



200705180012
Skagit County Auditor

5/18/2007 Page 1 of 8 9:34AM

Return Address:

Mid-Valley Resources, Inc.
P.O. Box 2315
Salem, OR 97308-2315

DOCUMENT: ROAD EASEMENT

NAME OF GRANTOR(S): SIERRA PACIFIC HOLDING COMPANY
(Last name first) FIRST AMERICAN TITLE CO.

M9043-1

NAME OF GRANTEE(S): MID-VALLEY RESOURCES, INC.
(Last name first)

ACCOMMODATION RECORDING ONLY

ABBREVIATED LEGAL DESCRIPTION: Gov Lot 7 and 8, Sec. 14, T35N, R7EWM and NE, NE NW, S/2 NW, N/2 SW, NW SE, Sec. 23, T35N, R7EWM Skagit County, Washington

ASSESSOR'S PROPERTY TAX PARCEL ACCOUNT NUMBER(S):

P42601, P43163, P43172,
P43207, P43231, P43295,
P44245 and P496028

ROAD EASEMENT

THIS EASEMENT is granted this 7th day of May, 2007, by SIERRA PACIFIC HOLDING COMPANY., a California corporation, herein called "Grantor", to MID-VALLEY RESOURCES, INC., an Oregon corporation herein called "Grantee".

Grantor owns the real property, herein called "Grantor's Property", located in Skagit County, Washington described on Exhibit A, attached.

Grantee desires to obtain an easement over an existing road located on the Property.

NOW THEREFORE, for valuable consideration, receipt of which is acknowledged, Grantor hereby grants and conveys to Grantee a perpetual, non-exclusive easement over a right-of-way forty (40) feet in width over and across Grantor's Property, being twenty (20) feet on either side of the existing road (the "Road") located approximately as shown on attached Exhibit B in exchange for easements granted simultaneously herewith by Grantee to Grantor over roads known as the Pressentin Creek 4300 Mainline and Cumberland Creek Roads.

This easement is granted on the following terms and conditions:

1. **Use** – The rights granted herein are for the purposes of use, maintenance, repair and reconstruction of the Road to provide ingress and egress, in connection with the administration, management, protection, harvesting and hauling of forest and other commercial products from the property now owned by Grantee in Sections 23, 24, 26 and 35, T35N, R7E, W.M. and Section 30, T35N, R6E, Skagit County ("Grantee's Property") and other lands and timber now owned and hereafter acquired by Grantee which logically are accessed by the Road.
2. **Road Crossing** – Grantor reserves the right, at all times for any and all purposes, to use, cross and re-cross, at any place on grade or otherwise, patrol and repair the Road on lands owned by it, in any manner that will not unreasonably interfere with the rights granted to Grantee hereunder.
3. **Third Parties** - Grantor may grant to third parties, upon such terms as it chooses, any or all of the rights reserved by it herein; provided, that use by such party shall be subject to the terms and conditions of this Agreement and shall not unreasonably interfere with the rights granted to the Grantee hereunder.
4. **Maintenance** - The cost of road maintenance and resurfacing shall be allocated on the basis of respective uses of the Road. When any party uses the Road, or a portion thereof, that party shall perform or cause to be performed, or contribute or cause to be contributed, that share of the maintenance and resurfacing occasioned by such use as hereinafter provided. During periods when the Road, or a portion thereof, is being used solely by one party, such party shall maintain that portion of the Road so used at a standard no less than the standards existing at the time use commenced. During periods when more than one party or its Permittees, as defined



below, is using the Road, or a portion thereof, the parties hereto shall meet and establish necessary maintenance provisions. Such provisions shall include, but not be limited to:

(a) The appointment of a maintainer, which may be one of the parties hereto or any third party, who will perform or cause to be performed at a reasonable and agreed upon rate, the maintenance of the Road or the portion thereof being used; and

(b) A method of payment by which each party shall pay its pro rata shares of the cost incurred by said maintainer in maintaining the Road or portion thereof.

For the purposes of this Agreement, maintenance is defined as the work normally necessary to preserve and keep the roadway, road structure and road facility as nearly as possible in their present condition or as hereafter improved.

5. **Road Damage** - Each party using any portion of the Road shall repair or cause to be repaired, at its sole cost and expense, that damage to the Road occasioned by it which is in excess of that which it would be caused through normal and prudent usage of the Road. Should inordinate damage to the Road occur which is not caused by an authorized user of the Road, the parties hereto shall meet to agree on the cost of replacement and the shares of replacement cost to be borne by each user of the Road.

6. **Improvement** - Unless the parties hereto agree in writing to share the cost of improvements in advance of such improvements being made, said improvements shall be solely for the account of the improver.

7. **Right of Way Timber** – Grantor hereto reserves to itself all timber now on or hereafter growing within the right of way of the Road.

