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EASEMENT AND AGREEMENT

THIS EASEMENT AND AGREEMENT, made this 23rd day of October, 1997, is by and between the Idarado Mining Company ("Idarado"), a Delaware corporation, whose address is 311 Main Street, P.O. Box 584, Ouray, CO 81427, and San Miguel Power Association, Inc., ("SMPA") a Colorado corporation, whose address is P.O. Box 817, Nucla, CO 81435.

WHEREAS, Idarado owns certain real property in San Miguel County, Colorado, near the town of Telluride;

WHEREAS, SMPA desires to construct and maintain a power line on a certain portion of Idarado's real property, as described more particularly below;

WHEREAS, Idarado desires to grant to SMPA an easement in gross over a certain portion of Idarado's real property, as described more particularly below, for the purpose hereinafter stated and subject to all the terms and conditions hereof;

NOW THEREFORE, in consideration of the following agreements and covenants, the payment by SMPA to Idarado of the sum of \$10.00, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and confessed, the parties hereto agree as follows:

1. Grant. Idarado grants and conveys to SMPA a nonexclusive easement in gross as described in Exhibit A and depicted in Exhibit B hereto, both of which Exhibits are incorporated herein by this reference (hereinafter "Easement Area"). SMPA's use of the Easement Area shall be solely for the purpose stated in Section 2 hereof.

2. Purpose and Use. The purpose of this Easement and Agreement is to permit SMPA to construct and maintain a power line to provide electrical service to a single family residence located on the Monon Lode (M.S. 9233). More particularly, SMPA's use of that portion of the Easement Area marked as Segment A in Exhibit B shall be strictly limited to constructing and maintaining an overhead single-phase distribution power line consisting of two spans of overhead conductor and two poles. SMPA's use of the remainder of the Easement Area (marked as Segment B in Exhibit B) shall be strictly limited to constructing and maintaining an underground single-phase distribution power line consisting of one line of underground conductor and a conduit for Idarado's use should Idarado elect to use the conduit, both of which shall be buried sufficiently underground and otherwise sufficiently protected to permit vehicles and persons to traverse safely over the surface of the Easement Area.

3. Termination. Idarado may terminate this Easement and Agreement under any of the following circumstances:

(a) Idarado elects to convert the existing overhead power line system providing electrical service for Idarado's operations east of Telluride to underground power lines;

(b) Idarado or the State of Colorado determines that for any reason relating to a certain Consent Decree entered on July 6, 1992 in State of Colorado v. Idarado Mining Co. (Civ. Action No. 83-C-2385) that the Easement and Agreement should be terminated;

(c) Idarado determines that for any reason relating to use or development of its real property holdings, including the St. James Placer (MS #1035), that the Easement and Agreement should be terminated; or

(d) SMPA breaches or fails to comply with any of the terms or conditions of this Easement and Agreement.

In the event of termination under Section 3(a) or (c) Idarado agrees to negotiate with SMPA in good faith to establish an alternate route for a power line to provide electrical service to a single family residence located on the Monon Lode (M.S. 9233).

In the event of termination under Section 3(b) Idarado agrees to negotiate with SMPA in good faith to try to establish an alternate route for a power line to provide electrical service to a single family residence located on the Monon Lode (M.S. 9233). Idarado makes no promise, commitment, or guarantee, however, that such a route can be established or will be agreed to.

Termination hereunder shall be effective upon receipt by SMPA of Idarado's notice of termination. Upon termination, SMPA shall remove within sixty (60) days after the date of termination all overhead and underground power lines and related facilities from the Easement Area and perform such additional work as is necessary to return the Easement Area to a condition that is acceptable to Idarado (which condition may include, but not be limited to, leveling the ground surface by filling all trenches and holes, and seeding grasses).

#### 4. SMPA Covenants.

(a) *Trees.* SMPA shall acquire Idarado's written approval prior to cutting or clearing any trees during initial construction of the power lines. SMPA understands that Idarado desires to preserve as many trees as possible within the Easement Area. Thereafter, SMPA shall have the right to, from time to time, trim, cut, or clear trees and brush within the Easement Area if such trees and brush are deemed by SMPA to be a hazard to the installed power lines. If SMPA desires to trim, cut, or clear brush from the Easement Area for any other reason, it must obtain Idarado's written approval before doing so. If SMPA cuts any trees as allowed hereunder, SMPA shall notify Idarado, who shall promptly decide if it wishes to take the trees. If Idarado

elects not to take the trees, SMPA shall properly dispose of them.

(b) *Compliance with Laws and Regulations.* SMPA shall, in its use and enjoyment of the property subject to this easement, comply with all applicable federal, state, and local laws, regulations, and ordinances.

(c) *Maintenance of Easement.* SMPA shall not deposit, leave, or store any equipment, materials, or trash on, in, or under the Easement Area. SMPA shall take such measures as may be required to maintain the Easement Area in good repair and to ensure that the appearance and condition thereof are not adversely affected by SMPA's acts or omissions. Any damage or adverse impact that SMPA may cause to the Easement Area shall be promptly remedied at SMPA's sole cost and expense.

(d) *Improvements.* Except as expressly permitted hereunder, Grantee shall not improve the Easement Area in any manner without the prior written consent of Idarado.

(e) *Liens.* SMPA shall take any and all actions necessary to ensure that no lien or other encumbrance on the Easement Area arises through SMPA.

5. Idarado Use. Idarado shall have the right to use the property subject to this easement for any purpose and at any time, provided that Idarado's use does not unreasonably interfere with SMPA's enjoyment of the rights granted hereunder.

