STIPULATION FOR WITHDRAWAL OF PROTESTS

This Stipulation is made and entered into between Tuffy Ranch Properties, LLC, a Nevada limited liability company ("TRP), and the United States Department of the Interior, Bureau of Land Management (BLM). Collectively, TRP and the BLM are referred to as the "Parties".

RECITALS

- A. On March 4, 2005, TRP filed Application Nos. 72296 72349 to change the place of use and purpose of use of certain existing certificated water rights (that have been pumped for irrigation uses for approximately 45 years) in the Lake Valley Hydrographic Basin for a combined maximum duty of approximately 20,231 (Application 72307 withdrawn in its entirety, Applications 72297 (0.976 cfs; 231.44 afy) and 72346 (1.378 cfs; 401.83 afy were withdrawn) acre-feet per year (afy), with the Nevada State Engineer's Office. The above listed applications, as modified, shall hereinafter be referred to as the "Applications". TRP intends to export the water that is the subject of the Applications for municipal and domestic uses associated with the Coyote Springs Project in Lincoln County.
- B. The BLM filed timely protests to the granting of water rights under the Applications pursuant to BLM's responsibilities to manage the public lands within and adjacent to the Lake Valley Hydrographic Basin. BLM holds certain water rights and manages water-related resources within and adjacent to the Lake Valley Hydrographic Basin that may be affected if the subject interbasin transfer Applications are granted.
- C. TRP asserts that the interbasin transfer of an amount of water equal to 12,000 afy, or such other quantity that is no greater than the perennial yield of the Lake Valley Hydrographic Basin as determined by the State Engineer, will not have an unreasonable adverse affect on BLM resources or water rights within or adjacent to the Lake Valley Hydrographic Basin.
- D. TRP has also filed application nos. 72565 72577 and Coyote Springs Investment, LLC has filed application nos. 72589 72602 seeking new appropriations of ground water in Lake Valley Hydrographic Basin. TRP and CSI will hold in abeyance these applications, subject to approval of the Nevada State Engineer, until such time that the Nevada State Engineer increases the existing perennial yield of Lake Valley Hydrographic Basin and the Parties agree that monitoring data collected during the first five years of interbasin transfer under the Applications indicate there are no unreasonable adverse affects due to TRP's interbasin transfer.
- E. BLM asserts that the proposed interbasin transfer from Lake Valley Hydrographic Basin in an amount greater than the established perennial yield of the Basin (12,000 afy) poses a potential risk of adversely impacting its water rights and water-related resources within and adjacent to the Basin and are desirous of working in a cooperative manner with TRP to protect these resources.

- F. TRP and BLM acknowledge that in addition to the pending Applications, TRP holds certificated irrigation groundwater rights and surface rights in Lake Valley Basin in the approximate amounts of 5,864 afy and 3,081 afy, respectively, and TRP holds several vested and certificated surface and groundwater stockwatering rights within the basin. In addition, Geyser Ranch, LLC (50% owned by TRP) holds certificated irrigation surface water rights of approximately 3,056afy and numerous surface and groundwater stockwatering rights within the basin.
- G. There are existing monitoring programs required by the State Engineer or otherwise negotiated by stakeholders for existing rights and pending applications within the Colorado River regional flow system in which Lake Valley Hydrographic Basin is a part. Lake Valley Hydrographic Basin is not currently part of any established monitoring program. The Parties agree there is a need to collect and analyze additional hydrologic data to assess potential impacts from the proposed interbasin transfer and improve understanding of the regional groundwater flow system.
- H. The Parties acknowledge that Nevada Water Law provides pursuant to NRS 534.110(4) that "It is a condition of each appropriation of ground water acquired under this chapter [534] that the right of the appropriator relates to a specific quantity of water and that the right must allow for a reasonable lowering of the static water level at the appropriator's point of diversion." Further, pursuant to NRS 534.110(5), Nevada Water Law "does not prevent the granting of permits to applicants later in time on the ground that the diversions under the proposed later appropriations may cause the water level to be lowered at the point of diversion of a prior appropriator, so long as the rights of holders of existing appropriations can be satisfied under such express conditions." It is the intent of the Parties that this Stipulation provides the initial "express conditions" to allow the development of the TRP Applications to proceed, however, such future conditions may be different based on implementation of the monitoring, management and mitigation plan specified in Exhibit A, attached to this Stipulation and made a part hereof.
- I. The State Engineer has set an administrative hearing on the protests of the BLM and other protestants commencing March 31, 2008.
- J. The Parties acknowledge that White Pine County, Louis Benezet and Jo Anne Garrett have filed protests to the Applications, but that those entities are not Parties to or in any way bound or prejudiced by this Stipulation. Further, these protestants may enter into stipulations with TRP concerning the TRP Applications. Such stipulations shall not require the participation of the BLM nor modify in anyway the intent or content of this Stipulation, nor shall the BLM be bound or prejudiced by such stipulations.
- K. The Parties agree that the preferred conceptual approach for protecting BLM water rights from injury and BLM water-related resources from unreasonable adverse impacts from TRPs interbasin transfer is by limiting the volume of exported groundwater to the recognized perennial yield of the basin and through the use of monitoring, management and mitigation of groundwater pumping. The common goal of the Parties is to manage

