

In the event that one or more of the test wells is completed in a highly transmissive zone that is capable of supplying large volumes of water with limited drawdown, the aquifer test will be continued until the drawdown has stabilized to less than 0.1 ft of additional drawdown per hour for six consecutive hours. In such instances the well will be pumped for at least 72 hours before termination.

Well Discharge

Rates

Pumping rates will be measured with totalizing flow meters. An orifice plate will be used to compare with flow meter readings. Totalizing meter and orifice plate readings will be initially taken on tenminute intervals until flow from the test well has stabilized at a relatively constant rate (± 5 percent of the average desired pumping rate), transitioning to every couple of hours after initial startup for the first day, then to daily thereafter.

Conveyance of Discharged Water

All well discharge will occur under temporary discharge permits from Nevada Division of Environmental Protection (NDEP). Discharge conveyance will be done with temporary irrigation piping or hose laid overland with minimal disturbance of land surface. Discharge will be conveyed away from the test well and any observation wells, with an anticipated minimum conveyance distance of 1,000 feet. Discharge will be to an ephemeral drainage in the vicinity of the test well, and away from any perennial streams. Water dispersion will be conducted at the discharge point, using a dispersion pipe (section of perforated pipe), and standard BMP practices will be employed to minimize any erosion associated with the temporary discharge. The discharged water will be allowed to infiltrate in an ephemeral wash under undisturbed conditions, and will not be impounded or otherwise dispersed, subject to NDEP approval.

Water Chemistry Data Collection

General water chemistry samples will be collected from the pumping well during the start of pumping (within the first couple hours) and near the end of pumping. The water samples will be analyzed for common ions, common trace elements (iron, manganese, and arsenic), pH, total dissolved solids, stable isotope ratios of oxygen and hydrogen. Additional analyses for carbon isotopes and tritium may be conducted on select wells to compliment regional flow system evaluations. Streams and springs within the aquifer testing network will additionally be sampled and analyzed for the above constituents.

Data Evaluation

Aquifer testing data will be evaluated to determine aquifer transmissivity, storage coefficients, identify presence of boundary conditions, and to make predictions of production well yield and sustainability. The aquifer testing data will also integrate into other evaluations of aquifer connections and flow systems. In addition, data generated from aquifer testing will be integrated into the numeric flow model for predicting long-term responses to well field pumping.

References

SRK Consulting, Inc., 2007a, Amendment to Kobeh Valley Central-A Well Field Drilling Notice; Prepared for Idaho General Mines, Inc., 5pp.

Stallman, R.W.,1971, Aquifer Test Design, Observation, and Data Analysis, Chapter B1, Book 3 Applications of Hydraulics, Techniques of Water-Resources Investigations of the United States Geological Survey, 19pp.

Walton, W. C., 1987, Groundwater Pumping Tests Design and Analysis, National Water Well Association and Lewis Publishers, 104 pp.





United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Nevada State Office P.O. Box 12000 (1340 Financial Blvd.) Reno, Nevada 89520-0006 http://www.nv.blm.gov

In Reply Refer To: 3809 (NV923z)

JUN 2 5 2008



DECISION

Obligor:

Eureka Moly, LLC 1726 Cole Blvd., Suite 115 Lakewood, CO 80401 **BLM Bond Number:**

Bond Amount Accepted:

NVB000912 \$817,331

ΦΟ Γ.7 ,

Bond Rider Accepted Obligation Under Statewide Bond Adjusted

The BLM Nevada State Office (NSO) currently holds BLM bond number NVB000912 with Eureka Moly, LLC, as principal, in the amount of \$576,309. The bond provides coverage for surface reclamation activities on operations conducted by Eureka Moly, LLC on lands in Nevada under the regulations at 43 CFR 3809.

On June 17, 2008, the NSO received a bond rider from Eureka Moly, LLC, increasing BLM bond number NVB000912 to \$817,331. The rider has been examined, found satisfactory, and is accepted effective June 17, 2008.

On June 11, 2008, the BLM Mount Lewis Field Office increased the reclamation cost estimates on N-81811, the Mount Hope Project, and N-83246, the Central "A" Well Project, to \$244,038 and \$126,313, respectively. The BLM Mount Lewis Field Office also reduced the reclamation cost estimate on N-83245, the Central "B" Well Project, to \$200,568.

Effective the date of this Decision, notices are obligated to the bond as shown in the table below.

Operations		Bond Am	nount
Number	Operations Name	Obligate	d
N-80914	Mount Hope East	\$	92,570
N-81485	Mount Hope	\$	39,127
N-81811	Mount Hope	\$	244,038
N-83120	Mount Hope West	\$	114,685
N-83245	Central "B" Well	\$	200,568
N-83246	Central "A" Well	\$	126,313
Total Obliga	ations Under NVB000912	\$	817,301

Considering the bond amounts accepted and obligated, \$30 remains available under BLM bond number NVB000912 for new operations or amendments to existing operations.

If you have any questions, please call Lacy Trapp at 775-861-6599; send facsimile to 775-861-6710; write to the attention of NV923z at the address on the letterhead; or send electronic mail to Lacy_Trapp@nv.blm.gov.

ATANDA CLARK

Atanda Clark Chief, Branch of Minerals Adjudication

cc: General Moly Inc. Attn: Brian Musser 455 8th Street Elko, NV 89801

NV060 (CStrickland) NV923 (CDragon)

In The Matter Of:

Division of Water Resources In re Applications 70181, etc.

