

GROUND WATER RESERVATION SUMMARY

Seller is reserving the right to commercially produce ground water that lies 500 feet and deeper. Further Seller is offering a Surface Use Restrictions Agreement which identifies the rights and limitations in the production of the ground water. The following summarizes your rights regarding water if you were to purchase a property offered by Jefferson Timber in Texas. For the purposes of this reservation "Groundwater" is defined as the water beneath the land surface that fills the pore spaces of rock and soil material further being water that supplies wells and springs

I. Water Reservation

- As the property owner you have –
 - full right to use, for any purpose, any and all surface water i.e., ponds, lakes, tanks, etc. without limitation or restriction.
 - full right to use, for any purpose, any and all ground water above the depth of 500 feet. However, any commercial use of this ground water would be subject to the 45% nonparticipating royalty reserved by Temple-Inland in the sale of the property to Crown Pine.
 - the right to use any and all ground water below the depth of 500 feet for reasonable, non-commercial use i.e., ordinary domestic purposes, livestock and forestry operations.

II. Restrictions On the Commercial Development of Ground Water 500 Feet Or Deeper

- Development of ground water 500 feet or more below the surface will –
 - be conducted in a way to not interfere unreasonably with the surface or property owners operations.
 - be preceded with a Notice of Operations 30 day prior to new Groundwater Activities.
 - make reasonable efforts to restrict the size of well sites to no more than a half (1/2) acre without Surface Owners approval.
 - make reasonable efforts to space production wells on the Real Property at least a half (1/2) mile apart
 - make reasonable efforts to avoid drilling any production well on the Real Property within 200 feet of structures valued at more than \$10,000 and enclosed areas used by facilities
 - allow Surface Owner 10 days to provide Groundwater Rights Owner with written notice of any structure(s) constructed on the Real Property that have an appraised value of more than \$10,000 and/or any enclosed area(s) (including parking areas) that are used by a facility located on the Real Property, with respect to request a 200 foot setback for any production well proposed to be drilled in the Notice of Operations.
 - drill water wells close to existing roads to the extent possible.
 - restrict the width of pipeline and/or utility line rights of way to 40 feet in width
 - install pipelines adjacent and parallel to existing roads to the extent possible
 - bury pipelines to a minimum depth of 3 feet and marked at road crossings.
 - repair damage to roads caused by use during the drilling, development, and production of this ground water.
 - compensate the surface or property owner for damage of any and all standing timber and the loss of use any surface area affected at a rate of \$2,500.00 for the first two acres and \$5,000.00 for all additional acres.