the development of the regional carbonate-rock aquifer and overlying basin-fill aquifer systems as a water resource without causing any injury to BLM water rights and/or unreasonable adverse impacts to BLM water-related resources. Groundwater and the effects of pumping need to be properly monitored and managed to avoid adverse impacts to the water rights and water resources of the BLM. To accomplish this goal, there is a need to obtain accurate and reliable information of the aquifer's response to pumping stresses and the impact of that pumping on water rights and resources of interest. This is to be accomplished by implementing the monitoring, management and mitigation plan as set forth in Exhibit A to this Stipulation. The Parties have determined that it is in their best interests to cooperate in the collection of additional hydrologic and hydrogeologic information as set forth in Exhibit A to this Stipulation.

L. The Parties desire to resolve the issues raised by the protests according to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the Parties do agree as follows:

- 1. The BLM hereby expressly agrees to withdraw its protests to the Applications and agrees that the Nevada State Engineer may rule on the Applications based upon the terms and conditions set forth herein. It is expressly understood that this Stipulation is binding only upon the Parties hereto and their successors, transferees and assigns, and shall not bind or seek to bind or prejudice any other Parties or protestants. The execution and filing of this Stipulation with the State Engineer shall have the effect of withdrawing the BLM protests as provided for in Nevada Administrative Code § 533.150.
- 2. Consistent with this Stipulation and its Exhibit A, and in order to allow (1) appropriate planning by the Applicant, Coyote Springs Investment LLC, and the Coyote Springs Lincoln County General Improvement District, and (2) the highest and best use of certificated water resources at all times, TRP may request that the State Engineer approve the interbasin transfer of the consumptive use portion of the permits that are covered by the Applications as filed subject to the following:
 - a. issuance of permits be withheld until completion of the transmission pipeline construction (SNWA Groundwater Development Project) allowing continuing irrigation uses at Atlanta Farms until such time as the pipeline is constructed and land is removed from irrigation;
 - b. land to be removed from irrigation in phases upon completion of the pipeline in increments of 125 acres;
 - c. permits to be issued in phases in amounts determined by multiplying 125 acres (the minimum acreage removed from production annually) by the State Engineer's agreed upon consumptive use number for the Lake Valley Basin);
 - d. no water in excess of the presently accepted perennial yield (12,000 afa) to be exported from the Basin unless and until additional data is provided to the State Engineer sufficient to support a decision that the perennial yield is higher or that

- the export of additional water will not adversely affect existing water rights or future development of the Lake Valley Basin;
- e. the Applicant will, if directed by the State Engineer, develop an appropriate monitoring plan and well field management plan for the purposes of avoiding, minimizing and mitigating potential or actual adverse impacts; and
- f. the Applicant will provide all monitoring data, and water quality data that may be collected, to the State Engineer and to SNWA and BLM for incorporation into the regional groundwater model associated with the EIS for the SNWA Groundwater Development Project.

