

RURAL WATER DISTRICT NO. 3

Hughes County, Oklahoma

RULES AND REGULATIONS

These Rules are issued in compliance with the provisions of the Rural Water, Sewer, and Solid Waste Management Districts Act of Oklahoma (82 O. S. Supp. 1972, SS 1324. 1-1324. 26), and the Bylaws of the District and are designed to govern the supplying and taking of water, sewer, and solid waste management service in a uniform manner for the benefit of the District and its members. They are subject to change from time to time. However, all such changes must be approved by the State Director of the Farmers Home Administration, until such time as the District is no longer indebted to the United States of America, or until such time as the District has completely retired all loans made by or insured by the United States of America. If a provision of these Rules conflict with a provision of the rate schedules, the provision of the rate schedule will prevail. If any portion of these Rules shall be declared invalid by competent authority, such voidance shall not affect the validity of the remaining portions.

Definitions: The following expressions when used herein will have the meaning stated below:

Applicant: Any individual, firm, partnership, corporation or other agency owning land located within the District, applying for water, sewer and/or solid waste management service.

Benefit Unit: A right entitling the holder to one service connection.

Board: The Board of Directors of Rural Water District No. 3, Hughes County, Oklahoma.

Consumer: Any individual, firm, partnership, corporation, or other agency receiving water and/or sewer and/or solid waste management service from the District's facilities and owning or occupying land located within the District in favor of which one or more benefit units have been subscribed and paid for.

Point of delivery: In rural areas water transmission lines will be installed parallel to section lines and highways and on private property where possible. Service lines to the meter will not extend across private property unless necessary to serve users whose property does not join the section lines or road.

Water will be delivered at the meter which will be located on the main line.

Service: The term service when used in connection with the supplying of water service shall mean the availability for use by the consumers of water adequate to meet the consumer's requirements and adequate waste disposal collection and treatment facilities. Service shall be considered as available when the District maintains the water supply at

normal pressure at the point of delivery, in readiness for the consumer's use, regardless of whether or not the consumer makes use of it.

Application for Water Users' Agreement: The agreement of contract between the consumer and the District, pursuant to which water service is supplied and accepted.

State Director: The State Director of the Farmers Home Administration.

Water, Sewer, and Solid Waste Management Service: Water service shall consist of facilities for supplying water to one residence or business establishment located on land within the District. A landowner must purchase a Benefit Unit and accept water service for each residence or business establishment served.

General Rules

1. The supplying and taking of water service will be in conformance with these Rules and applicable rate schedule attached hereto, and filed with the Secretary of the District: Provide, however, that such rate schedule is subject to change by action of the Board with the approval of the State Director. Provided, further, that if at any time the Board of Directors determines that the total amount derived from the collection of water charges is insufficient for the payment of operating costs, emergency repairs, or debt service, the Board shall increase the minimum water rate for the first month thereafter in an amount sufficient to pay such operating costs, emergency repairs, or debt service.
2. Applicants for service shall make application to the Secretary of the District. If the application for service is approved by the Board of Directors, the applicant will purchase a Benefit Unit for each water service desired and sign the standard Application for Water Users' Agreement for an indefinite period.
3. Before installing a service extension and providing water available for use, the Board may require the applicant to pipe his home and be in readiness to accept service.

Service is for Sole Use of the Consumer:

A standard service connection is for the sole use of the applicant or the consumer, and does not permit the extension of pipes to transfer water from one property to another, nor to share, resell, or sub-meter water to any other consumer, or allow another user to connect to the applicant's line. If an emergency or specific situation should make such arrangement advisable, it shall be done only on specific written permission of the Board of Directors for the duration of the emergency.

Agreements with Governmental and Public Bodies:

The District through its Board of Directors may make specific water contracts with the Federal Government, the State of Oklahoma, or agencies thereof, school districts and municipal corporations, differing from stipulations set out in the rate schedule and rules. Such contracts must receive approval by the State Director of the Farmers Home Administration.

Right of Access:

Representatives of the District shall have the right at all reasonable hours to enter upon consumers' premises to read and test meters, inspect piping, and to perform other duties for the proper maintenance and operation of service, or to remove its meters and equipment upon discontinuance of service by consumers.

Continuity of Service:

The District will make all reasonable efforts to supply continuous, uninterrupted service. However, it shall have the right to interrupt service for the purpose of making repairs, connections, extensions, or for other necessary work. Efforts will be made to notify consumers who may be affected by such interruptions, but the District will not accept responsibility for losses which might occur due to such necessary interruptions.

