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Tallahassee, FL 32301  
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January 18, 2005

**D. BRUCE MAY, JR.**  
850-425-5607  
bruce.may@hklaw.com

VIA HAND DELIVERY

Blanca S. Bayo  
Division of Commission Clerk and  
Administrative Services  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

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COMMISSION  
CLERK

Re: B & C Water Resources, L.L.C.'s Application for Original Certificate for  
Proposed Water System and Request for Initial Rates and Charges, Docket No.  
041040-WU

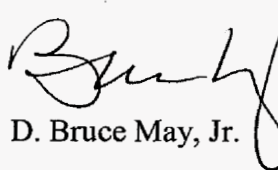
Dear Ms. Bayo:

Pursuant to Order No. PSC-04-1256-PAA-WU, enclosed for filing are eight (8)  
copies of B & C Water Resources, L.L.C.'s executed Lease Agreement with Plum Creek  
Timberlands, L.P. The lease has been duly recorded in Baker and Union Counties.

Please acknowledge receipt of this filing by stamping the extra copy of this letter  
"filed" and returning the copy to me. Thank you for your assistance.

Sincerely,

HOLLAND & KNIGHT LLP



D. Bruce May, Jr.

- CMF \_\_\_\_\_
- COM \_\_\_\_\_
- CTR \_\_\_\_\_
- ECR \_\_\_\_\_
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- MMS \_\_\_\_\_
- RCA \_\_\_\_\_
- SCR \_\_\_\_\_
- SEC 1
- OTH \_\_\_\_\_

DBM:kjg  
Enclosure

cc: Patricia Brady  
Patti Daniel  
Richard Redemann

DOCUMENT NUMBER - DATE  
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PSC - COMMISSION CLERK



## LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") made as of January, 2005 ("Effective Date"), between **PLUM CREEK TIMBERLANDS, L P**, a Delaware limited partnership, whose Federal ID Number is 91-1920356 ("PLUM CREEK") and **B & C WATER RESOURCES, L.L.C.**, a Delaware Corporation ("LESSEE").

### WITNESSETH:

- Granting Clause. PLUM CREEK, in consideration of the covenants, consideration, royalties, and the agreements of LESSEE herein contained, grants, leases and lets unto LESSEE, upon the terms herein set forth, the exclusive right to investigate, explore, prospect, drill and produce potable and non-potable water ("Water") on approximately 75 acres more or less, located in Baker and Union Counties, Florida (the "Leased Premises"). A more detailed description of the Leased Premises is attached as Exhibit "A".
- No Warranty of Title. PLUM CREEK does not warrant title to the Water or the surface rights hereunder. LESSEE covenants with PLUM CREEK that LESSEE's operations shall not violate the rights of any third persons not parties to this Lease, whether those rights are documented or apparent from an examination of the Leased Premises.
- Limitation of Rights Granted. The rights and privileges granted by this Lease are limited to the rights and privileges PLUM CREEK possesses and has lawful right to lease, and this Lease shall not be construed as leasing or attempting to lease to LESSEE any rights and privileges other or more than those that are vested in PLUM CREEK.
- Exceptions and Reservations. PLUM CREEK excepts and reserves all oil, gas, timber, and minerals not specifically leased under this Lease for all purposes together with full and free rights of ingress and egress as may be necessary or convenient in the proper development thereof or of other lands. The rights and privileges excepted and reserved to PLUM CREEK shall be exercised with due regard for the operations of LESSEE under this Lease, and in a manner as to not unreasonably interfere with the operations of LESSEE.
- Primary Term. Subject to the provisions below, this Lease is for a term of twenty years from the Effective Date (the "Primary Term")
- Delay Rentals. If operations for drilling are not commenced on the Leased Premises on or before one year from the Effective Date, this Lease will terminate unless on or before such anniversary date LESSEE pays PLUM CREEK a delay rental of One Dollar (\$1.00) per acre, which shall cover the privilege of deferring commencement of

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01/14/2005 #2005-57  
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drilling operations for 12 months. In like manner and upon like payments annually the commencement of drilling operations may be further deferred for successive 12-month periods during the Primary Term.

