by the engineer in charge of both said District and said company, or in case of their inability to agree, then upon the certificate of the referee upon reference as herein provided for matters in dispute where said engineers are unable to agree; and provided further that by "completion" shall be meant the securing of all rights required to be secured by the company as herein provided, except as hereinafter provided in case of condemnation proceedings.

3. That it will use its best endeavors to include within the boundaries of the District all irrigable lands between boundaries and the canals and laterals of said system not now within said boundaries.

4. That it will, at the earliest date practicable after the issuance of the bonds herein provided to be issued, bring and prosecute to final hearing a proceeding in the District Court of said Montezuma County for the judicial examination and confirmation of said bond issue, as provided by law, and in the event of failure to secure such confirmation by reason of any defect in any of the proceedings involved in
such examination, it will forthwith cause such measures to be taken as may be necessary to make good such failure.

5. That it furnish all legal services, and pay all expenses, costs or considerations for conveyances, required in securing any rights of way, except in connection with the reservoirs herein provided to be constructed, necessary in connection with any work agreed to be done by the company herein.
It is further and mutually understood and agreed by and between the parties to this contract:

a. That the District shall, immediately upon the ratification of this contract by the electors of the District, cause to be prepared by its engineer an estimate of the carrying capacity required for each of the ditches, canals and laterals herein provided for to supply properly and adequately the lands of the District with water as the same are herein provided to be supplied, and submit the same to the company at the earliest practicable date; and that the company shall within 30 days after the receipt thereof, prepare a detailed set of plans and specifications for all the work required to be done by it hereunder, and submit the same to the District; and that the District shall, within 10 days after the receipt by it thereof, have the right to submit to the company its disapproval of such plans and specifications, or of any of the materials proposed by the company to be used in said work, and to state such modifications as to such plans, specifications and materials as may seem to the District engineer proper; and in the event of any such disapproval, and of the inability of the engineers of the company and the District to agree as to the proper plans, specifications and materials, any dispute so arising shall be referred for final decision and settlement as is herein provided for reference and settlement of other disagreements between the parties hereto; provided, the company may have 30 days additional time for submitting plans and specifications for any storage reservoir or reservoirs in the Dolores drainage; and such plans and specifications when so settled, shall be deemed to be the plans and specifications for the work provided to be done hereunder, except as the same may be modified by the written consent of the parties to this contract; the general provisions of this contract, however, as to the standards of engineering and good workmanship and material in said state to be regarded as the controlling standards of efficiency and sufficiency in that behalf.
b. That any provision of this contract referring to a rescission of any act of the District or of any of the officers thereof refers simply to the substitution of the purchase of the existing system in lieu of the heretofore contemplated building of a new system, and the substitution of the bonds herein provided to be issued for the bonds heretofore authorized to be issued, and that said bonds first provided for shall not be issued or disposed of; but nothing herein shall
be taken as a forfeiture or abandonment of any rights of way, reservoires or other property or rights heretofore obtained or acquired in whole or in part, and nothing herein shall prevent said District or any of the officers thereof from proceeding in the future to the consummation of any of said rights or of completing any of the enterprises heretofore begun for the purpose of adding to or aiding the supply of water herein provided for as far as the same may be done without in anywise interfering with or injuring the rights of the company in completing its obligations herein and securing the first bonds of the District in point of priority and lien.

b. That the District shall have the option of issuing the bonds here- in provided for in the denomination of $100 each, provided to be delivered hereunder shall draw interest only from date of actual delivery thereof.

c. That the parties hereto shall promptly use their best endeavors to cause title to the college and school lands within the boundaries of the District to pass into private ownership and become lands within the District for District purposes.

d. That the District shall use its best endeavors to induce the purchase by the State Board of Land Commissioners of Colorado of the portion of the bonds to be issued hereunder as is provided by law; all expense in that connection to be paid by the company; and that the proceeds of any such sale, or any part thereof, may, at the option of the District, be used in like manner and upon like terms as is provided in paragraph 7 of the company's agreements herein for the use of the proceeds of sale on "preliminary offer".
A. That the District engineer shall at all times have access to and right of examination and inspection of all plans, specifications, maps, field-notes, and of all work and materials, used and employed in the prosecution of said work, and that upon his request, he shall be promptly furnished the originals of such plans, specifications, maps and field-notes as have not already been furnished the District as hereinbefore provided without charge, for the purpose of making copies thereof; and all such originals shall be turned over free of charge to the District upon the completion of said work.