The District does not accept responsibility for losses which might occur due to interruptions to service caused by storms, strikes, floods, or other causes beyond its control including pressure regulations.

Meters

Meters will be furnished, installed, owned, inspected, tested, and kept in proper operating condition by the District, without cost to the consumer. A complete record of tests and histories of meters will be kept. Meter tests will be made according to methods of the American Waterworks Association by the District, as often as deemed necessary by its Board of Directors.

Meter Accuracy:

Service Meters whose errors do not exceed two percent (2%) fast or slow shall be considered as being within the allowable limits of accuracy for billing purposes. The percentage of error will be considered as that arrived at by taking the average of the error at full load and that at ten percent (10%) load, unless a consumer's rate of usage is known to be practically constant in which case the error at such constant use will be used.

Bills:

Bills will be rendered for service by the 5th day of the month following that in which the service was rendered as set forth in the rate schedule. Service bills not paid by the 15th of the month shall be subject to a ten percent (10%) late charge. Failure of the

District to submit a service bill shall not excuse the consumer from his obligation to pay for the water used when the bill is submitted. Failure to pay a bill by the 1st day of the month following which the bill is rendered, shall result in the disconnection of the service.

Reconnection Charge:

The reconnection charge for restoration of service, if reconnection is authorized and approved under the provisions of the Bylaws of the District, after each suspension of service because of delinquent payment or for other infraction of these Rules, shall be the unpaid amount charged to date against the consumer's benefit unit, plus ten percent (10%) interest, and a sum to cover the reasonable cost of labor necessary to make such reconnection.

Requested Meter Tests:

Meter test requested by consumers will be performed without cost to the consumer if the meter is found to be in excess of two percent (2%) fast. Otherwise the consumer for whom the requested test was made will be charged for the cost of making the test.

Consumer's Responsibility:

The consumer shall be responsible for any damage to the meter installed for his service, on account of any cause other than normal wear and tear.

Change of Occupancy:

It shall be the consumer's responsibility to anticipate changes of occupancy, and to have his benefit unit transferred to the new consumer as prescribed in the Bylaws. Until the benefit unit is formally transferred, the original holder shall be responsible for the payment for service. All charges levied against a benefit unit must be paid, before the benefit unit can be transferred, or service resumed where there has been a suspension.

Services:

The District will install and pay for all water services pipes (except for private fire protection) from its main to the meters on property abutting the travelway along which the main is installed. The service pipe shall not be less than three-fourths inch in size. The District will also install and pay for the District cock, meter and meter setting. The meter will be set in front of the premises to be served or at the closest point on the consumer's premises as designated by the District.

Cost of Benefit Units:

To be determined by Board and put into minutes.

Applicants Having Excessive Requirements:

In the event an applicant whose water requirements are found to exceed the District's ability to supply it from existing sources without adversely affecting service to other consumers to a reasonable extent, the District will not be obligated to render such service, unless and until suitable self-liquidating financing is arranged to cover necessary investment in additional sources.

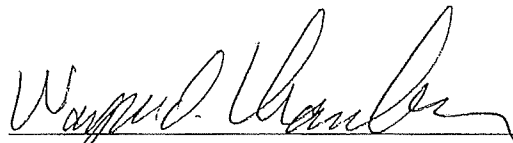
Cross Connections:

There shall be no cross connections made or maintained between the water system of the District or any other system (private or otherwise) and that all new structures constructed within the District shall, prior to service connections, comply with the plumbing standards of the State of Oklahoma.

Representatives of the District, the state and local Health Departments shall have the right at all reasonable hours to enter upon consumer's premises for the purpose of inspection and enforcement of this provision.

Violation of this provision shall constitute cause for disconnection of a consumer's service.

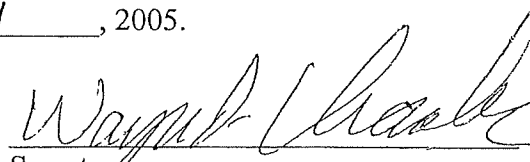
Unanimously adopted at meeting of Board of Directors, held 1-11-2005 at Horn Corner Grocery with 5 members of the Board of Directors present.


Secretary

CERTIFICATE

I, the undersigned, as Secretary of Rural Water District No. 3, Hughes County, Oklahoma, hereby certify that the above and foregoing is a true and correct copy of the Rules and Regulations.

Dated this 11th day of JANUARY, 2005.


Secretary