7. Rental / Royalty Payments.

- a) Annual Rent. LESSEE shall pay to PLUM CREEK an annual rental payment of \$100.00 per well site, plus sales tax, (the "Annual Rent") all as compensation for the LESSEE's right to PLUM CREEK's property and the impact of LESSEE's right to utilize the surface and the impact of such uses on the Leased Premises.
- b) Royalty Payments In the event that LESSEE withdraws more than 4,000,000 gallons of water per year from the Leased Premises LESSEE shall pay PLUM CREEK the sum of \$0.10 per thousand gallons of water withdrawn from the Leased Premises, plus sales tax, (the "Royalty") all as compensation for the LESSEE'S right to PLUM to withdraw Water from PLUM CREEK's property.
- c) Measurement of Water Production. LESSEE shall measure the Water produced from the Leased Premises with a read-out meter at each wellhead, tank battery and/or sales delivery point. The face of the meter shall be visible to PLUM CREEK at all times and PLUM CREEK's royalty payment for Water shall be based on the full amount of Water production indicated by such meter and not reduced by subsequent loss or shrinkage occurring down-stream. The meter(s) should be calibrated on a regular basis to assure accuracy. Royalty shall be paid on sales delivery volumes.
- d) Adjustments to the Annual Rent and Royalty. At least ninety (90) days but not earlier than one hundred twenty (120) days prior to the end of the third year of this Lease, and within the same period prior to the end of each succeeding 3-year period, LESSEE and PLUM CREEK shall renegotiate the Annual Rent and the Royalty to be paid over the next 3-year period. The purpose of renegotiating the Annual Rent and the Royalty is to reflect the increase in the fair value of the Leased Premises, the rights to withdraw Water, and Well Site Production Facilities over the last 3-year period.
- e) Resolution of Impasse. If LESSEE and PLUM CREEK are unable to agree on the amount of increase in the Annual Rent or the Royalty to be paid over the subject 3-year period, then at least forty-five (45) days but not earlier than ninety (90) days prior to the commencement of the subject 3-year period, LESSEE and PLUM CREEK shall agree upon a qualified appraiser who will calculate the increase in the Annual Rent and/or the Royalty to be paid over the subject 3-year period. If the parties are unable to agree upon an appraiser to be used, then LESSEE and PLUM CREEK shall select a qualified appraiser of its choice and make the calculations, and the average of the two appraisers shall be binding on the parties. Calculations by the appraiser or appraisers shall in either case be made and delivered to LESSEE and PLUM CREEK at least fifteen (15) days prior to the commencement of the subject 3-year period. Neither the calculations of the appraiser or appraisers nor

anything contained herein shall operate to reduce the Annual Rent or the Royalty below the amount of the Annual Rent or the Royalty in effect at the time the negotiations or calculations are conducted as set forth herein or below the then existing Annual Rent or Royalty plus inflation using the compounded index percentage approved for regulated water and wastewater utilities by the Florida Public Service Commission for each intervening year since that last Annual Rent Royalty amount was set.

f) Effect of Restrictions In addition to renegotiating the Annual Rent and the Royalty every 3 years as set forth above, any time that, in PLUM CREEK's reasonable opinion, the impact of any local, regional, state, or federal rule, ordinance, law, or policy directly or indirectly affects PLUM CREEK's use of the Leased Premises or its other lands not subject to this Lease by further restricting or requiring changes in land or water uses near Well Sites, or as a result of withdrawals or activities related to withdrawals, LESSEE and PLUM CREEK shall renegotiate the Annual Rent and the Royalty. The purpose of this renegotiation shall be to reflect the diminution in value of the affected Leased Premises or other lands of PLUM CREEK. At anytime that PLUM CREEK reasonably deems such diminution in value to have occurred, PLUM CREEK shall notify LESSEE in writing and, within forty-five (45) days thereof, Owner and LESSEE shall renegotiate the Annual Rent and Royalty to compensate PLUM CREEK for the diminution in value. If PLUM CREEK and LESSEE are unable to agree on a renegotiated Annual Rent or Royalty, then LESSEE and PLUM CREEK shall agree upon a qualified appraiser who will calculate such compensation. If the parties are unable to agree upon a qualified appraiser to be used, the PLUM CREEK and LESSEE shall each select a qualified appraiser of its choice to make the necessary calculations, and the average of the two appraisers shall be binding on the parties.