B. That the District engineer shall have the right, on behalf of the District, to object to the character of the work or materials at any time being done or used by the company in the prosecution of said work in any case where in his judgment the character of such work and materials would readily be subject to ascertainment upon the completion of such work; and any dispute between the District and the Company so arising shall be immediately referred for settlement decision as is herein provided for reference and decision of other disagreements between the parties; and in the event of the referee deciding that such work or materials are not in accordance with the requirements of this contract in this behalf, he shall direct such change therein as is necessary in his judgment to secure compliance with such requirements, and the Company shall forthwith make good accordingly; provided, the failure of the District engineer so to object shall not bind the District to the acceptance of any such work or materials if the same is in fact not up to the standard of such contract requirements.

I. That upon completion of any of the specific portions of said work and the turning over thereof to the District, as herein provided, the company shall be relieved from the further maintenance thereof; but no payment made as herein provided to be made upon such completion of such respective specific portions shall be taken as otherwise as payments upon general account upon the full purchase price for said system as fully completed as herein provided.
1. That in the event of any disagreement between the parties hereto as to compliance by the company with any of its agreements herein as to the construction, enlargement, improvement and extension of said system, the matter in dispute shall be referred for decision to such other engineer as the parties may agree upon, and in the event of their failure to agree upon such referee, the same shall be referred for decision to the State Engineer of Colorado, and in the event of the refusal or failure of such State Engineer to act promptly, in the premises, the same shall be referred for decision to the Professor of Irrigation Engineering in the Colorado State Agricultural College, or to such engineer as said professor may designate, and the decision of such referee engineer so acting shall be final and binding upon both parties to this contract; and that the expenses of any such reference shall be borne equally by the parties to this contract.

k. That the bonds herein provided to be delivered to the company by said Trust Company upon the completion of specific portions of said work shall be delivered by it only upon certificate of completion of the respective portions signed by the engineer of each of the parties hereto, or in the event of their inability so jointly to certify, then upon like certificate of the referee herein provided for; and no such certificate shall be given until the company shall furnish satisfactory evidence to the District that all claims for labor and materials against the portion of the work for which such certificate is demanded by the company have been full satisfied, and all rights herein required to be obtained at the expense of the company have been duly obtained; unless the company, being desirous of contesting any such claim, or of prosecuting any condemnation proceeding pending for any such right, shall give its further undertaking to the District, with security to be approved by the Board of Directors, conditioned that it will protect the District from all loss or expense by reason thereof, and diligently cause such claim or proceeding to be brought to final adjustment.
1. That all charges by said Trust Company for any of the matters to be done by it hereunder shall be paid by the parties hereto in equal shares.

2. That as regards that portion of said system known as "Main No. 2"---some definite provision as to the liability for repair, etc.

3. That in the event of the inability of the District to make good in the matter of confirmation of bond issue, as hereinbefore provided to be done by it, this contract shall be of no further force or effect, and the parties heretofore shall be entitled to receive back therein contained its said deed, and the District its said bonds, hereinbefore provided to be placed in escrow with said Trust Company.

4. (The provision as to land owners taking bonds at 85c. should be so recast as to be a matter of contract between the Company and the District.)

5. That if the company shall fail to execute and perform the contract promptly as herein provided, or shall fail actively and in good faith to begin the work provided to be done by it within 30 days after tender of initial payment of bonds, as therein mentioned, the District may at its option, and while such default continues, cancel this contract and receive back from said Trust Company any bonds so placed in escrow therewith; and that if said company shall fail fully to complete said system by the time herein limited in that behalf, time being of the essence of this contract in that behalf and as regards the matters mentioned in said paragraphs 8 & 9, this contract may, at the option of the District be declared by the District, and be, null and void, and of no further force and effect except as a basis of settlement between the parties thereto as to the amount payable to the company for the work then done by it hereunder, with proper deduction from the full amount of the contract price hereunder as the same may be ascertained by said referee as justly retainable by the District for the completion
from the completion of said work by the District under the conditions then existing; and in the event of the declaration by the District last above mentioned, it shall be entitled to receive from said Trust Company the deed of conveyance hereinbefore provided to placed in escrow with said Trust Company.