Kobeh Valley NDWR Hearing Volume II October 14, 2008

Capitol Reporters
1201 Johnson Street
Suite 130
Carson City, Nevada 89706
775-882-5322

Original File 101408mb.txt

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1
    Appreciate it. We want to look at admitting Exhibits 49 and
 2
    50?
                 MS. PETERSON: Yes.
                                      Thank you.
 3
                 HEARING OFFICER WILSON: Any objection to 49 or
 4
    50?
 5
 6
                 MR. De LIPKAU: No, sir.
 7
                 HEARING OFFICER WILSON: Those will be admitted.
 8
    Let's go off the record a minute and discuss where we're at.
                 (A discussion was held off the record.)
 9
                 HEARING OFFICER WILSON: Let's be back on the
10
    record. We're going to go forward with Mr. Gallagher; is
11
    that correct?
12
                MS. PETERSON: Yes, thank you. Eureka County
13
14
    would call Jim Gallagher.
15
                             JIM GALLAGHER
16
                 called as a witness on behalf of Eureka
17
              County, having been previously duly sworn,
18
            was examined and testified further as follows:
19
20
                           DIRECT EXAMINATION
21
    BY MS. PETERSON:
22
23
           Q.
                Would you please state your name for the record
    again?
24
25
           A.
                Jim Gallagher.
```

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1	Q. How long have you lived in Eureka County?
2	A. Twenty-nine years.
3	Q. And did you move to Eureka County in 1979?
4	A. Yes, I did.
5	Q. I can't remember if you testified before, so I
6	apologize. What's your occupation?
7	A. Farmer.
8	Q. Are you familiar with the Hay Ranch, also known
9	as the Risi Ranch?
10	A. Yes, ma'am.
11	Q. I have Exhibit 32 in front of you. Could you
12	point out to the State Engineer's Office where the Hay Ranch
13	or the Risi Ranch is?
14	A. It's just as you go through Devil's Gate going
15	west, it's on Highway 50.
16	Q. Do you also know where the Fish Springs or also
17	known as the Bartine Ranch is?
18	A. Yes. It's about 26 miles from Eureka on Highway
19	50 right at the 3-Bar Road.
20	Q. Is that west on Highway 50?
21	A. Yes, ma'am.
22	Q. Is that depicted on Exhibit 32, the ranch
23	straddles Highway 50?
24	A. Yes.
25	Q. Is there any writing on Exhibit 32 that would

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1	indicate exactly where that ranch is?
2	A. A little bit to the left is a reservoir, above
3	that it says Hot Springs. I can't read anything on the
4	picture itself.
5	Q. Are you also familiar with the Willow Creek, also
6	known as the Three F Ranch?
7	A. Yes. It also splits Highway 50 about probably 12
8	or 15 miles to the west of Bartine.
9	Q. That's also located on your Exhibit 32?
10	A. Yes, it is.
11	Q. Could you just describe into the record where it
12	is located on Exhibit 32?
13	A. Just east of the county line straddling Highway
14	50.
15	Q. Have you had an occasion to be familiar with
16	these ranch properties?
17	A. Only by driving down the road. I haven't done
18	anything on the ranches themselves.
19	Q. Was there a period of time that you were
20	traveling regularly on Highway 50?
21	A. Yes. I was on a bank board in Reno for nine
22	years and had a monthly board meeting, had to be in Reno once
23	a month for those nine years.
24	Q. What were those nine years?
25	A. '94 through 2003.

'94 through 2003.

1	Q.	The bank board you were on, was that the Farm
2	Credit Boar	rd?
3	A.	Yes.
4	Q.	You regularly traveled along Highway 50 once a
5	month for t	chose nine years?
6	A.	Yes.
7	Q.	And on the Hay Ranch, the Fish Spring Ranch, or
8	the Willow	Creek Ranch, did you ever see any irrigation
9	occurring o	on any of those ranches?
10	A.	Not more than natural, the spring runoff. Never
11	saw any pum	ped water.
12	Q.	Where was there natural water? On which ranch?
13	A.	There was on the Hay Ranch, Risi.
14	Q.	Not on Fish Springs or the Willow Creek?
15	Α.	I never remember seeing those fields.
16	Q.	At all?
17	A.	Well, at Bartine, the artesian runs year-round,
18	so that gra	ss along the road always had water on it.
19		MS. PETERSON: That's all questions I have.
20		HEARING OFFICER WILSON: Thank you.
21	Cross-exami:	nation?
22		EXAMINATION
23	BY MR. KING	:
24	Q.	Do you know the nature of the water rights on the
25	Risi Ranch,	groundwater rights that is?

1	A. No more than I've heard in the testimony here.
2	Q. You did say there is flowing artesian water on
3	the Fish Creek Ranch, the Bartine Ranch?
4	A. Yes.
5	Q. And you have no recollection of seeing water
6	applied to the Three F Ranch?
7	A. No, I have not.
8	MR. De LIPKAU: No further questions.
9	HEARING OFFICER WILSON: Thank you. Any
10	questions of staff? Thank you, Mr. Gallagher. You may step
11	down. I think we'll end today with two more witnesses
12	tomorrow morning for Eureka County; is that correct?
13	MS. PETERSON: Yes.
14	HEARING OFFICER WILSON: You have two more
15	witnesses tomorrow and you anticipate finishing those in the
16	morning?
17	MS. PETERSON: Yes.
18	HEARING OFFICER WILSON: In that case, we'll be
19	off the record until 8:30 tomorrow morning. Thank you.
20	
21	(The proceedings recessed at 4:30 p.m.)
22	
23	
24	
25	

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In The Matter Of:

Division of Water Resources In re Applications 70181, etc.

Kobeh Valley NDWR Hearing Volume I October 13, 2008

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Carson City, Nevada 89706
775-882-5322

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1	he is listed as a witness for Eureka County.
2	MS. PETERSON: We did list Mr. Halpin as a
3	witness and I did ask Mr. De Lipkau this morning if we could
4	take him out of order. I'm not quite sure how you want to
5	proceed with that, but he's only available today. Whether we
6	call him back up during our case or ask him questions now,
7	I'd like to have him on today.
8	HEARING OFFICER WILSON: I'd like to do it now.
9	Any objection?
10	MR. De LIPKAU: No objection.
11	
12	TIM HALPIN
13	called as a witness on behalf of
14	himself, having been first duly sworn,
15	was examined and testified as follows:
16	
17	DIRECT EXAMINATION
18	BY MR. MILLER:
L9	Q. Mr. Halpin, do you own any property in the
20	valley?
21	A. Yes, I'm a small farmer.
22	Q. You're in fact a protestant in this proceeding?
23	A. Yes, I protested the original applications. I
4	have the numbers here if you need them.
5	O Have you prepared a statement in connection with

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your protest?

- A. A brief statement, yes.
- Q. Would you like to read that into evidence or summarize it?
- A. Yeah. I moved to Eureka and began farming 32 years ago. I had long-range plans to be able to retire and have something to pass on to my children. Farming is a lifestyle that my wife and I enjoy.

I never believed that my water was in jeopardy but could the moly mine get their water rights, my mine could be in jeopardy. I've got a few things I pulled off the Internet. The first thing is about from the Groundwater Resource Report 1 by O. J. Loeltz and G.T. Melford from 1961, says, "Although Nevada is known as an area of closed basins, it has many valleys that are not closed topographically and even more that are not closed hydraulically. That is, groundwater moves from one basin to another beneath topographical divides. Undoubtedly there are many.

"Most of the valleys are drainage basins that have underground hydraulic interconnections with other valleys that are in southern and eastern Nevada."

And then the same report says, "Basins or valleys that are not closed hydraulically give rise to many groundwater problems. An obvious one is it may be very difficult to manage the supply in the several interconnected

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basins or valleys.

"Moreover, it may be difficult to ascertain the source, the path and the rate of movement of water that is being discharge from a valley or basin that receives groundwater inflow from another series of valleys."

One more thing on there is, "Problems associated with infringement of water rights, it will increase as Nevada water resources are developed more fully. Unfortunately problems relating to infringement of water rights cannot be evaluated properly unless the hydraulic systems involved and the problems are known and understood."

This one is from the Diamond Valley flow system phase 2, 2008-2009 by Mary Tumbusch and Russ Plume. It says, "The Diamond Valley flow system hydrographic areas in central Nevada," they are Monitor Valley, Antelope Valley, Kobeh Valley, Diamond Valley and Stevens Basin. "These hydrographic areas which cover an area of approximately 3,106 miles square are interconnected by ephemeral streams, by subsurface flow in basin fill aquifers, and to a poorly understood extent by a subsurface flow in the deep carbonate rock aquifer.

"The need to develop a better understanding of the region's flow system arises from likely development of groundwater for agriculture and mining, ongoing groundwater declines in Diamond valley, the terminus of the flow system,

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and possible exportation of water for urban use."