8. Proportionate Reduction of Royalty and Annual Rentals. If PLUM CREEK owns an interest in the Leased Premises less than the entire water rights and royalty related thereto, then the delay rentals and royalties due PLUM CREEK shall be reduced proportionately.

9. Retention of Acreage. Following the Primary Term LESSEE shall be entitled, subject to the other provisions of this Lease, to extend the Lease as to any 5 acre well site and as long thereafter as Water is produced in Paying Quantities from such Well Site. As used in this Lease "Paying Quantities" is Operating Revenue sufficient to pay all Operating Cost of a prudent operator during the prior 12 months of operation on a lease basis. "Operating Revenue" is all revenue from the sale of production attributable to the water well, less the amount of Royalties paid for such production. "Operating Cost" is direct (variable) operating expenses for operating the well. By way of illustration depreciation and administrative overhead cost are not a direct operating expense.

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01/14/2005 #2005-57  
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10. Relocation or Abandonment of Wells Sites. If PLUM CREEK shall reasonably determine that for PLUM CREEK's beneficial use of the Leased Premises a Well Site must be relocated, PLUM CREEK will provide a substitute Well Site located as closely as reasonably possible to the one removed, and PLUM CREEK shall bear the expense of such relocation, including cost of plugging. The Royalty shall be renegotiated based upon the costs of such relocation efforts. Upon the abandonment of any Well Site, or the removal from any Well Site, LESSEE shall clean up the Well Site and leave the same in neat and presentable condition.

11. Payment of Taxes, Mortgage or Liens. LESSEE, at its option, may pay any tax, mortgage or other lien bearing upon the Leased Premises and/or PLUM CREEK's water rights with the right to enforce it and apply rentals and royalties accruing hereunder toward recouping the payment.

12. Force Majeure. If any operation permitted or required in this Lease, or the performance by LESSEE of any covenant, agreement or requirement hereof is delayed or interrupted directly or indirectly by any past or future acts, orders, regulations or requirements of the Government of the United States or any state or other governmental body, or any agency, officer, representative or authority of any of them, or because of delay or inability to get materials, labor, equipment or supplies, or on account of any other similar or dissimilar cause beyond the control of LESSEE, the period of such delay or interruption is not counted against LESSEE, and the Primary Term of this Lease is automatically extended, so long as the cause or causes for such delays or interruptions continue and for a period of two months thereafter; and such extended term shall constitute and shall be considered for the purposes of this Lease as a part of the Primary Term. LESSEE shall not be liable to PLUM CREEK in damages for failure to perform any operation permitted, or required hereunder or to comply with any covenant, agreement or requirement hereof during the time LESSEE is relieved from the obligation to comply with such covenants, agreements or requirements. In no event shall the suspension of obligations as permitted under this paragraph exceed two years.

13. LESSEE's Use of the Surface of the Leased Premises.

- a) Notice of Intent to Use the Surface. LESSEE assumes the risk of use of the surface of the Leased Premises and agrees to use the minimum amount of acreage that is necessary for a prudent operator in the operations permitted. LESSEE shall give the surface owner of record at least 30, but not more than 60 days, advance written notice of its intention to use the surface of the Leased Premises. If PLUM CREEK owns the surface, the notice shall be directed to PLUM CREEK's Resource Manager at P.O. Box 808, (Highway 100), Lake Butler, FL 32054 (the "Resource Manager") at least 30, but not more than 60 days, advance written notice of its intention to use the surface of the Leased Premises. With this notice, LESSEE shall include a plat or plats showing the area it plans to use and the location of the proposed facilities. The surface owner may salvage for its account all or so much of the forest products from this area, as it desires within the 30 to 60 days after

receipt of notice. LESSEE shall dispose of the forest products not salvaged by the surface owner from such area, in a manner stipulated by, or acceptable to the surface owner, to prevent hazards from fire and insect infestation to forest products on the Leased Premises and on adjacent lands. LESSEE agrees to pay all costs of improvements to any roads on the Leased Premises the road for its usage, maintain the roads in good condition during such usage, and use the roads in a prudent manner so as not to interfere with PLUM CREEK's use of such roads.

