SANTA CLARA PROJECT AGREEMENT

This Agreement is made and entered into on January 18, 2001, by and among the Bloomington Canal Company; Edward Bowler, a shareholder in the Gunlock Irrigation Company; Ivins Irrigation Company; the Lower Gunlock Reservoir Corporation; the New Santa Clara Field Canal Company; the Shivwits Band of the Paiute Indian Tribe of Utah; the Southgate Irrigation Company; the City of St. George, Utah; the St. George Clara Field Canal Company; the United States of America; the State of Utah; and the Washington County Water Conservancy District.

1.0 Recitals.

1.1 On July 21, 1980, the State of Utah, pursuant to Title 73, Chapter 4, Utah Code as amended, initiated a statutory adjudication of water rights in the Fifth Judicial District Court of the State of Utah in and for Washington County, Civil No. 800507596, which encompasses all of the rights to the use of water, both surface and underground, within the drainage area of the Virgin River and its tributaries in Utah ("Virgin River Adjudication"), including the Santa Clara Drainage ("Santa Clara System").

1.2 The United States of America was joined as a party in the Virgin River Adjudication pursuant to 43 USC § 666. On February 17, 1987, the United States filed a Statement of Water Users Claim asserting a water right based on state law and a federal reserved water rights claim for the benefit of the Shivwits Band of the Paiute Indian Tribe of Utah.

1.3 The Santa Clara System is subject to erratic flows and in most years does not supply sufficient water to satisfy all existing water rights, and the annual flow of the Santa Clara System is characterized by either low flows or extremely high flows with very few average water years.

1.4 To assist in stabilizing the water supply from the Santa Clara System, the Parties have studied the feasibility of pooling the water rights of the Parties and have determined that it is in their mutual interests to construct a pressurized pipeline from the Gunlock Reservoir to the lower Santa Clara River along with main lateral pipelines, which would result in the delivery of water as provided for herein, improve the efficiency of water delivery, conserve water, and help