or, in the alternative, issue the permits and allow temporary change applications to be filed annually, allowing for continued irrigation uses at Atlanta Farms until such time as the pipeline is constructed and land is removed from irrigation;

or, in the alternative, issue permits authorizing the transfer of water rights in the amount of 12,000 afy and hold the remaining applications in abeyance until the Applicant provides additional data supporting a decision that the perennial yield is higher or that the export of additional water will not adversely affect the environment, allowing continued irrigation use of all rights in excess of 12,000 afy and allowing temporary change applications to be filed annually on the 12,000 afy until such time as the pipeline is constructed and the land is removed from irrigation;

or, in the alternative, issue permits authorizing the transfer of water rights in the amount of 12,000 afy and concurrently deem the remaining applications withdrawn by the Applicant. This would allow for such rights to be returned to the base rights for continuing permitted uses. Also, it is requested that the State Engineer allow temporary change applications to be filed annually on the 12,000 afy until such time as the pipeline is constructed and the land is removed from irrigation.

TRP and BLM agree to engage in collaborative efforts to monitor potential impacts to the 3. regional groundwater system related to the export of groundwater from the Lake Valley Hydrographic Basin under the Applications and other applications. The parties will outline activities to cooperate and collaborate to monitor, manage, and mitigate potential impacts from TRP's development of various permits to appropriate groundwater in Lake Valley. This process will outline how the Parties incorporate ongoing and future data collected into a transient groundwater flow model being developed by the BLM as part of environmental analyses being conducted for the Southern Nevada Water Authority's Clark, Lincoln, and White Pine Counties Groundwater Development Project. The model can be used as a tool to improve management of regional water resources and understanding of potential impacts to the groundwater and surface water systems. The process will also allow the Parties to refine the ongoing monitoring, management, and mitigation plan. In addition to ground-water monitoring, the parties also will identify requirements for reclamation of any irrigated lands abandoned as a result of interbasin water transfers. Therefore, no later than June 30, 2009, the Parties agree to negotiate a separate memorandum of understanding that will provide for such a process.

- 4. BLM acknowledges that production wells may need to be relocated from time to time as water use is converted from irrigation use to municipal use. In the event such relocation becomes necessary, the parties will meet and confer to consider the then-current implementation of the Plan described in Exhibit A. BLM agrees that it will not unreasonably withhold its consent to relocation of a production well, provided that the proposed relocation is consistent with the Monitoring, Management and Mitigation plan being implemented by the Parties. BLM acknowledges that one method to minimize impacts to BLM water related resources may include relocation of the production wells and that TRP may seek to relocate such wells on public land within the basin.
- 5. The Parties agree to implement the Monitoring, Management and Mitigation plan, attached hereto as "Exhibit A", which is expressly incorporated into this Stipulation as if set forth in full herein upon the State Engineer's granting of the Applications, in total or in part, and upon the terms and conditions contained in Exhibit A.
- 6. This Stipulation does not waive any authorities of the BLM or the United States, including any other agency or bureau not specified in this Stipulation, or relieve TRP, or any party acting in conjunction with or through TRP from complying with any federal laws, including, but not limited to, the National Environmental Policy Act, the Endangered Species Act, the Federal Land Policy and Management Act, and any and all rules and regulations thereunder. It is the expressed intention of the Parties that by entering into this Stipulation, the BLM and the United States are waiving no legal rights of any kind, except for the withdrawal of its protests as provided in Paragraph 1 of this Stipulation. Nor is this Stipulation intended to modify any legal standard by which Federal Water Rights or Federal Resources are protected. Likewise, TRP, or any party acting in conjunction with or through TRP, by entering into this Stipulation, are not waiving any legal rights of any kind, except as expressly provided in this Stipulation and its Exhibit A.
- 7. Further, except as expressly stated in this Stipulation or its Exhibit A, this Stipulation does not affect any legal or administrative process or proceeding concerning rights-of-way or any action that may be necessary to further the development and/or use of the water sought under the Applications.
- 8. The Parties expressly acknowledge that the Nevada State Engineer has, pursuant to both statutory and case law, broad authority to administer groundwater resources in the State of Nevada and, furthermore, that nothing contained in this Stipulation shall be construed as waiving or in any manner diminishing such authority.
 - If the plan is adopted by the State Engineer, the parties also acknowledge that the State Engineer has the authority to modify the plan set forth in Exhibit A.
- 9. The Parties agree that a copy of this Stipulation shall be submitted to the Nevada State Engineer upon its execution and, in any event, prior to the commencement of the administrative proceedings scheduled to begin on March 31, 2008. The Parties shall, in the event the hearing is held as presently scheduled, request on the record at the

beginning of the scheduled proceeding, that the State Engineer include Exhibit A of the Stipulation as part of the permit terms and conditions, in the event that he grants Application Nos. 72296 – 72349 (as modified), in total or in part. The BLM, at its option, may attend the hearing, but will present no issues or statements unless necessary to explain or defend this Stipulation or Exhibit A.