- b) Damage Payments. LESSEE assumes for itself, its agents and invitees, the liability for prompt payment to surface owner for any and all damages to surface owner's property, equipment, timber and other improvements located on the Leased Premises that may be caused by the operations of LESSEE, its agents and invitees on the Leased Premises.

14. Prudent Operator. LESSEE shall conduct its operations on the Leased Premises in a prudent, modern, efficient and safe manner. By way of illustration, but not limitation, LESSEE shall immediately repair any water leaks from pipelines, wellheads or pumping stations located on the Leased Premises.

15. Pipelines. If LESSEE shall construct any pipelines or water distribution systems on the Leased Premises, it shall bury all such pipelines or distribution systems to a minimum depth of 36 inches below the surface of the earth, or at such other depth as may be authorized by PLUM CREEK.

16. Compliance with Regulations. LESSEE shall conduct operations in full compliance with the related regulations established by the appropriate State or Governmental Authority having jurisdiction in such matters. The obligations imposed by this paragraph shall survive expiration or termination of this Lease.

17. Debris. All refuse generated by LESSEE'S operations on the Leased Premises, including without limitation, lunch or snack containers, paper, cans, oilcans, bottles, filters, tires, and discarded equipment, must be disposed of properly away from the Leased Premises.

18. Environmental Definitions. As used in this Lease the term "Environmental Law" shall mean, any federal, state or local law, statute, decree, ordinance, code, rule, or regulation, including, without limiting the generality of the foregoing, the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Toxic Substance Control Act of 1976, and any federal, state or local so-called "Superfund" or "Superlien" law or ordinance relating to the emission, discharge, release, threatened release into the environment of any pollutant, contaminant, chemical, hazardous, toxic or dangerous waste, substance or material (including, without limitation, ambient air, surface water, groundwater or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or

handling of such substances and any regulations, codes, plans, orders, decrees, judgments, injunctions, notices or demand letters issued, entered, promulgated or approved thereunder. As used herein, the term "Hazardous Material" shall mean any pollutants, contaminants, chemicals, hazardous, toxic or dangerous waste, substance or material, or any other substance or material regulated or controlled pursuant to any Environmental Law now or at any time hereafter in effect, including any other substances defined as "hazardous substances" or "toxic substances" in any Environmental Law.

19. General and Environmental Indemnification. LESSEE shall defend and indemnify and keep indemnified, and hold harmless, PLUM CREEK from and against all actions or causes of action, claims, losses and damages of every kind, including costs and attorney's fees, incident to or in any manner resulting in injury to persons (including employees, agents, representatives, invitees and licensees of LESSEE, or others engaged by LESSEE), and damages to property or other legal consequences growing out of the use and occupancy of the Leased Premises and any and all operations or other work or services contemplated or undertaken thereon by LESSEE, its agents, representatives, or others engaged by it to perform the same, including without limitation all acts of commission or omission of LESSEE, its said agents, representatives, invitees, employees and licensees. LESSEE also indemnifies PLUM CREEK and agrees to hold PLUM CREEK harmless from and against any and all loss, liability, damage, injury, cost, expense and claims of any kind whatsoever paid, incurred or suffered by, or asserted against, PLUM CREEK for, with respect to, or as a direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Leased Premises of any Hazardous Material arising out of, in connection with or in any manner related to the use of the Leased Premises by LESSEE, including, without limiting the generality of the foregoing, any loss, liability, damage, injury, cost, expense or claim asserted or arising under any Environmental Law as defined below. This indemnity shall survive the expiration or earlier termination of this Lease.

20. Insurance. LESSEE covenants and agrees to obtain and maintain during the Term of this Lease the following insurance coverage:

- a) General Liability. Commercial General Liability covering claims for bodily injury, death and property damage, including Comprehensive Form, Premises and Operations, Independent Contractors, Products and Completed Operations, Personal Injury, Contractual, Broadform Property Damage, Cross Liability and Hostile Fire liability coverages, with a combined single limit of \$1,000,000 for bodily injury, death and property damage each or per occurrence and \$2,000,000 general aggregate, with pollution coverage, in an amount of not less than \$1,000,000. Additionally, the policy shall not exclude X, C or U (Explosion, Collapse or Underground) or Subsidence. As used in this Lease "Subsidence" is defined as sinking or settling of land caused by heavy rains or man-made caverns. Subsidence does not include earth movement caused by an earthquake.