8. **Exercise of Rights** – Grantee may permit its agents, contractors, licensees, vendors, lessees, purchasers of timber or other valuable materials, and their agents, herein individually referred to as “Permittee” and collectively referred to as “Permittees,” to exercise the rights granted to it herein.

9. **Indemnification** – Grantee agrees to defend, indemnify and save harmless Grantor from and against all causes of action, litigation, cost, loss, liability, damage and expense (including attorneys’ fees) for injury or death to persons, whomsoever, and damage to or loss of property, to whomsoever belonging, arising out of or in any way connected with the use of the Road by Grantee and its Permittees, unless such causes of actions, litigation, cost, loss, liability, damage and expense results from the sole negligence of Grantor.

10. **Insurance** - Before using the Road, Grantee shall obtain and maintain in full force and effect during the term hereof, at its sole expense, the following insurance coverages and shall require the same of each of its Permittees:

(a) For all persons engaged in construction activities or using equipment other than autos or trucks: Comprehensive or Commercial General Liability (occurrence form),



covering bodily injury and property damage liability, including contractual, XCU, products and completed operations with minimum limits of \$1,000,000 per occurrence, \$1,000,000 Aggregate Products - Completed Operations and \$2,000,000 General Aggregate.

(b) For all persons operating heavy trucks (over one [1] ton): Comprehensive Automobile Liability covering owned, hired and non-owned vehicles with minimum limits of \$1,000,000 per person and \$2,000,000 per accident for bodily injury and \$500,000 property damage or combined single limit of \$2,000,000;

(c) For all miscellaneous users operating pickup trucks, light trucks (one [1] ton or under) or passenger cars: Comprehensive Automobile Liability covering owned, hired and non-owned vehicles with minimum limits of \$500,000 per person and \$500,000 per accident for bodily injury and \$100,000 property damage or combined single limit of \$500,000;

(d) Loggers' Property Damage Liability – Broad Form, contractual liability exclusion deleted, with minimum limits of at least \$1,000,000.00 per occurrence and \$2,000,000.00 aggregate and including a minimum limit of at least \$300,000.00 for non-negligent fire fighting.

Before using the Road for the purposes described in clause (b) above, Grantee shall furnish Grantor with Certificates of Insurance evidencing compliance herewith, and naming Grantor as an Additional Insured. Grantee's insurance carrier shall be required to give Grantor at least thirty (30) days' written notice prior to any change or cancellation of said coverage, either in whole or in part, and the failure of Grantee's insurance carrier to give said notice as required shall be a default by Grantee. Grantor (but not the Permittees) may furnish Grantee with evidence of self-insurance for any or all of the above required insurance coverages.

11. **Compliance with Laws and Regulations** - Grantee shall comply with all applicable Federal, State and local laws, regulations and ordinances, including but not limited to those governing the construction, reconstruction, use and maintenance of the Roads.

12. **Successors and Assigns** - The rights and obligations herein shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

13. **Prior Rights** - These grants and all rights hereunder are subject to all liens, easements, servitudes, rights of way, oil, gas, and mineral leases, and all other grants or reservations either of record or on the ground affecting this property.

14. **Fire Suppression and Control** – Grantee warrants, represents and covenants to and with Grantor that it shall:

(a) Maintain its operations in a good and useable condition with all the tools and equipment necessary to prevent and suppress fires as required by all applicable law.

(b) Dispose of all slashing and debris created on the Road by Grantee in a manner satisfactory to Grantor.



Upon discovery of a fire in the vicinity of the Road or other party's operation, the discovering party shall immediately notify the other Party and the nearest official forest officer in charge of forest fire control.

15. **Gate** - Grantee has installed, and may maintain, the gate near where the northern end of the Road connects to the public road or at an alternative location agreeable to both Grantor and Grantee. Grantee shall either provide Grantor a key to the gate, or implement a system wherein Grantor may install its own lock which opens the gate independently of Grantee's lock.

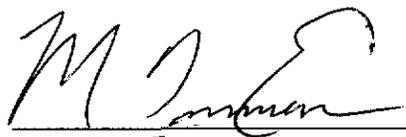
16. **Entire Agreement** - This document sets forth the entire and complete agreement between the Parties with respect to the subject matter hereof. Any prior agreements, commitments, or representations, express or implied, between the Parties are superseded by this Agreement. This document may be altered, amended, or repealed only by a written instrument executed by both Parties.

17. **Governing Law** - This Agreement shall be governed by and construed in accordance with the laws of the State of Washington.

18. **Counterparts** - This Agreement may be executed in two or more counterparts and each counterpart shall be deemed to be an original, but all of which together shall constitute one and the same instrument upon delivery of one such counterpart by each party to this Agreement.