9. That the execution of this contract by the board of directors of the District is subject to the ratification thereof by the electors of said District at the election to be held for said District, as provided by law, and that in the event of the non-ratification thereof at such election, then this contract shall be of no further binding force or effect on either of the parties hereto.
KNOW ALL MEN BY THESE PRESENTS, That, whereas,

THE MONTEZUMA WATER & LAND COMPANY, a corporation duly organized
and existing under the laws of the State of Colorado, by its
certain mortgage, dated the first day of April, A. D. 1902, and
duly recorded in the office of the County Clerk and Recorder of
Montezuma County, in the State of Colorado, on the second day of
April, A. D. 1902, in book 25 of said Montezuma County records, on
page 451, conveyed to JOHN V. FARWELL, (Senior), of the City of
Chicago, in the State of Illinois, as Trustee, certain property in
said mortgage described, in trust to secure to the holders thereof
the payment of its two hundred (200) certain coupon bonds of
one thousand dollars ($1,000.00), each, with interest and all
charges thereon, as in said mortgage mentioned;

AND, WHEREAS, The said THE MONTEZUMA WATER &
LAND COMPANY has paid and fully satisfied said coupon bonds, to-
gether with all interest and charges thereon, according to their
tenor;

NOW, THEREFORE, At the request of the legal
holders of the indebtedness or bonds secured by said mortgage, and
in consideration of the premises, and in further consideration of
the sum of Two Dollars, to me in hand paid by the said THE MONTE-
ZUMA WATER & LAND COMPANY, the receipt whereof is hereby ac-
knowledged, I, JOHN V. FARWELL, (Senior), as Trustee as aforesaid,
do hereby demise, release and quit claim unto it the said THE
MONTEZUMA WATER & LAND COMPANY, and its successors and assigns
forever, all the right, title and interest, which I, as such
Trustee, have acquired under and by virtue of said mortgage in
and to the following described property, to-wit:

All the following described system of canals
and water works for the conveyance of water, situate, lying and
being in the county of Montezuma and State of Colorado; said system embracing two main canals to be known as "Main Number One" and "Main Number Two", respectively, the head gates of both said main canals being on the southerly bank of the Dolores River in the north west quarter of the north east quarter of section seventeen, in Township 37, Range 15, West of the New Mexico Meridian in said Montezuma County, to which meridian all the townships and ranges hereinafter mentioned, are referred, near the west line of said tract, and the lines of the canals, ditches, laterals and water-ways of said system as constructed, located and projected, are as follows, viz:

From the place above designated as the location of the head gate of Main Number One, the said Main Number One runs westerly by an open cut of about 500 feet in length; thence in a southwesterly direction through a tunnel 5,400 feet, or thereabouts, in length; thence by an open cut and natural ravine to a diverting dam situated in the northwest quarter of the north- east quarter of Section nineteen, in said Township, at the head of the easternmost of three gulches, which by their junction form what is known as Hartman's Gulch.

From said diverting dam, a lateral designated as the Narraguinnep Lateral, runs in a westerly direction through sections 19 and 18 in the township last named and through sections 24, 13 and 14, in township 37, N. R. 16, W. to the head of a ravine designated East Narraguinnep Creek; thence by this natural waterway in a southwesterly course, through sections 14, 15, 16, 21 and 28, in township 37, N. R. 16 W., to a junction with the Arroyo Lateral hereinafter mentioned.

Another lateral, designated as the Arroyo Lateral, begins at a point on said Narraguinnep Lateral in the northwest quarter of section 14, in Township 37, N. R. 16, W., and runs thence through sections 14, 15, 22, 27, 34 and 33, in said last named township, and through section 3, in Township 36, N.
R. 16, W; thence by a natural waterway to the Hartman Gulch Lat-
eral hereinafter mentioned.