- b) Umbrella Liability. Excess Liability insurance providing limits of not less than \$10,000,000 each occurrence and a annual aggregate over General Liability, Automobile Liability, and Employers Liability.
- c) Environmental Liability. Pollution Legal Liability providing On-Site Clean-up protection and Third Party Off-Site Cleanup of Pollution Conditions, as well as protection for Bodily Injury and Property Damage resulting from operations granted under this Lease. Limit of Liability shall be not less than \$10,000,000. PLUM CREEK shall be an Additional Insured.
- d) Automobile Liability. Comprehensive Automobile Liability covering owned, non-owned, hired and other vehicles, with a combined single limit of \$1,000,000 for bodily injury, death and property damage per occurrence and \$1,000,000 general aggregate.
- e) Fire and Extended Coverage Insurance on Improvements and Personalty. During the Term of this Lease, LESSEE shall keep all improvements, installations, machinery and equipment placed by it and all other personal property placed by it on the Leased Premises continuously insured against loss or damage by theft, fire or lightning (with extended coverage if available) in an amount equal to the fair market value thereof, subject to reasonable and customary deductibles. If at the time of any loss LESSEE is in default to PLUM CREEK, PLUM CREEK may require the proceeds be paid to PLUM CREEK, to satisfy LESSEE's obligations to PLUM CREEK. If LESSEE is not in default under this Lease, the proceeds shall be used for the repair or restoration of the property regarding which loss occurred, if the property is needed for the future development of the Leased Premises.
- f) Workers' Compensation. LESSEE covenants and agrees that all employees of LESSEE or any other persons performing work on the Leased Premises pursuant to this Lease will be fully covered by or insured always by Workers' Compensation. LESSEE shall comply with all applicable Workers' Compensation laws, rules and regulations of the state in which the Leased Premises is located and shall make all necessary contributions or other payments.
- g) Employer's Liability. Employer's Liability insurance in an amount of not less than \$500,000 each accident.
- h) Policy Requirements. All certificates of insurance furnished by LESSEE to evidence insurance coverage shall provide for thirty days written notice by the insurance company to the designated representative of PLUM CREEK before the cancellation, material change or non-renewal of any insurance policy referred to in this Lease. All liability insurance policies shall be written on an "occurrence" policy form and by insurance companies acceptable to PLUM



CREEK with a Best's Key Rating Guide of B+ or better, with a financial rating of at least VI. If LESSEE fails at any time to maintain the insurance coverage as required above, LESSEE shall cease operations immediately and shall not resume operations pursuant to this Lease until after the failure has been corrected. Except for Workers' Compensation Insurance, PLUM CREEK and PLUM CREEK Timber Company, Inc. and its subsidiaries and/or affiliates shall be named as an Additional Insured on all such required policies. The additional insured endorsement must be ISO CG20 10 11 85 or other form with like wording. If the additional insured endorsement is not ISO CG20 10 11 85 or like form, LESSEE must maintain Completed Operations coverage with additional insured extension for a period of two (2) years after completion and acceptance by PLUM CREEK of the work performed. LESSEE shall be responsible for payment of any and all deductibles from insured claims under its policies. The coverage afforded under any insurance policy obtained by LESSEE pursuant to this Paragraph shall be primary coverage regardless of whether or not PLUM CREEK has similar coverage. LESSEE shall not perform any operations on the Leased Premises unless and until evidence of such insurance, including renewals thereof, has been delivered to and approved by PLUM CREEK. PLUM CREEK reserves the right to require a certified copy of the policies or to examine the actual policies. LESSEE shall not self-insure any of the insurance coverages required by this Lease without the prior written consent of PLUM CREEK. The minimum limits of coverage required by this Lease may be satisfied by a combination of primary and excess or umbrella insurance policies. The maintenance of this insurance shall not in any way operate to limit the liability of LESSEE to PLUM CREEK under this Lease.