10. Any notice given under this Stipulation shall be deemed properly given when actually received or three (3) days after such notice was deposited in the United States Mail, certified or registered, return receipt requested, postage prepaid, addressed as follows:

If to BLM:

State Director Nevada State Office Bureau of Land Management 1340 Financial Blvd. Reno, NV 89502

If to TRP:

General Counsel Tuffy Ranch Properties, LLC 6600 N. Wingfield Parkway Sparks, Nevada 89436

- 11. TRP may transfer or assign its interest in the water rights here involved. Any and all transferees and assignees shall be bound by the terms and conditions of this Stipulation. As a condition to any such transfer or assignment, the transferee and/or assignee shall execute an assignment and assumption agreement expressly stating it is bound to all of the terms and conditions of this Stipulation.
- 12. This Stipulation shall be governed in accordance with the laws of the State of Nevada to the extent not inconsistent with federal law.
- 13. It is the intent of the Parties hereto that the Nevada State Engineer shall be kept informed of all activities and data gathered pursuant to this Stipulation in the same fashion as are the Parties hereto; however, the Parties in consultation with the Nevada State Engineer, may specify the types of data and documents that shall be submitted to the Nevada State Engineer.
- 14. By entering into this Stipulation, the BLM does not become a party to any proceeding other than the protest proceeding referenced above or waive its immunity from suit or consent to or acknowledge the jurisdiction of any court or tribunal. Nothing in the Stipulation shall affect any federal reserved water rights of the BLM or the United States on behalf of any Indian Tribe and the BLM by entering into this Stipulation do not waive or prejudice any such rights. The BLM reserves all legal rights, of any kind, it possesses

- pursuant to or derived from Executive Orders, acts of Congress, judicial decisions, or regulations promulgated pursuant thereto. Neither party waives its rights to seek relief in any appropriate forum of its choice not expressly prohibited by this Stipulation.
- 15. Any commitment of funding by the BLM in this Stipulation or otherwise is subject to appropriations by Congress.
- 16. This Stipulation may be amended by mutual agreement of the Parties.
- 17. This Stipulation sets forth the entire agreement of the Parties and supercedes all prior discussions, negotiations, understandings or agreements. No alteration of variation of this Stipulation shall be valid or binding unless contained in an amendment in accordance with paragraph 14.
- 18. This Stipulation is entered into for the purpose of resolving a disputed claim and establishing the monitoring, management, and mitigation plans contained in Exhibit A. The Parties agree that the Stipulation shall not be offered as evidence or treated as an admission regarding any matter herein and may not be used in proceedings on any other application or protest whatsoever, except that the Stipulation may be used in any future proceeding to interpret and/or enforce the terms of this Stipulation. Further, the Parties agree that neither the Stipulation nor any of its terms shall be used to establish precedent with respect to any other application or protest in any water rights adjudication or water rights permitting proceeding before the Nevada State Engineer or any other proceeding.
- 19. The terms and conditions of this Stipulation shall be binding upon and inure to the benefit of the Parties hereto and their respective, successors, transferees and assigns.
- 20. This Stipulation will become effective as between the Parties upon all Parties signing this Stipulation. The Parties may execute this Stipulation in two or more counterparts, which shall, in the aggregate, be signed by all Parties; each counterpart shall be deemed an original as against any Party who has signed it.
- 21. Each Party agrees to bear its own costs and attorney fees.
- 22. Other entities may become Parties to this Stipulation by mutual assent of the Parties.
- 23. Nothing contained herein shall limit the right of TRP, or their successors, transferees, or assigns to assign, pledge, or encumber as security the Applications that are the subject of this Stipulation.

IN WITNESS	WHEREOF,	the Parties	hereto	have executed	this.	Agreement	on the dates	written
below.								