Another report here from Mary Tumbusch and Russell Plume says, "The Diamond Valley flow system is in an area of about 320 square miles in central Nevada and consists of five hydrographic areas; Monitor, Antelope, Kobeh, Diamond and the Stevens Basin."

My well, about my well. I drilled a new well in 1976 or 1978, excuse me. Since 1978 according to the Department of Agriculture water readings until 2008 my water level has dropped four feet. I'm the furthest west well in Diamond Valley.

I believe that I have a direct flow from Kobeh Valley to my well because I do not have the drawdown the rest of Diamond Valley has. I think that proves that Kobeh Valley water is coming into Diamond Valley. That's just my opinion.

HEARING OFFICER WILSON: Mr. Halpin, I know you told me in the prehearing conference about where your farm is. Could you describe it again for the record?

THE WITNESS: I'm probably the southwestern edge of Diamond Valley near Devil's Gate, maybe two miles north of Devil's Gate. I took some water samples trying to tie my water in with somebody.

I don't have the knowledge or the resources to do it, but Dwight Smith at one of the meetings said that my water is dissimilar to Diamond Valley and the samples were

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1 similar to Shipley Springs which is 20 miles north. 2 I'm concerned about my water being so close to Kobeh Valley and if they draw from that, what's that going to 3 4 do to me? If I'm getting basin to basin flow, will that take 5 my water? 6 Diamond Valley water is over appropriated. more taken from Kobeh Valley would contribute to declines in 7 Diamond Valley. The applications, the 12 applications that 8 9 they originally applied for that I protested are approximately four miles from my well. 10 11 We need to wait for the USGS reports so we'll 12 understand everything better. I feel the State should not 13 grant their permits. It will over appropriate Kobeh Valley 14 and have a severe effect on Diamond Valley. That's all I 15 have. 16 HEARING OFFICER WILSON: Thank you, sir. Further 17 questions for Mr. Halpin? 18 MR. MILLER: I would defer my questioning to 19 Karen Peterson. 20 MS. PETERSON: This is Eureka County's portion of 21 the case. 22 DIRECT EXAMINATION BY MS. PETERSON: 23 24 Mr. Halpin, my name is Karen Peterson and I'm the 25 attorney that's representing Eureka County in this

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1 proceeding. I'm going to give you a map that you might be 2 able to use. It's Exhibit 32 that we proposed. I'll just 3 wait for the State Engineer, their office, to get that map out too. 5 If you want to show them on there where your 6 ranch is, you can show them and I'll be asking some other 7 questions about the other ranches in the area. Actually, I 8 have another copy of it. Briefly, Mr. Halpin, you came to Eureka County in 9 10 1976; is that correct? 11 Α. Yes. 12 Q. What is your occupation? I know you said you own 13 a farm, but do you have another occupation? 14 Α. I farm and do contract haying, hay hauling. 15 Q. How long have you been hay hauling in Eureka 16 County? 17 Α. Thirty-two years. 18 Q. Are you familiar with all the ranches in northern Nevada? 19 20 Most of them. Α. Are you familiar with the ranches in Eureka 21 Q. 22 County? 23 Pretty much all of them, yeah. Α. 24 0. Are you familiar with the ranches in Kobeh 25 Valley?

1	A. Pretty much, yeah.
2	Q. Are you familiar with the Willow Ranch and it's
3	also sometimes referred to I guess as the Three F Ranch?
4	A. Yes.
5	Q. Could you point that out on Exhibit 32?
6	A. Right here.
7	Q. The Willow Ranch, have you ever worked on that
8	ranch?
9	A. Yes.
10	HEARING OFFICER WILSON: Mr. Halpin, when you say
11	the ranch is right here, we can't get that on the record. If
12	you could describe that a little better?
13	THE WITNESS: The ranch is right here on Highway
14	50.
15	HEARING OFFICER WILSON: Can you say where along
16	Highway 50?
17	BY MS. PETERSON:
18	Q. Are there water rights points of diversion
19	numbers on the map that you're referring to?
20	A. Yes. 75048. I can't make out the last number.
21	It's near the Eureka County line.
22	HEARING OFFICER WILSON: That's good, near the
23	Eureka County line?
24	THE WITNESS: Eureka/Lander County line.
25	HEARING OFFICER WILSON: Along Highway 50.

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1	THE WITNESS: It would be the third ranch from
2	Eureka going west, private owned.
3	HEARING OFFICER WILSON: Three ranches over, in
4	Eureka County?
5	THE WITNESS: Yes. From Diamond Valley I guess
6	it would be.
7	MS. PETERSON: There's Bean Flat right under the
8	8 and the ranch on Highway 50 right below that.
9	BY MS. PETERSON:
10	Q. Is that correct?
11	A. Yes, Highway 50 splits right through the middle
12	of it.
13	HEARING OFFICER WILSON: Do you care if I write
14	Willow Ranch on it?
15	MS. PETERSON: No. Three F, that's another name
16	for it. They're the same ranch.
17	BY MS. PETERSON:
18	Q. Were you involved in any work on that ranch?
L9	A. Yes.
0 2	Q. When was that?
21	A. The first time probably was, it was 1980.
22	Q. Was there any irrigation of that ranch in 1980?
23	A. That's what I was doing there. I was hired to
4	harvest the crop they had.
25	O. About how much of the acreage was irrigated?

1	A. I don't know the total acreage, but according to
2	the fields, I would estimate one-third of the acreage is in
3	the irrigated fields. Water would not run down the fields.
4	Q. Did you do any subsequent work at the Willow
5	Ranch?
6	A. I've delivered hay there, yeah.
7	Q. Was there any attempt at irrigation in 1988?
8	A. Yes.
9	Q. Do the Russells own that then?
10	A. Yes.
11	Q. And what did you do in 1988?
12	A. I wasn't involved in the irrigation or nothing.
13	I was doing work for Russell hauling hay.
14	Q. And was a portion of the ranch irrigated at that
15	time?
16	A. Yes.
17	Q. Since 1988 have you ever seen any of that ranch
18	irrigated?
19	A. No.
20	Q. And I mean 1989, 1990, 1991, 1992, all the way to
21	2008, have you ever seen any part of that ranch irrigated
22	with underground water?
23	A. No. Russell irrigated in '88. It could have
24	possible been in '87, but I'm positive it was in '88, but he
25	did it one year and it's never been irrigated since.

1	Q. Now I'm going to turn to the Hay Ranch. If you
2	could point on the map where the Hay Ranch is?
3	A. When you go through Devil's Gate it would be the
4	first deeded property by the Highway 50 sign into Kobeh
5	Valley.
6	Q. Does that also split the highway?
7	A. Yes.
8	Q. That has the word ranch right underneath the
9	green portion, is that correct, on the map?
10	A. Right.
11	Q. Is that also known as the Risi Ranch?
12	A. Yes, now it is.
13	Q. Have you ever seen, in the 30 years you've been
14	in Eureka County seen the Risi Ranch irrigated?
15	A. I haven't seen it but I know they tried.
16	Q. Do you know when that was?
L7	A. When the Risis first bought it they tried to
18	irrigate. The water wouldn't go nowhere. Flood irrigation
L9	on meadows, no corrugation, no borders, water runs out there
0 2	and goes down. It wasn't feasible.
21	Q. Can you pinpoint that time frame when that was
22	occurring for the State Engineer?
23	A. No. I just discussed it with them over the
4	years.
15	Q. But with your own eyes have you ever seen that

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1	ranch irrigated with underground water?
2	A. No.
3	Q. Do you pass by that ranch every year?
4	A. Yeah, frequently.
5	Q. Twenty times a year?
6	A. One hundred fifty times a year.
7	Q. Then next I'll go to the Bartine Ranch.
8	HEARING OFFICER WILSON: Before you go on, you
9	mentioned that you'd never seen it irrigated but you still
10	really didn't give a time frame. Can you give us any type of
11	a time frame?
12	THE WITNESS: I did some horseback work for the
13	original owners when I moved there named Hopinga . He did a
14	little sprinkler irrigation and I'm guessing 100 acres.
15	HEARING OFFICER WILSON: What year?
16	THE WITNESS: I'm guessing '77.
17	HEARING OFFICER WILSON: Around '77? Okay. And
18	after 1977 did you ever see any groundwater irrigation?
19	THE WITNESS: No, I didn't.
20	BY MS. PETERSON:
21	Q. Directing your attention to, and I don't know if
22	I'm using the right word, Bean Flat, the Damele Ranch?
23	A. I know nothing about that.
24	Q. Do you know where it is on the map?
25	A. No.

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1	Q. Have you ever hauled hay out of that?
2	A. I've hauled to the Damele Ranch but I don't know
3	where that property is you're talking about.
4	Q. The Bean Flat Ranch, you don't know where that
5	is?
6	A. No.
7	Q. Turning your attention to the Bartine Ranch, the
8	Fish Creek Ranch, do you know where that ranch is located?
9	A. Yes.
10	Q. Could you point that out on the map, Exhibit 32?
11	A. That would be the ranch between the Willows and
12	the Risi Ranch right near the Hot Springs reservoir sign on
13	the ranch.
14	Q. It looks like it has two points of diversion?
15	A. Right.
16	Q. And it also splits Highway 50?
17	A. Yes.
18	Q. And you're familiar with that ranch?
19	A. Somewhat.
20	Q. Is there an artesian well on that ranch?
21	A. Yes.
22	Q. Have you seen part of the well, have you seen
23	some pasture irrigation from that artesian well?