GRANTOR:

SIERRA PACIFIC HOLDING COMPANY

By: 
M. D. Emmerson
CFO - VP

GRANTEE:

MID-VALLEY RESOURCES, INC.

By: 
VP Finance & CFO



Document
SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

MAY 18 2007

Amount Paid \$~~6~~
Skagit Co. Treasurer
By *MLM* Deputy

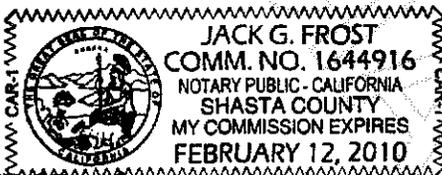


STATE OF California)
)ss
COUNTY OF Shasta)

I certify that I know or have satisfactory evidence that M. O. Emmerson is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledge it as the CFO-VP of Sierra Pacific Holdings Company, to be the free and voluntary act of such party for the uses and purposes mention in the instrument.

Dated: 5-7, 2007

Jack G. Frost
Notary Public



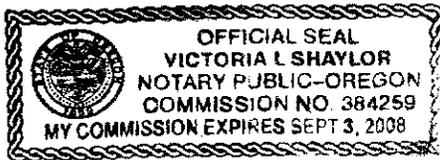
My appointment expires: 2-12-10

STATE OF Oregon)
)ss
COUNTY OF Washington

I certify that I know or have satisfactory evidence that Robert L. Bluhm is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledge it as the Vice President, CFO of Mid-Valley Resources, Inc., to be the free and voluntary act of such party for the uses and purposes mention in the instrument.

Dated: May 15,, 2007

Victoria L. Shaylor
Notary Public



My appointment expires: 9/03/08



EXHIBIT A

Legal Description

Township 35 North, Range 7 East, W.M., Skagit County, Washington

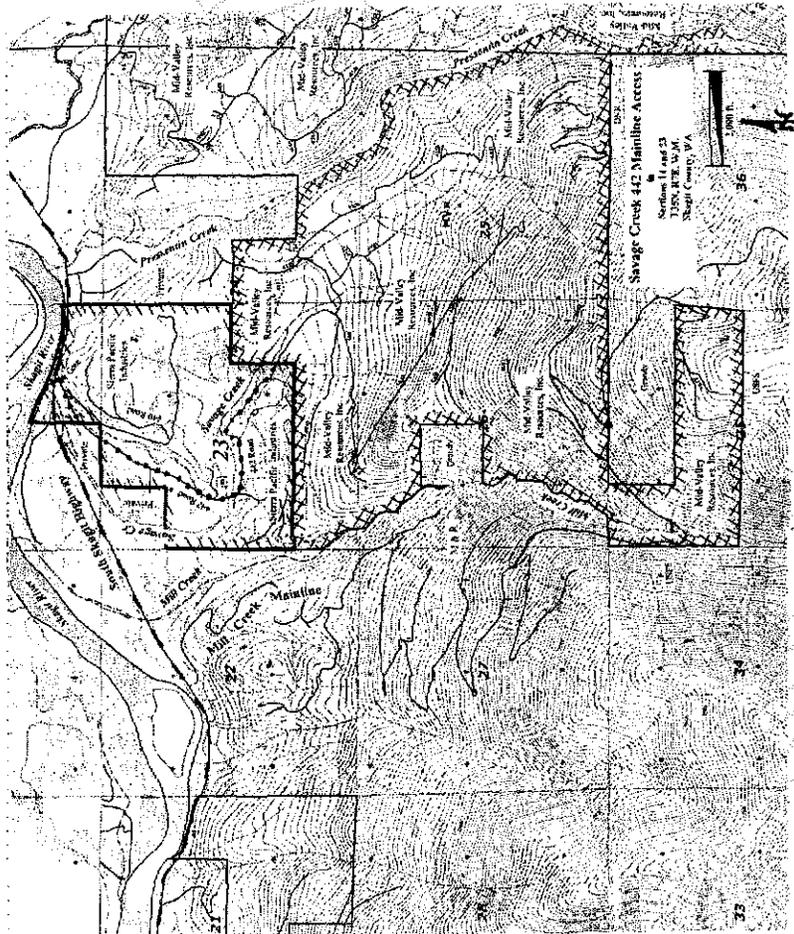
Section 14: Government Lot 7 and 8

Except highway as granted under Auditor's File No. 496313, record of Skagit County, Washington

Section 23: The Northeast Quarter, the Northeast Quarter of the Northwest Quarter; the South Half of the Northwest Quarter, the North Half of the Southwest Quarter and the Northwest Quarter of the Southeast Quarter.



EXHIBIT B



Savage Creek 442 Mainline Access

in

**Sections 14 and 23
T35N, R7E, W.M.
Skagit County, WA**