Another lateral, designated as the East Lat-
eral, begins at the diverting dam above named, and runs thence,
through sections 19, 30 and 20 in said last named township, to a
point near the center of section 29; thence by the natural channel
known as Simon's Gulch, through said section 29 and sections 28
and 33, in said last named township, and through sections 4, 9 and
16 in township 35, N. R. 15, W., to a point in the north east
quarter of said section 15, where is situated a partly constructed
dam known as the Quahntemoc Reservoir Dam.

From the Quahntemoc Reservoir Dam, another
lateral, designated as the Mesa Verde Lateral, runs through
sections 16, 15, 22, 21, 28, 33 and 32 in said last named township;
thence through sections 5, 6 and 7 in township 35, N. R. 15, W;
thence through sections 12, 11, 14, 15, 22, 21, 26, and 29 in
township 35, N. R. 16, W, to a point on the Aztec Divide; thence
as projected in a generally southwesterly direction along the west
slope of the Mesa Verde by the most practicable route across the
south line of said last named township and into and through the
unsurveyed lands now known as the Southern Ute Indian Reservation
to the south boundary of said Montezuma County.

Another lateral designated as the Rocky Ford
Lateral begins at the Quahntemoc Reservoir Dam and runs thence in
a generally southerly and southwesterly direction, following the
channel of Simon's Gulch waterway, through sections 16 and 21 in
township 36, N. R. 15 W, together with a cut-off about two thousand
feet in length, constructed to change in part the old channel of
said draw; thence through sections 20, 29, 19 and 30 in said last
named township to a junction with the McElmo Lateral hereinafter
described.

From a diverting dam known as the Rocky Ford
Dam, in the north east quarter of said section 30, said Rock Ford
Lateral runs through said section 30 and section 31, in said last named township, and through section 36 in township 36, N. R. 16 W., and through sections 2, 11, 10, 15, 16, 21, 20, 19 and 30 in township 35, N. R. 16, W., to a point on the Aztec Divide; thence, as projected, by one branch in a southwesterly direction to the south line of the last named township, and by another branch in a westerly and northwesterly direction by the most practicable route along the East slope of Ute Mountain.

Another lateral, designated as the Goodland Lateral, begins at a point on said East Lateral near the center of section 29 in township 37, N. R. 15, W., and runs thence following the crest of the divide as nearly as may be, through sections 29 and 32 of the township last named, and through sections 5, 4, 9 and 8 in township 36, N. R. 15, W., whence water is dropped into a ravine, through which it flows through sections 17, 20 and 19 in the last named township to a junction with the Rocky Ford Lateral before mentioned.

Another lateral, designated as the Corkscrew Lateral, begins at a point on the East Lateral in section 29 township 37, N. R. 15, W., near the northeast corner of the northwest quarter of the southwest quarter of said section 29, and runs thence in a generally southwesterly direction through sections 29, 30 and 31, in said last named township; thence through section 36 in township 37 N. R. 16, W.; and thence through sections 2 and 11 in township 36, N. R. 16 W., to a junction with the Hartman Gulch Lateral hereinafter mentioned.

Another lateral, designated as the Hartman Gulch Lateral, begins at the diverting dam in said gulch above-mentioned, and runs thence by the channel of said gulch in a generally southerly direction through townships 37 and 36 N. R. 16 W., to the junction with the McElmo Lateral hereinafter described.

Another lateral designated as the McElmo Lateral, begins at a point in section 28 in township 36, N. R. 15 W., where the Mesa Verde Lateral above mentioned, crosses McElmo
Creek and runs thence by the channel of said McElmo Creek in a generally westerly and southerly direction through sections 28, 29 and 30 in said last named township, and through sections 36 and 35 in township 36, N. R. 16, W., crossing the north line of township 35, N. R. 16, W., and thence in a generally westerly direction to the western boundary of said Montezuma County.

Another lateral, designated as the East Supply Lateral, begins at a point on the East Lateral near the center of section 29 in township 37, N. R. 15 W., and the line thereof runs thence as projected in a generally southerly direction through sections 29 and 32 in said last named township and through sections 5, 8, 17, 20 and 19 in township 36, N. R. 15, W., to a junction with the Rocky Ford Lateral.