24	A. It runs continuously, yeah.
25	Q. Any other crop grown on that land

1	A. No.
2	Q that to your knowledge in the 30 years that
3	you've been in Eureka County?
4	A. Yes.
5	Q. And driving the roads, hauling hay and delivering
6	hay in those 30 years?
7	A. I've delivered hay there.
8	MS. PETERSON: That's all the questions I have.
9	HEARING OFFICER WILSON: Thank you.
10	Cross-examination?
11	MR. De LIPKAU: Before I start cross-examination,
12	I'd like to point out the forfeiture of water rights should
13	not be and is not a part of this record. To begin with,
14	Kobeh Valley Ranch purchased portions of various water rights
15	that were here described. That means that portions of the
16	water rights are owned by third parties, Eureka County
17	citizens, who have not been noticed for forfeiture.
18	It's a due process issue. Clearly a water right
19	is a property right in this state. Nobody disputes that
20	fact. So in the interests of time saving and simplicity, if
21	Eureka County wants to acquire or seek a declaration that a
22	portion of the water rights have been forfeited, I'm
23	suggesting we have a separate forfeiture hearing.
24	It can be in Eureka, it can be in Carson City or
25	anywhere else, where the parties can be properly noticed and

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they will have an opportunity to defend their rights. I don't think the State Engineer can just take away a water right without notice.

HEARING OFFICER WILSON: Ms. Peterson, do you want to say something in response?

MS. PETERSON: It's my understanding that the applicant on these change applications is Kobeh Valley Ranch and Kobeh Valley Ranch is the entity that is seeking to change the base rights, and their forfeiture is definitely an issue that can be brought up with regard to a change application.

So if we want to delay action on all these rights until this issue is heard, I don't think we necessarily have a problem with that, but it was my understanding that Kobeh Valley Ranch is the applicant and they're contending that they own these water rights.

MR. De LIPKAU: Can I be heard on that point?
HEARING OFFICER WILSON: Go ahead.

MR. De LIPKAU: If anybody checked the State Engineer's records on some of these ranches, it's quite obvious that a portion was acquired by the applicant, a portion remains in the name of the current owner of record.

The chain of title has been filed. Again if, for example, the Willow Ranch, apparently there is statement that it hasn't been irrigated in 30 years. Fine. We own a

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portion of the water rights appurtenant to what is known as the Willow Ranch, a third party owns the balance.

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This hearing cannot result in a statement to the effect that, well, whatever Kobeh Valley Ranch owns is forfeited and whatever is owned by the local farmer is not, that certainly is not appropriate, it's not in conformance with due process.

So again, I'm reiterating, why don't we put forfeiture aside and have a separate hearing. It will not delay the ultimate decision because the forfeiture issue should be pretty easy and that can simply be worked into the ultimate ruling by the State Engineer which he said will come out in January or February of next year.

HEARING OFFICER WILSON: Do you want to add anything else, Ms. Peterson?

MS. PETERSON: Obviously the only applications that are at issue here are the Kobeh Valley Ranch applications, so whatever they own and water rights they're trying to change in this proceeding are subject to the forfeiture issue that Eureka County raised in its protests and there's not anybody else that we're trying to forfeit water rights on, it's these applications filed here.

Of course that's one of the big issues we have here is there's 36,000 acre feet of water right applications that have been filed and yet the applicant hasn't identified

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which ones it's going forward on, all 36,000.

It's perfectly appropriate. It's not an issue if you want to bifurcate the proceeding, but what we're trying to do is go after the Kobeh Valley Ranch applications because those are the applications that are at issue in this proceeding.

HEARING OFFICER WILSON: We discussed it over with staff and we're going to allow the questions on forfeiture. The law does allow for forfeitures of portions of water rights. It doesn't have to be the entire water right.

You are here today, it was a protest issue, so you're aware that it could be discussed. Your part that the forfeiture goes to has been noticed that is going to be an issue in this hearing, so I reject your argument and we'll move on. Go ahead and ask your questions.

CROSS-EXAMINATION

BY MR. De LIPKAU:

- Q. Mr. Halpin, in the first part you were asked questions and you made the comment about a ranch four miles, that the proposed wells are four miles from Devil's Gate?
 - A. Approximately four miles to my well.
- Q. And whose well is approximately four miles from yours?
 - A. Your applications.

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1	Q. Are you aware, sir, that the well field of the
2	applicant is approximately 20 miles north of Devil's Gate?
3	A. When you originally applied for the applications,
4	when I protested them, the applications were, the description
5	of the applications were four miles from my well.
6	Q. Would you have any problem if the well field were
7	20 miles north approximately of Devil's Gate?
8	A. In Kobeh Valley, yes.
9	Q. Would you object to any applications in Kobeh
10	Valley?
11	A. Any new applications, yes.
12	Q. Would you object to applications to change?
13	A. Kobeh Valley's taking water from Diamond Valley
14	in my feelings.
15	Q. Do you know if Kobeh Valley has precedent over
16	Diamond Valley?
17	A. Don't know.
18	Q. Are you aware of any pumping records maintained
19	by the State Engineer?
20	A. Am I aware of them?
21	Q. Yes. Have you reviewed the State Engineer's
22	records?
23	A. Some.
24	Q. In preparation for today's hearing?
25	A. Mainly mine.

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1	Q. Are you aware that your permit terms state that
2	your well, that you must expect a reasonable lowering of the
3	water table?
4	A. No, I was not.
5	Q. You have not read your permit?
6	A. I didn't read that.
7	Q. What are your permit numbers, do you know? Is
8	19192 of them?
9	A. I don't know if I have them with me. I don't
10	believe I even brought them.
11	Q. Do you know whether or not all groundwater
12	permits are issued with the understanding that the permittee
13	must allow a reasonable lowering of the water table?
14	A. No, I didn't know that.
15	Q. You didn't know that. Are you aware of the
16	volume of pumping annually that occurs in Diamond Valley?
17	A. Basically what I've heard and read, yes.
18	Q. What is that?
19	A. 120,000 acre feet or something like that.
20	Q. And do you know what the published papers and
21	documents say regarding recharge?
22	A. Yes.
23	Q. What's that?
24	A. I think maybe the latest one is 30,000.
25	Q. Would you state that the basin is being over

1	pumped?
2	A. Yes.
3	Q. Do you know how to via the water law correct that
4	problem?
5	A. Do I know how to?
б	Q. Yes.
7	A. No.
8	Q. Have you ever heard of regulating a groundwater
9	basin?
10	A. Yeah, I guess.
11	Q. Would you please set forth your explanation of
12	what you understand regulation to be?
13	MR. MILLER: I'm going to object to this line of
14	questioning to the extent that it seeks legal conclusions.
15	HEARING OFFICER WILSON: I'll sustain it. I
16	don't expect Mr. Halpin to know our definitions.
17	BY MR. De LIPKAU:
18	Q. Do you know what kind of groundwater rights are
19	appurtenant to the Risi Ranch?
20	A. Do I know what kind?
21	Q. Yes.
22	A. As in?
23	Q. As in supplemental or nonsupplemental?
24	A. No, I don't.
25	Q. The Bartine or Fish Creek Ranch has flowing

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1
      artesian wells, does it not?
 2
             A.
                  Yes.
 3
             Q.
                  How many?
                  One that I know of.
 4
             A.
 5
             Q.
                  You drive by it all the time and you've only seen
 6
     one?
 7
             A.
                  Yep.
                  Do you know how many acres of that are irrigated?
 8
            Q.
 9
                  From that well?
10
            Q.
                  Yes.
11
                  Irrigated by farming process or just running out
12
     there and flowing?
13
                  Both.
            Q.
14
                 By farming process I'd say zero. The water is
15
     running out there since I've lived there. One time somebody
     run some ditches and tried to irrigate some water in one year
16
17
     in 30 years.
18
            Q.
                 You say the Damele Ranch has no irrigation
19
     whatsoever?
20
            A.
                 I didn't say that.
21
                 Is that pasture ground?
            Q.
                 I said I didn't know nothing about the Damele
22
            A.
23
     Ranch.
24
            Q.
                 Oh, so you know nothing about the Damele Ranch,
25
     okay.
```