- i) Certificate of Insurance Evidencing Coverage. LESSEE shall give PLUM CREEK's Resource Manager a certificate of insurance evidencing the above coverage before conducting any operations on the Leased Premises. The certificate shall provide for 10 days written notice by the insurance company to the designated representative of PLUM CREEK before the cancellation, material change or non-renewal of the policy. If LESSEE fails at any time to maintain the insurance coverage as required above, LESSEE shall cease operations on the Leased Premises immediately and shall not resume operations until the failure has been corrected. The coverage afforded under any insurance policy obtained by LESSEE pursuant to this paragraph shall be primary coverage regardless of whether or not PLUM CREEK has similar coverage. Except for Workers' Compensation and employer liability insurance, PLUM CREEK shall be named as additional insured under all policies of insurance issued to LESSEE according to the terms of this Lease. LESSEE shall not self-insure any of the insurance coverage required by this Lease without the prior written consent of PLUM CREEK.

21. Data and Reports to PLUM CREEK. LESSEE agrees it shall furnish PLUM CREEK when practicable after receipt and without cost to PLUM CREEK, copies of Title

Opinions and State or Federal conservation orders or regulations pertaining to the Leased Premises.

22. Retention and Audit of Records. LESSEE shall keep and preserve for at least five years accurate records showing the quantity of Water produced and saved from the Leased Premises in such detail sufficient for PLUM CREEK to verify its Royalty is being properly paid (the "Records"). PLUM CREEK and its agents ("Auditor"), with at least 14 days notice, shall have access at all reasonable business hours to the Records. LESSEE also hereby grants to Auditor, the right to obtain from any purchaser of Water from the Leased Premises information as to the quantity of Water purchased.

23. Surrender of Acreage. LESSEE may at any time execute and deliver to PLUM CREEK or place of record a release or releases covering any portion or portions of the Leased Premises and thereby surrender this Lease as to such portion or portions.

24. Defaults and Remedies.

- a) Default. LESSEE shall be in "Default" if LESSEE shall at any time fail to provide any Monthly Statement when due or fail to pay as and when due any royalty or Damages to the surface owner, under paragraph 13, required to be paid hereunder, and the failure continues for fifteen (15) days after written notification of such Default; provided, however, that if there is a dispute as to the amount due and all undisputed amounts are paid and Monthly Statements received by PLUM CREEK, the 15-day period shall be extended until five days after such dispute is settled by final court decree, arbitration or agreement. LESSEE shall also be in "Default" if LESSEE shall fail to perform or be guilty of a breach of any one or more of any of the terms, conditions, covenants, stipulations, and agreements of this Lease relating to matters other than the payment of money and shall fail within 15 days after written notice of the breach shall have been given by PLUM CREEK to LESSEE, to cure the breach, if cure is possible within the 15 day period, or if not to begin to cure and thereafter diligently pursue cure of any breach, provided that immediately upon receipt of written demand from PLUM CREEK, LESSEE will terminate all mining operations hereunder until such time as LESSEE has cured the breach to the satisfaction of PLUM CREEK.
- b) Forfeiture. If LESSEE is in Default, PLUM CREEK shall have the right to terminate this Lease and to enter the Leased Premises and hold and possess the same, and all the property of the LESSEE thereon, free and acquit from any claims of LESSEE thereto.
- c) Right to take Possession Without Forfeiture. If PLUM CREEK takes possession of the Leased Premises as a result of Default, PLUM CREEK shall have the option, to divide the Leased Premises in any manner PLUM CREEK may determine and to lease the Leased Premises or portions thereof as PLUM CREEK may elect. PLUM CREEK reserves the right to bring action

or proceedings for the recovery of any deficits remaining unpaid, as PLUM CREEK may believe appropriate.