From the place above designated as the location of the head gate of said Main Number Two, Main Number Two runs in a generally northwesterly direction on the southwesterly side of the Dolores River through sections 17, 8, 7 and 6 in township 37, N. R. 15 W., and through section 31 in township 36, N. R. 15 W., and through sections 36 and 35 in township 38 N. R. 16, W., crossing the divide between the drainage of the Dolores River and the Montezuma Valley at about the center of the last named section by an open cut, to a point near the middle of the west line of the north west quarter of said section 35, near the head of a water way known as Main Narraguinnepe Creek.

From the point last named, a lateral, designated as the North Lateral, runs as located in a generally westerly direction through sections 34, 27, 33, 28, 29 and 30 in township 38, N. R. 16, W., and through sections 25 and 26 in township 38, N. R. 17, W., crossing Yellow Jacket Creek at a point near the center of said last named section; thence in a generally southwesterly direction along the east slope of the ridge west of Yellow Jacket Creek, by the most practicable route as far as may be feasible to extend the same.

A branch of said North Lateral as projected
leaves the same at a point in the south east quarter of section 25
last above named, and runs thence in a generally southwesterly
direction to a point near the center of section 35, in said last
named township, and runs thence, following as nearly as may be the
crest of the ridge between said Hovenweep and Yellow Jacket Creeks,
in a generally westerly direction as far as practicable.

Another lateral, designated as the Arroyo
Lateral begins at the end of Main Number Two aforesaid, and runs
thence in a generally southwesterly direction following the channel
of the natural water way known as Main Narraguinnep Creek, through
section 34 in township 38, N. R. 16 W., and through sections 3,
4, 9, 8, 17, 20, 28 and 32, in township 37, N. R. 16, W., and
thence through the western portion of township 36, N. R. 16 W., to
a junction with the Mc Elmo Lateral hereinbefore mentioned.

Another lateral, designated as the Lone Pines
Lateral begins at a point on said Arroyo Lateral near the center of
the Northeast quarter of section 4 in township 37, N. R. 16, W.,
and runs in a generally westerly and southerly direction through
sections 4, 5, 6 and 7 in last named township and through sections
13, 14, 23, 26, 27, 34 and 35 in township 37, N. R. 17, W., to a
junction with a natural waterway known as Trail Canon and thence
by the channel of said Trail Canon in a generally southerly di-
rection to a junction with the Mc Elmo Lateral above named.

Another lateral, designated as the Garret
Ridge lateral, begins at a point on said Lone Pines Lateral in the
south east quarter of section 7, in township 37, N. R. 16, W.,
near the east line of said quarter section and runs thence south
through sections 7, 18, 17, 20, 29, 32 and 31, in said last named
township and through section 6 in township 36, N. R. 16, W., to a
junction with the Arroyo Lateral above mentioned.

Another lateral, designated as the West Supply
Lateral, begins at the west end of Main Number Two aforesaid and
runs thence as located in a generally southerly direction through
section 34 in township 38 N. R. 16, W., and through sections 3, 4,
9, 8, 17 and 20 in township 37, N. R. 16, W., to a junction with the Hermano Lateral hereinafter described; together with a branch leaving said line at a point in the northwest quarter of section 9, in township 37, N. R. 16, W., and through sections 16 and 15 in last named township to a junction with the Narraguinnep Lateral hereinbefore described.

Another lateral designated as the Hermano Lateral begins at a point on the Arroyo Lateral above described in the northeast quarter of the southeast quarter of section 20 in township 37, N. R. 16, W., near the middle of the north line of said quarter section, and runs thence in a generally southeasterly direction through sections 20 and 21 in said last named township; with a connection with the Narraguinnep Lateral hereinbefore mentioned, in the southwest quarter of said section 21, consisting of a diverting box and about 800 feet of constructed ditch; and thence through sections 28, 33, 34, 27, 26 and 35 in said last named township and through section 1 in township 36, N. R. 16, W. and through sections 6, 7 and 8 in township 36, N. R. 15, W., to a point near the center of the last named section; thence as located through said section 8 and sections 9 and 16 in said last named township to a connection with the East, Rocky Ford and Mesa Verde Laterals, hereinbefore described.