1	A. I know about the Damele Ranch but I don't know
2	that particular, their water rights, the land the water
3	rights are on or nothing about it.
4	Q. The Risi Ranch, let's kind of back up, you don't
5	know whether those wells are supplemental groundwater rights
6	or not?
7	A. No.
8	Q. And the Bartine has flowing water?
9	A. (Witness nods head.)
10	Q. Some flowing water?
11	A. (Witness nods head.)
12	Q. And the flowing water has been utilized for
13	pasture; is that correct?
14	A. It runs out there in the field, yes.
15	Q. And there are cattle there now?
16	A. Yes.
17	Q. And the Willow Ranch, what do you know about the
18	Willow Ranch?
19	A. I stated what I knew about it.
20	Q. Pardon?
21	A. I already said what I know about it.
22	Q. Would you say it again, please?
23	A. Bartarelli Ranches (phonetic) owned it in, I
24	don't know what year they acquired it, and I worked for them
25	in 1980 and harvested the hay for them.

1	Q. When is the last time Willow Ranch or Willow
2	Creek Ranch utilized groundwater to your knowledge?
3	A. 1988.
4	Q. Not one drop since?
5	A. No, not from the wells.
6	Q. You say that from your personal observation?
7	A. Personal observation. I was pretty involved in
8	the operation.
9	Q. Do you know how many acre feet of water was
10	acquired by Kobeh Valley Ranch?
11	A. No.
12	Q. Do you know how many acre feet Kobeh Valley is
13	seeking at today's hearing?
14	A. Total?
15	Q. Yes.
16	A. From what I've read and heard, nearly 36,000 acre
17	feet.
18	Q. Do you know from publications and records how
19	many acre feet are the acceptable or approximately acceptable
20	figure of recharge to Kobeh Valley?
21	MR. MILLER: I'll object again to the extent it
22	seeks a legal conclusion.
23	MR. De LIPKAU: My comment to that is Mr. Halpin
24	certainly knows the approximate figures and he so stated of
25	Diamond Valley and I'm asking the same for Kobeh Valley.