- d) No Waiver. A waiver by PLUM CREEK of any Default under this Lease shall not prevent the right of PLUM CREEK to forfeit this Lease for any other cause, or for the same cause occurring at any other time. The receipt by PLUM CREEK from LESSEE of payments after the occurrence of any Default, or the continued recognition by PLUM CREEK of LESSEE as its tenant after the occurrence of any Default shall not be deemed a waiver of PLUM CREEK's right of forfeiture, so long as the cause of forfeiture continues to exist. Receipt and acceptance by PLUM CREEK of any amounts tendered by LESSEE shall not constitute an agreement by PLUM CREEK that the amounts are the proper amounts due or a waiver of PLUM CREEK's claims for greater amounts. All payments by LESSEE to PLUM CREEK shall apply on the items longest past due, and the receipt of any such payment shall not be a waiver either of the right of distress or the right of forfeiture or any other remedy available to PLUM CREEK with respect to items which remain undischarged after crediting the payments.
- e) Removal of Equipment and Improvements Upon Termination by Default. Upon the termination of this Lease for Default any personal property and all permanent improvements shall, at PLUM CREEK's option, be and become the property of PLUM CREEK or be removed from the Leased Premises at the direction of PLUM CREEK, but at the sole expense of LESSEE.

25. Release of Acreage and Removal of Property and Fixtures. When this lease or any portion of it expires or is terminated, for any reason whatsoever, LESSEE agrees to furnish PLUM CREEK, within 30 days thereafter, a Release covering that portion of the lease so affected in appropriate form and duly executed, in order that the Release may be placed of public record. LESSEE shall have 90 days from the date of the Release to remove from the released acreage any property or fixtures placed by LESSEE on the abandoned land. Unless the time period is extended by written consent of PLUM CREEK, any property or fixtures of LESSEE left on the abandoned land after the appropriate removal date shall, at the option of PLUM CREEK, become PLUM CREEK's property and fixtures or be removed from such land at the direction of PLUM CREEK but at the sole expense of LESSEE.

26. Notices. All notices and payments, except that notice to the Resource Manager, given under the terms of this Lease shall be directed as follows:

To PLUM CREEK: Plum Creek Timberlands, L P  
Mineral Department  
100 Peachtree St. NW, Suite 2650  
Atlanta, GA 30303  
Telecopy: 404-586-9388

UNION COUNTY, FLORIDA  
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01/14/2005 #2005-57  
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With Copy to: Plum Creek Timberlands, L P  
Law Department  
100 Peachtree St. NW, Suite 2650  
Atlanta, GA 30303  
Telecopy: 404-586-9388

To LESSEE: B & C WATER RESOURCES, INC.  
Energy and Natural Resources  
999 Third Avenue, Suite 4300  
Seattle, Washington 98104  
Telecopy: 206-467-3786

or to such other address as each party may designate by written notice to the other party. The deposit in the mail of any letter so addressed and with postage prepaid shall, for this Lease, be notice to the addressees of the contents of the letter.

27. Dispute Resolution. Except as otherwise provided herein, in the event of any disputes, claims and other matters in question between PLUM CREEK and LESSEE arising out of the terms and conditions of this Lease and the performance of either party hereunder, PLUM CREEK and LESSEE shall attempt in good faith to resolve such matter promptly by negotiation between senior executives who have authority to settle the controversy and who do not have direct responsibility for administration of this Lease.

28. Liens. LESSEE shall conduct its operations in such a manner as to prevent any lien from being attached to the Leased Premises. If any lien should so attach, LESSEE shall take immediate steps to liquidate the indebtedness represented by the lien to remove the lien from the public records. Always LESSEE shall hold PLUM CREEK harmless and indemnify it against the effect of any such lien or purported lien.

29. No Modification. The terms and conditions of this Lease may not be modified, altered or amended except by a writing that is executed by PLUM CREEK and LESSEE and of equal formality with this Lease.

30. Assignments. This Lease may not be assigned in whole or in part by LESSEE without the prior written consent of PLUM CREEK. In the event of any such assignment, LESSEE shall not be released from its obligation relative to the payment of royalties or from the performance of any of the other obligations or conditions herein contained.

31. Prior Agreements. This Lease constitutes the sole and entire existing agreement between PLUM CREEK and LESSEE and expresses all the obligations of and the restrictions imposed upon PLUM CREEK and LESSEE. All prior agreements and commitments, whether oral or written, between the parties are either superseded by specific paragraphs of this Lease or, without such coverage, specifically withdrawn.

