

**IN THE OFFICE OF THE STATE ENGINEER OF THE
STATE OF NEVADA**

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| IN THE MATTER OF APPLICATIONS) | |
| 53987 THROUGH 53992, INCLUSIVE,) | |
| AND 54003 THROUGH 54021,) | |
| INCLUSIVE, FILED TO APPROPRIATE) | MILLARD AND JUAB COUNTIES' |
| THE UNDERGROUND WATERS OF) | PROPOSED RULING |
| SPRING VALLEY, CAVE VALLEY,) | |
| DELAMAR VALLEY, AND DRY LAKE) | |
| VALLEY HYDROGRAPHIC BASINS) | |
| (180, 181, 182 AND 184), LINCOLN) | |
| COUNTY AND WHITE PINE COUNTY,) | |
| NEVADA) | |

It is Proposed That the Spring Valley Portion of the Findings of Fact Include the Following:

1. The State Engineer finds on the conflicting evidence of perennial yield, consumptive use, and potential future domestic use, that there is not sufficient reason to deviate from the State Engineer's reasonable initial finding in Ruling #5726 dated April 16, 2007 concerning the outright maximum amount of groundwater that might possibly be available for appropriation and export from the Spring Valley Hydrographic Basin. The initial determination in Ruling #5726 that there are no more 60,000 acre feet annually available for appropriation and export from the Spring Valley Hydrographic Basin, finds support in the evidence adduced in the re-hearing. Accordingly that initial finding still stands.

2. The State Engineer finds on the evidence that a monitoring and mitigation plan consisting of both biologic and hydrologic parameters should approved by the State Engineer, as stated in the first of the bullet points at pages 53-54 in Ruling #5726, with the following additional conditions and parameters:

a. The Applicant and the protestants Department of Interior on behalf of the Bureau of Indian Affairs, the Bureau of Land Management, the National Park Service, and the Fish and Wildlife Service entered into a September 8, 2006 Stipulation for Withdrawal of Protests (“hereafter “the Spring Valley Stipulation”), wherein the Applicant and the Federal Protestants promised and agreed to submit to, participate in, and support an extensive hydrologic and biologic monitoring, management and mitigation throughout a geographic region which they called the “Area of Interest” according to the area mapped and shown in Figure 1 to the Spring Valley Stipulation. The undisputed evidence at the rehearing, namely the testimony of the Applicant’s General Manager Patricia Mulroy, is that the Applicant still supports and is committed to the promises and commitments made in the Spring Valley Stipulation.

Accordingly, the monitoring and mitigation plan referenced in the first bullet point on page 53 of Ruling #5726 should be modified to:

(i) Apply to the entire “Area of Interest” shown on the map in Figure 1 to the Spring Valley Stipulation;

(ii) Incorporate and include all of the hydrologic monitoring, management and mitigation provisions set forth in Exhibit A to the Spring Valley Stipulation; and

(iii) Incorporate and include all of the biologic monitoring, management and mitigation provisions set forth in Exhibit B to the Spring Valley Stipulation;

(b) Noting that a wide range of scientific evidence and opinion exists regarding the amount of interbasin flow from southern Spring Valley to Snake Valley, the State Engineer finds on the evidence adduced at the re-hearing that such interbasin flow does exist and does factor to some significant extent in the hydrologic system of southern Snake Valley. On this

evidence the State Engineer cannot reasonably rule out that the Applicant's proposed pumping in Southern Spring Valley could significantly reduce, eliminate, or even reverse this interbasin flow and cause southern Snake Valley groundwater levels and spring flow to decline.

Accordingly, the monitoring and mitigation plan to be approved by the State Engineer should include a plan to cease and/or reduce the pumping and export of groundwater from Spring Valley in order to prevent and reverse groundwater decline and spring flow decline in Snake Valley due to reduced interbasin flow. To achieve this end, the groundwater monitoring plan should:

(i) Include the full monitoring and mitigation program delineated in section 2 of the Spring Valley Stipulation;

(ii) Include selected Utah Geological Survey (UGS) groundwater monitoring sites within the initial biological monitoring zone in the Spring Valley Stipulation: namely sites 15, 23, 2, and 28(Stateline (aka Dearden Ranch] Springs; and

(iii) Extend for several tens of years, because the full extent of impacts to the southern Snake Valley groundwater system from drawdown due to pumping in southern Spring Valley may not fully be known for several to at least tens of years after pumping and groundwater export commences.

It is Proposed That the Spring Valley Portion of the Ruling Read as Follows:

The protests to [relevant Spring Valley Application numbers] are hereby overruled in part and granted in part subject to:

1. Existing rights;
2. Payment of the statutory fees;

3. A monitoring and mitigation program approved by the State Engineer a minimum of five years prior to the export of any water under these permits, said monitoring and mitigation plan to:

(a) Apply to the entire so-called Area of Interest shown on the map in Figure 1 to the Spring Valley Stipulation;

(b) Incorporate and include all of the hydrologic monitoring, management and mitigation provisions set forth in Exhibit A to the Spring Valley Stipulation; and

(c) Incorporate and include all of the biologic monitoring, management and mitigation provisions set forth in Exhibit B to the Spring Valley Stipulation;

(d) Provide for ceasing and/or reducing pumping and export of groundwater from Spring Valley in order to prevent and reverse groundwater decline and spring flow decline in Snake Valley due to reduced interbasin flow. To achieve this end, the groundwater monitoring plan should

(i) Include the full monitoring and mitigation program delineated in section 2 of the Spring Valley Stipulation;

(ii) Include selected Utah Geological Survey (UGS) groundwater monitoring sites within the initial biological monitoring zone in the Spring Valley Stipulation: namely sites 15, 23, 2, and 28(Stateline (aka Dearden Ranch] Springs; and

(iii) Extend for several tens of years, because the full extent of impacts to the southern Snake Valley groundwater system from drawdown due to pumping in southern Spring Valley may not fully be known for several to at least tens of years after pumping commences.

Respectfully submitted this 26th day of January, 2012

/s/ J. Mark Ward

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Certificate of Service

This is to certify that copies of the Spring Valley Hearings Proposed Ruling were delivered to the following on or before January 27, 2012 in the manner indicated:

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