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1	I've already asked him two with no objections and this is the
2	third and last one.
3	HEARING OFFICER WILSON: I'll overrule. You can
4	answer if you know.
5	THE WITNESS: The old surveys from the old USGS
6	survey says Kobeh Valley is only allowed 2,000 acre feet.
7	MR. De LIPKAU: No further questions.
8	HEARING OFFICER WILSON: Thank you. Any
9	redirected, Ms. Peterson?
10	MS. PETERSON: No.
11	MR. MILLER: No questions.
12	HEARING OFFICER WILSON: Any questions of staff?
13	EXAMINATION
14	BY MR. FELLING:
15	Q. I just have one. Could you point out your home
16	on that map?
۱7	A. Just north of Devil's Gate, the first deeded
18	property right at the end of the 6000 number there on this
L 9	road. Do you see the dotted road that goes up through there?
20	It used to go through the corner of my property. That's my
21	place right there.
22	Q. So that's roughly three miles northeast of
23	Devil's Gate?
24	A. Two, three. Two.
5	Q. Thank you. That's all.

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1
                 HEARING OFFICER WILSON: Thank you, Mr. Halpin.
 2
     You may step down. We appreciate your testimony. That puts
 3
     us back to Mr. Miller. Was that your last witness?
 4
                 MR. MILLER: That was our last witness, yes.
 5
                 HEARING OFFICER WILSON: That brings us to
 6
     Mr. Etcheverry in back.
 7
                 Go ahead and state your name four the record.
 8
                 MR. ETCHEVERRY: Martine Etcheverry.
     Diamond Cattle Company.
 9
10
                 HEARING OFFICER WILSON: Mr. De Lipkau?
11
                 MR. De LIPKAU: I'd like to make a comment, sorry
12
     to interrupt, and that is Mr. Etcheverry and Diamond Cattle
13
     protested only applications 76364 and 76365. The proposed
14
     points of diversion are in Pine Valley. What I'm saying is
15
     that Mr. Etcheverry can certainly address his protests to
16
     those applications and to none others for the simple reason
17
     he did not file a protest, nor did he file under the
18
     regulations as an interested person.
19
                 HEARING OFFICER WILSON: Mr. Etcheverry, you did
20
     protest two applications; is that correct?
21
                 THE WITNESS: Yes.
22
                 HEARING OFFICER WILSON: Both of those are in
23
    Pine Valley?
24
                 THE WITNESS: Yes.
25
                HEARING OFFICER WILSON:
                                          Your statement here
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Mr. REX J. MASSEY

Willamette University, B.S., Mathematics & B.S. Business Economics, 1986 University of Nevada, M.B.A., 1988

Currently Enrolled Level I Chartered Financial Analyst Passed Nevada Real Estate Licensing Exam (License Pending)

PROFESSIONAL EXPERIENCE

Research and Consulting Services, Inc. President/Owner 1989 - 2010

Mr. Massey is responsible for all business related functions including marketing and proposal development, client relations, project/program management and implementation, technical assignments, budget management, and public interaction. Mr. Massey has been directly responsible for execution and project completion of more than 300 individual consulting and project assignments for private and public sector clients including extensive experience managing project teams in a task oriented, schedule driven, and budget constrained environment. Professional experience and expertise includes:

Project Development and Planning

- More than 21 years of experience in land use and natural resource planning, community master planning and project review in Nevada.
- Ten years of experience with municipal utility start-up and management of more than \$35 million of
 initial improvements. Responsible for engineering oversight, real estate acquisition and project financing.
 Extensive experience with joint private-public financing arrangements to fund project construction.
 Created operating policies, procedures and worked with private utilities to merge operations into
 municipal systems.
- More than 20 years of experience with capital improvements planning and local government finance.
- Seven years of experience with financing and loan underwriting of subsidized multi-family rental projects in western Nevada.
- Spent more than 13 years on development projects in the Lake Tahoe Basin including the expansion of Sierra Nevada College and played a key role in the approval of the Tahoe Beach Club. Past experience includes work on 7 development projects in the Tahoe Basin.
- Coordinated financing for the construction of an indoor events center, developed a senior rental housing project in Battle Mountain, and various recreational improvements including projects in central Nevada.