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01/14/2005 #2005-57  
03:30:28PM B-211 P-696

32. Headings. The use of headings in this Lease is solely for the convenience of indexing the various paragraphs and shall in no event limit or defines or otherwise affects any provision in this Lease.

IN WITNESS WHEREOF, this instrument is executed effective the date first above written.

WITNESSES:

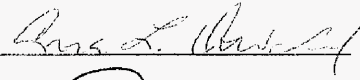
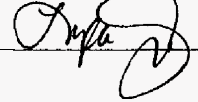
**PLUM CREEK TIMBERLANDS, L P**

BY: PLUM CREEK Timber I, L.L.C.


Its: General Partner

By: 

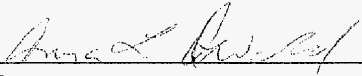

Title: Executive Vice President

**B & C WATER RESOURCES, L.L.C.**

By: 

Title: Executive Vice President

UNION COUNTY, FLORIDA  
REGINA H PARRISH, CLERK OF COURTS

01/14/2005 #2005-57  
03:30:28PM B-211 P-697

EXHIBIT "A"

Sec-Twn-Rge	Legal Description for Water Lease
18-T06S-R20E	S1/2 of the NW of the NE of the SW
04-T05S-R20E	W1/2 of the SW of the NW of the SE
23-T04S-R19E	S1/2 of the SE of the NW of the NW
32-T04S-R19E	E1/2 of the SE of the NW of the SE
10-T06S-R20E	W1/2 of the NE of the NW of the NW
25-T04S-R21E	E1/2 of the NW of the SW of the SE
14-T04S-R21E	E1/2 of the NW of the SE of the NW
36-T03S-R21E 12-T04S-R20E	E1/2 of the NW of the SE of the NW E1/2 of the SW of the NE of the SW
12-T03S-R22E	E1/2 of the NW of the NW of the SW
16-T05S-R19E 16-T05S-R19E 28-T05S-R19E	S1/2 of the SW of the NW of the SE N1/2 of the NW of the SW of the SE W1/2 of the SW of the NW of the NE
26-T04S-R20E	E1/2 of the NE of the NW of the SE

UNION COUNTY, FLORIDA  
REGINA H PARRISH, CLERK OF COURTS

01/14/2005 #2005-57  
03:30:28PM B-211 P-698

ACKNOWLEDGMENT

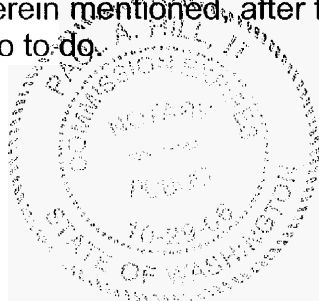
STATE OF WASHINGTON

COUNTY OF KING

On this the 7<sup>th</sup> day of January, 2005, personally appeared before me, the undersigned authority in and for the said County and State, within my jurisdiction, the within named ~~Russell S. Hagen~~ <sup>Thomas M. Lindquist</sup> who acknowledged himself to be the ~~General Manager~~ <sup>Executive Vice President</sup> Energy and Natural Resources of PLUM CREEK TIMBER I, L.L.C. the general partner of PLUM CREEK TIMBERLANDS, L P, and that for and on behalf of said limited liability company, he did sign, seal and deliver the foregoing LEASE AGREEMENT for the purposes mentioned on the day and year therein mentioned, after first having been duly authorized by said limited liability company so to do.

Paul A. Hill

Notary Public  
My commission expires: 10/29/06



STATE OF WASHINGTON

COUNTY OF KING

On this the 7<sup>th</sup> day of January, 2005, personally appeared before me, ~~Thomas M. Lindquist~~ <sup>Executive</sup> the undersigned authority in and for the said County and State, within my jurisdiction, the within named, who acknowledged himself to be the Vice President of B & C WATER RESOURCES, L.L.C., and that for and on behalf of said company, he did sign, seal and deliver the foregoing LEASE AGREEMENT for the purposes mentioned on the day and year therein mentioned, after first having been duly authorized by said corporation so to do.

Paul A. Hill

Notary Public  
My commission expires: 10/29/06



UNION COUNTY, FLORIDA  
REGINA H PARRISH, CLERK OF COURTS

01/14/2005 #2005-57  
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