	UNIT	TED STATES DEPARTMENT OF THE INTERIOR			
Date:		Bureau of Land Management			
		By			
		Title:			
Date: March 10, 2008	TUFF	TUFFY RANCH PROPERTIES, LLC,			
	a Nevada limited liability company				
	By:	WINGFIELD NEVADA GROUP			
		MANAGEMENT COMPANY, LLC,			
		a Nevada limited liability company,			
		Manager /			
		By James Stull			
		Title: Manaca			

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the dates written below.

UNITED STATES DEPARTMENT OF THE INTERIOR

Date: March 10, 2008

Bureau of Land Management

Title:

TUFFY RANCH PROPERTIES, LLC,

a Nevada limited liability company

By: WINGFIELD NEVADA GROUP

MANAGEMENT COMPANY, LLC,

a Nevada limited liability company,

Manager

By

Title:

EXHIBIT A

HYDROLOGIC MONITORING, MANAGEMENT, AND MITIGATION PLAN FOR DEVELOPMENT AND EXPORT OF GROUNDWATER IN THE LAKE VALLEY HYDROGRAPHIC BASIN PURSUANT TO APPLICATION NOS. 72296 THROUGH 72349 (Application 72307 withdrawn in its entirety, Applications 72297 (0.976 cfs; 231.44 afy) and 72346 (1.378 cfs; 401.83 afy were withdrawn to the extent shown above) BY TUFFY RANCH PROPERTIES, LLC

The purpose of this plan is to describe the agreements of Tuffy Ranch Properties, LLC (TRP) and the Bureau of Land Management (BLM) regarding the monitoring, management, and mitigation of potential impacts due to the interbasin transfer of ground-water resources from Lake Valley Hydrographic Basin. This plan applies to Application Nos. 72296 - 72349 (Application 72307 withdrawn in its entirety, Applications 72297 (0.976 cfs; 231.44 afy) and 72346 (1.378 cfs; 401.83 afy were withdrawn to the extent shown above) to change the place of use and manner of use of certain existing water rights in the Lake Valley Hydrographic Basin.

The Plan describes the TRP and BLM (hereinafter referred to as "the parties") obligations regarding the development, monitoring, management, and mitigation related to the above numbered applications for the interbasin transfer from Lake Valley Hydrographic Basin.

This plan consists of four principle components, as follows:

- 1. *Monitoring Requirements*, related to production wells, monitoring wells, elevation control, and springflow, quality of data, and reporting;
- Management Requirements, related to the details of decision-making processes, the revision and use of a numerical ground-water flow model, the establishment of specific actions;
- 3. Mitigation Requirements; and
- 4. Modification of the Plan.

The common goal of the Parties is to manage the development of the regional carbonate-rock aquifer and overlying basin-fill aquifer systems as a water resource without causing any injury to BLM water rights and/or unreasonable adverse impacts to BLM water-related resources. Groundwater and the effects of pumping need to be properly monitored and managed to avoid adverse impacts to the water rights and water resources of the BLM. To accomplish this goal, there is a need to obtain accurate and reliable information of the aquifer's response to pumping stresses and the impact of that pumping on water rights and resources of interest. The parties will collaborate on technical data collection and analysis and will rely on the best scientific information available in making decisions required by the Plan.

Monitoring Requirements

A. Production Wells

TRP will record groundwater production from its irrigation wells in Lake Valley on a monthly basis.

TRP will, in consultation with the Nevada State Engineer and BLM, select up to six (6) production wells to be equipped with continuous discharge and water level monitoring equipment as is feasible.

B. Monitoring Wells

Water levels will be monitored in a network of existing wells located outside of production areas to detect potential declines in ground-water levels resulting from the proposed interbasin transfer of water. The Parties will work together to identify up to six wells for this network.

- All water levels will be recorded on a continuous basis as is feasible, beginning as soon as possible after the State Engineer decision relative to the Lake Valley Applications.
- Groundwater levels would be recorded for at least one year prior to any interbasin transfer of water in order to establish a baseline dataset.
- The term "as is feasible" shall relate to mechanical failures and the issues associated with the remoteness of the locations, or other events outside the control of the parties that do not permit data collection.
- The number of wells and monitoring frequency will be reviewed by the Parties on an annual basis beginning in 2010, and may be reduced or expanded in scope in response to data analysis and mutual agreement.
- USGS-State Cooperative Program Sites

The USGS and Southern Nevada Water Authority currently share costs associated with operating a stream gage on Geyser Creek at the spring orifice (USGS site number 10245100) and collecting periodic ground-water level measurements from USBLM-Pony Springs Well (USGS site number 382003114322501) and USGS-MX (Lake Valley) Well (USGS site number 382753114341301). TRP agrees to share the non-Federal costs associated with data collection from these sites with the Southern Nevada Water Authority.