Environmental Compliance (NEPA) More than 20 years of experience managing and preparing technical analysis for a variety of projects including airspace expansion, pipelines, right of way acquisition and use, utility operations, mining and redevelopment projects on public and private lands. Mr. Massey has worked on highly sensitive and controversial projects in the Lake Tahoe Basin completing and receiving approval for several projects. Mr. Massey represented clients in a cooperating agency status and has experience with legal challenges under NEPA.

Socio-Economics and Demographic Analysis 24 years of experience with housing market studies and assessments, fiscal and economic impact studies using regional economic models, utility rate studies, community impacts, and project feasibility studies. Demographic analysis included work as the Nevada State Demographer and preparation of official state population estimates used for tax revenue distribution.

Public and Government Relations Worked extensively with government bodies, and elected officials at all levels including congressional delegation and staff representing and advocating for various clients. Mr. Massey

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has substantial experience with public presentations, facilitation of public meetings, and public information programs. He has operated effectively within the political arena to achieve project implementation goals and understands how to develop public support and backing for public and private initiatives.

Science Applications International Corporation 1988-1989

Mr. Massey provided technical contributions to environmental documents including environmental assessments and environmental impact statements pursuant to the National Environmental Policy Act (NEPA), and documents under the California Environmental Quality Act (CEQA) specializing in socioeconomics, regional economics, recreation, land use and realty. Mr. Massey also served as contractor liaison between the U.S. Army Corps of Engineers, the U.S. Army Forces Command Project Office, and command level staff at Fort Hood for a major base realignment. At SAIC he completed a number of assignments for federal government agencies including Bureau of Land Management, U.S. Air Force, and the Bureau of Reclamation.

CERTIFICATE OF SERVICE

Pursuant to NRAP Rule 25(1)(c), I hereby certify that I am an
employee of ALLISON, MacKENZIE, PAVLAKIS, WRIGHT & FAGAN, LTD.,
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Bryan L. Stockton bstockton@ag.nv.gov Senior Deputy Attorney General's Office Nevada Attorney General's Office 100 North Carson Street Carson City, NV 89701

Ross E. de Lipkau rdelipkau@parsonsbehle.com Parsons Behle & Latimer 50 West Liberty Street, Ste 750 Reno, NV 89501

Therese A. Ure Laura A. Schroeder Schoeder Law Offices, P.C. 400 Marsh Avenue Reno, NV 89509

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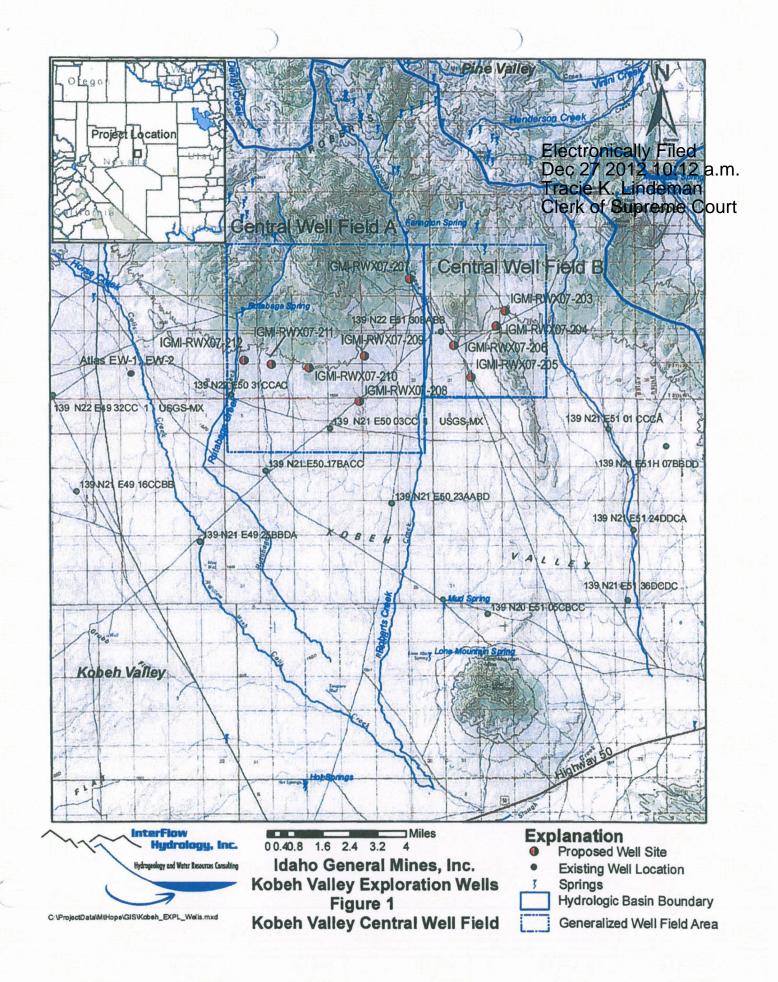
fully addressed as follows:

John R. Zimmerman jzimmerman@parsonsbehle.com
Parsons Behle & Latimer
50 West Liberty Street, Ste 750
Reno, NV 89501

Francis M. Wikstrom
Parsons Behle & latimer
201 South Main Street, Ste 1800
Salt Lake City, UT 84111

DATED this 21st day of December, 2012.

/s/ Nancy Fontenot



Exploration boreholes will be completed as 2-inch diameter nested piezometers, and will be completed in both the first encountered aquifer and the deeper confined and/or bedrock aquifer, when encountered. These piezometers will provide data on vertical gradients and will be used as observation wells during aquifer testing of test wells. Piezometer depths will be dependent on conditions encountered during drilling. Exploration drilling depths are planned to be up to approximately 1,600 feet, or shallower, depending on the geology. When possible, exploration drilling is being conducted with dual tube air methods, however, some drilling environments will necessitate use of conventional mud rotary.