6. Indemnity. SMPA shall indemnify, defend, and hold harmless Idarado, its subsidiaries and affiliates, and their respective directors, officers, employees, and agents, against and from any and all losses, claims, actions, suits (including costs and attorneys' fees), and damages, including, but not limited to (1) injury, bodily or otherwise, to or death of persons; (2) damage to or destruction of property belonging to Idarado or others; (3) violation of any law, regulation, decree, code, ordinance, or other act of any governmental authority; and (4) environmental liabilities, to the extent same arises out of or is in any way connected with SMPA's or its employee's, agent's, or representative's acts or omissions, breach of this Easement and Agreement, or use of the Easement Area. This indemnity obligation shall survive expiration or termination of this Easement and Agreement.

7. Non-Assignability. SMPA shall not assign this Easement and Agreement without the prior written consent of Idarado, which consent may be withheld for any reason or no reason at all.

8. Notices. All notices and other required communications ("Notices") shall be in writing, and shall be sent to the following addresses, which may be changed by a party at any time by sending Notice to the other party of the new address:

Idarado Mining Company  
311 Main Street  
P.O. Box 584  
Ouray, CO 81427

San Miguel Power Ass'n, Inc.  
P.O. Box 817  
Nucla, CO 81435

Notices may be given: (i) by personal delivery to the other party; (ii) by facsimile, with a confirmation sent by registered or certified mail, return receipt requested; or (iii) by registered or certified mail, return receipt requested. Notices shall be effective and shall be deemed delivered: (i) if by personal delivery, on the date of delivery if delivered during normal business hours (8:00 a.m. to 5:00 p.m. Mountain time), and, if not delivered during normal business hours, on the next business day following delivery; (ii) if by facsimile, on the date the facsimile is received if received during normal business hours, and, if not received during normal business hours, on the next business day following receipt; and (iii) if solely by mail, three business days after deposit in the mail.

9. Applicable Law. This Easement and Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado, excepting Colorado law pertaining to choice of law or conflicts of law. The parties hereby submit to the jurisdiction of the state and federal courts in the state of Colorado and agree that the state and federal courts in the state of Colorado shall be the exclusive forum for the resolution of any disputes related to, arising out of, or arising under this Easement and Agreement, whether based in tort, contract, or other legal theory.

10. Integration. This Easement and Agreement, including its Exhibits, constitutes the complete and entire agreement and understanding between the parties with respect to the subject matter hereof and supersedes, merges, and voids all negotiations, prior discussions, and prior agreements and understandings, either written or oral, relating to the subject matter hereof.

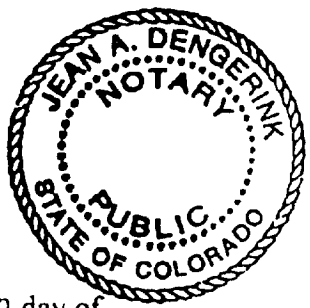
11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties' respective successors and permitted assigns.

IDARADO MINING COMPANY

By: David A. Baker  
David A. Baker

Its: President

Date: 10-24-97



STATE OF COLORADO )  
CITY AND ) ss.  
COUNTY OF DENVER )

The foregoing Easement and Agreement was acknowledged before me this 24th day of  
October, 1997 by David A. Baker

My commission expires 8-22-99 Notary Public: Jean A. Dengerink

[seal]

SAN MIGUEL POWER ASSOCIATION, INC.

By: Richard J. Sansom

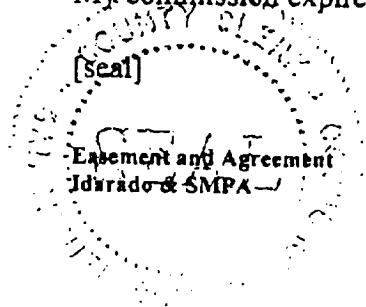
Its: ASST. GEN. MGR.

Date: 11-4-97

STATE OF COLORADO )  
 ) ss.  
COUNTY OF SAN MIGUEL )

The foregoing Easement and Agreement was acknowledged before me this 4TH day of  
~~October~~, 1997 by RICHARD J SANSOM  
NOVEMBER

My commission expires non-expiring Notary Public: Doris Ruffe



Easement and Agreement  
Idarado & SMPA

JACOBSEN ASSOCIATES  
Surveying, Planning, Engineering  
225 S. Oak P.O. Box 3730  
Telluride, CO 81435  
(970) 728-1128 FAX 728-9201

LEGAL DESCRIPTION

A strip of land 20 feet wide over and under a portion of the St. James Placer (MS No. 1035) located in Section 31, T43N, R8W, N.M.P.M., the centerline of which is described as follows and further shown on Exhibit "B" attached hereto.

Beginning at an existing power pole from which the southeast corner of the Monon Lode (MS 9233) bears N 42°57' 58" E, 304.25 feet; thence N 8°39' 52" E, 147.87 feet; thence S 62°24' 16" E, 68.47 feet; thence S 84°36' 05" E, 97.19 feet; thence S 87°23' 32" E, 345.32 feet; thence North, 30.00 feet; thence N 87°23' 32" W, 85.00 feet more or less to the northerly line of the existing 19' wide easement per Book 514 at page 601, records of San Miguel County, Colorado.

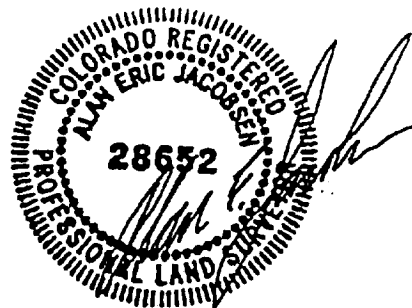


EXHIBIT A

EXHIBIT "B"