C. Ground-water Flow to Patterson Valley

Previous hydrologic studies within the area indicate there is significant (>3,000 afy) ground-water flow from Lake Valley southward into Patterson Valley. Patterson Valley is part of the Meadow Valley flow system, in which BLM manages habitat for a number of sensitive water-dependent species. Recent studies, such as the USGS Basin and Range Carbonate Aquifer System Study, have suggested little if any flow occurs between these basins. To address any potential uncertainty, TRP will monitor and provide data to BLM and the State Engineer as is feasible on the 5 existing wells located in the transition from Lake Valley to

Patterson Valley. If further analyses with the groundwater flow model being constructed for the Southern Nevada Water Authority Clark/Lincoln/White Pine project indicates significant interbasin flow from Lake Valley to Patterson Valley, TRP will install a new monitoring well between the two valleys to reduce hydrologic uncertainty and monitor potential decreases in flow caused by the proposed interbasin transfer.

D. Elevation Control

If not already available, TRP will conduct a detailed elevation survey of all wells used for monitoring as part of this plan.

E. Reporting

- All data collected under or as described in this plan, shall be fully and cooperatively shared among the parties and the Nevada State Engineer if the State Engineer determines the information would be useful in the management of the resource.
- TRP will report the results of all monitoring and sampling under this plan in an annual monitoring report.

Management Requirements

- 1. TRP agrees to limit its interbasin transfer of groundwater from the Atlanta Farms area of Basin 183 to Coyote Springs Valley to the greater of an amount equal to 12,000 acre feet, the existing perennial yield for Basin 183 as may be modified by the State Engineer, or such other amount as may be agreed to by the BLM and TRP (the "Interbasin Transfer"). Notwithstanding the foregoing, such Interbasin Transfer may not exceed the amount authorized and approved by the State Engineer.
- 2. To the extent the State Engineer in subsequent hearings approves the new applications by TRP (not to exceed 24,000 acre feet) for appropriation of groundwater, fifty percent (50%) of the water may be exported and fifty percent (50%) of such water shall remain in Basin 183 unless the BLM otherwise agrees.

Mitigation Requirements

- 1. BLM currently holds a water right (certificate 15959) used to provide water in support of operations at the Pony Springs Fire Station, in the vicinity of the Atlanta Farms area. If this well becomes unusable due to excessive water-table drawdown associated with the proposed interbasin transfer, TRP will replace/deepen the existing well or provide an alternative source of water suitable to meet BLM needs.
- 2. TRP will agree to retain and use in Basin 183 the difference of the total of TRPs existing underground and surface rights and the "Interbasin Transfer" amount for the benefit of the existing farming operations in the Atlanta Farms area of Basin 183 and to insure that such Interbasin Transfer will be environmentally sound and not unduly limit growth and development in Basin 183. Such amount may be modified by agreement of the parties after evaluation of

monitoring information developed by TRP. Environmental soundness includes issues related to abandonment of irrigated parcels, such as the proliferation of weeds or invasive plant species, impairment of air quality and visibility by excessive dust emissions, and accelerated soil erosion.

3. TRP will mitigate other unreasonable adverse impacts to Federal water rights and resources either as agreed upon by the parties or after the Nevada State Engineer determines whether there are unreasonable adverse impacts due to TRP pumping. TRP will take the necessary steps to ensure that mitigation actions are feasible.

Modification of the Plan

TRP and BLM may modify this plan by mutual agreement. The parties also acknowledge that the State Engineer has the authority to modify this plan. In addition, TRP and BLM may individually or jointly petition the State Engineer to modify this plan in the event that mutual agreement cannot be reached. Any such petition shall only be filed after 90 days written notice to the remaining party. Either TRP or BLM may submit written comments to the State Engineer regarding the merits of any such petition for modification.