Another lateral, designated as the May Lateral, begins at a point on the Hermano Lateral above described, in the northeast quarter of section 33, in township 37, N. R. 16, W., and runs in a generally southerly direction through said section 33 and the sections 4, 9, 8, 16, 17, 20 and 21 in township 36, N. R. 16, W., to a junction with the main natural water way running in a southerly direction through said section 21; and thence southerly by the channel of said last named waterway to a junction with the McElmo Lateral hereinbefore described.

Another lateral, designated as the Hovenweep Lateral, begins at a point in the north half of section 30 in township 38, N. R. 16, W., where the North Lateral above described crosses the natural waterway known as Hovenweep Creek, and runs...
thence in a generally southerly and westerly direction following the channel of said Hovenweep Creek through said section 30 and through sections 25 and 36 in township 38 N. R. 17, W., and through sections 1 and 12 in township 37, N. R. 17, W. and thence in a generally westerly direction to a junction with the McElmo Lateral hereinbefore described.

Another lateral designated as the Cortez Lateral follows on its original line a natural water way beginning at the head gate of said lateral, at a point on the East Lateral hereinbefore mentioned, near the center of section 29 in township 37 N. R. 15, W., and runs thence in a southerly direction through sections 29 and 32 in last named township, and through sections 5, 8, 7 and 18 in township 36 N. R. 15, W; and another lateral, also known as Cortez Lateral beginning at the head gate of said lateral at a point on the Corkscrew Lateral hereinbefore mentioned, in section 31, township 37 N. R. 15 W., and runs thence in a southerly direction through said section 31, and through sections 6, 7 and 18 in township 36, N. R. 15 W., thence in a southwesterly direction through sections 13, 24 and 25 township 36, N. R. 16, W.; and from a point in said section 25 one line of said lateral running westerly through section 25, township 36, N. R. 16 W., and another line of said lateral running southwesterly through sections 26, 27 and 34, township 36, N. R. 16, W.

Together with all other laterals, extensions, branches and water ways, and all dams and reservoirs, whether constructed or under construction, and whether upon the lines and locations as above designated or upon any changes or extensions of, or additions to the lines or locations as above designated, and all ways, rights of way, easements, buildings, head gates, flumes, tunnels and structures whatsoever, now owned by said THE MONTEZUMA WATER & LAND COMPANY, together with all rights of water, priorities of right of water, appropriations of water, water powers, lands, franchises, contracts for water rights and privileges whatsoever now owned or held by said THE MONTEZUMA WATER & LAND COMPANY, or
in which it has any interest, together with all contracts, agree-
mets, water rents, water rates, income and choses in action en-
tered into or accrued to the said THE MONTEZUMA WATER & LAND COMPANY

TO HAVE AND TO HOLD THE SAME, Together with all
and singular the privileges and appurtenances unto the said THR
MONTEZUMA WATER & LAND COMPANY, its successors and assigns forever.
And, further that the said mortgage is by these presents to be
considered as fully and absolutely released, cancelled and forever
discharged.

WITNESS MY HAND AND SEAL this 23rd day of
August, A. D. 1906.

[Signature]

Trustee.
John V. Farwell, (Senior), Trustee:

- Please execute this release, the indebtedness secured by the above mentioned mortgage, having been fully paid.

John V. Farwell

[Signature]

Colorado State Land of Exce...

[Signature]

The legal holders of the bonds secured

By: [Signature]
STATE OF ILLINOIS,  
COUNTY OF Lake  

I, Elton F. Rice, a Notary Public, in and for said County in the State aforesaid, do hereby certify that John V. Farwell, Senior, who is personally known to me to be the person whose name is subscribed to the foregoing deed, as trustee, appeared before me this day in person, and acknowledged that he signed, sealed and delivered the said instrument of writing as his free and voluntary act and deed for the uses and purposes therein specified.

GIVEN UNDER MY HAND AND NOTARIAL SEAL this 22nd day of August, A. D. 1906.

My notarial commission expires Dec. 17th, 1907.

[Signature]
Notary Public.
STATE OF COLORADO

COURT OF

THE DISTRICT COURT OF THE STATE OF COLORADO,
COUNTY OF DENVER

Plaintiff,

v.

Defendant.

SUMMONS

TO: JOHN A. PARKER, SENIOR.

TO: TRUSTEE.

RELEASE OF MORTGAGE.

WA, 13700

[Redacted]