As of the date of this report, exploration drilling has been completed at wells no. 203, 204, 205, and drilling is ongoing at 206 (fig. 3). The test wells will be designed with screened intervals in the primary aquifer, and are planned to be 8-inches minimum diameter (12-inch borehole). If multiple producing aquifers are present, the test well may be constructed to tap multiple aquifers. In this case, the screened intervals will be isolated by blank casing and a seal installed in the annular space between aquifer zones. This will allow for testing of individual aquifers via pumping isolation with packers, without data evaluation complications that occur when pumping from multiple aquifers.

Specific details of individual aquifer tests will need to be refined specifically for the conditions encountered during well construction and for the specific locations where test wells end up being completed. This Aquifer Testing Plan describes the general procedures and protocol planned for conducting the tests.

Types of Aquifer Testing

Once a test well is completed and development accomplished, a step-drawdown aquifer test will be performed to gage the well capacity. The step-drawdown test involves pumping the well at varying rates and observing the drawdown response at the selected rates. Typically, 3 to 5 rates are pumped for durations of 1 to 3 hours depending on stabilization of pumping water level. From the step-drawdown test, the optimum rate for constant-rate aquifer testing can be established. A short recovery period is needed prior to starting the constant-rate aquifer tests, typically a day, but at least 95 percent recovery to starting static water level will be required prior to starting the constant-rate test. The constant-rate test will be run at an approximate constant rate for the planned test duration. Depending on the type of pump system used and the duration of the test, some brief non-pumping periods may be necessary to perform routine engine checks/maintenance; however, these rest periods will not exceed 15 minutes and will be minimized to the extent possible. If equipment failures are experienced that compromise the ability to achieve dependable analysis, the test will be terminated, the aquifer allowed to recover, and the test re-started.

Water Level Monitoring

Equipment and Procedures

Water level data collection during aquifer tests will rely upon pressure transducer records, with manual backup measurements made approximately daily using wireline sounders. Manual measurements will be recorded to the nearest 1/100th of a foot, and recorded on standard forms. A measurement reference point will be established for all monitoring locations. The range and sensitivity of the pressure transducers will vary depending on the proximity to the pumping well and anticipated range of drawdown, as understood from the step-drawdown testing. The frequency of transducer data collection will not exceed 1 hour intervals. Early time data for the pumping well and any nearby observation wells will be collected on a logarithmic time scale.

Extent of Monitoring Network

Wells within an approximate 2-mile radius of the constant-rate aquifer test will be established as observation wells. The observation well network will include both piezometers installed during the exploration drilling, other completed test wells, existing stockwater and domestic well (for example the Roberts Creek Ranch wells), and other identified wells, subject to access.

Background Trend Monitoring

Baseline water level monitoring will occur throughout the monitoring network for an aquifer test for a period of no less than 2 weeks prior to the start of testing. This will establish the natural trends in water levels fluctuation and barometric responses, if present.

Recovery Period

Recovery water level monitoring will be made after all constant-rate aquifer tests for a period of time at least equal to the pumped duration.

Barometric Pressure and Precipitation Monitoring

Barometric pressure will be recorded on 15-minute intervals in the vicinity of the Central Well Field. This data will allow for barometric pressure consideration and correction if responses to barometric pressure changes are observed in the water level data. Precipitation is currently being measured by the USGS northeast of Lone Mountain, and it is assumed that daily provisional records can be obtained from the USGS for purposes of evaluating aquifer testing data.

Stream, Artesian Well, and Spring Discharge Measurements

Stream Flow

Exploration well no. 207 is adjacent to Roberts Creek (fig. 2) and a temporary stage recorder is planned to be established in the adjacent stream, provided there is flow in the stream during the testing period. Current meter measurements will be made to rate stage to discharge. In the absence of stream flow adjacent to the well, an up-stream location where perennial flow exists may be selected, provided that the site is within about 2 miles of the well site. Exploration well no. 212 is near Rutabaga Creek (fig. 2),

and flows will be similarly gaged if stream discharge is present during the time testing occurs, if a test well is completed at this exploration location.

Artesian Wells

To date, no flowing, artesian wells have been identified in the vicinity of the Central Well Field. The nearest known flowing artesian well is on the northwest side of Lone Mountain (Mud Spring Well, fig. 1), and is approximately 6 to 9 miles to the south of the test wells. The condition of this well will not facilitate accurate pressure head or discharge measurement, as most of the well discharge is occurring from the annual space outside the casing, and to a pooled body of water. No measurements are planned for the well during testing. It is possible that some of the completed exploration piezometers may produce artesian flow. In this case, the peizometer will be capped and equipped with a pressure gage. Artesian head during aquifer testing will be observed manually, or the well cap retrofitted with a pressure transducer – recorder. Greater sensitivity may be achieved with a piezotube retrofitted to the well head versus a pressure gage, depending on the magnitude of head.

Springs

To date, very few springs have been identified in the vicinity of the Central Well Field. Farington Spring discharges to Roberts Creek upstream of well no. 207 approximately 1.4 miles. On May 15, 2007, the spring was observed seeping from the stream bank, and is reported to have perennial flow. However, the discharge is non-discrete and not of a magnitude that could be physically measured. Qualitative observations of the presence of discharge from the bank can be made.

Other springs in the mountain block to the north, such as "ans-in-dame" spring (fig. 3, west of Mt. Hope) and Rutabaga spring (fig. 2) may have discharges suitable for monitoring during aquifer testing, but have not been inspected as of the date of this plan. Prior to site-specific aquifer testing, additional review will be conducted for suitable spring monitoring sites. Temporary V-notch weirs may be installed to measure spring flows, if conditions are suitable.

Duration of Tests

Durations of constant-rate aquifer tests will vary depending on the hydrogeologic setting and spatial distribution of observation wells. A minimum duration of pumping tests will be 1 week, and the maximum envisioned would be 4 weeks. Since one of the objectives of the aquifer testing is to derive well and well field- specific measures of storativity, the testing duration at each well will be based upon the observed responses in both the pumping well and the observation wells. For example, when the drawdown in the pumping well has stabilized to less than 0.25 ft of additional drawdown per hour and drawdown observed in two or more observation wells has stabilized to less than 0.1 ft of additional drawdown per hour, the test may be terminated. Prior to terminating the constant rate tests, a preliminary data review will be made so as to avoid pre-mature termination of the test if a shift in drawdown trend is occurring, or response (or lack of response) in observations wells is not clear.

