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DEPARTMENT OF NATURAL RESOURCES

DIVISION OF WATER RESOURCES

John W. Hickenlooper
Governor

Mike King
Executive Director

Dick Wolfe, P.E.
Director/State Engineer

November 26, 2013

RECEIVED

NOV 27 2013

DIVISION OF RECLAMATION
MINING AND SAFETY

Mr. Peter R. Foster, P.E.
Wright Water Engineers, Inc.
1666 N. Main Avenue, Suite C
Durango, Colorado 81301

RE: Colona Gravel Pit, Substitute Water Supply Plan
DRMS File No. M-94-005
SE¼ Section 36, T48N, R9W, and NE¼ Section 1, T47N, R9W, New Mexico P.M.
Water Division 4, Water District 41, Montrose County

Approval Period: October 1, 2013 through September 30, 2015
Contact Phone Number for Mr. Peter Foster: 970-259-7411

Dear Mr. Foster:

We have received your letter of August 16, 2013 requesting a renewal of the substitute water supply plan (SWSP) for United Companies' ("Applicant") Colona Gravel Pit Operation in accordance with § 37-90-137(11), C.R.S., for the period October 1, 2013 through September 30, 2015. The applicant shall be responsible for compliance with this plan, but the State Engineer's Office ("SEO") may also pursue the landowner for eventual compliance. The required fee of $257 for the renewal of this SWSP has been submitted (receipt no. 3661402).

SWSP OPERATIONS

The Colona Gravel Pit Operation consists of a gravel mine that will be reclaimed as an unlined pond. Currently there are 6.8 acres of exposed ground water at the site, which is expected to remain unchanged during this plan period. Aggregate production at the site is estimated at 5,000 tons per month from October to March, or 30,000 tons total, for each year of the proposed two-year approval period. Product below the ground water table will be removed via "wet mining" techniques; thus, dewatering of the pit will not occur and is not approved herein.

In accordance with the letter dated April 30, 2010 (copy attached) from the Colorado Division of Reclamation, Mining, and Safety ("DRMS"), all sand and gravel mining operators must comply with the requirements of the Colorado Reclamation Act and the Mineral Rules and Regulations for the protection of water resources. The April 30, 2010 letter from DRMS requires that you provide information to DRMS to demonstrate you can replace long-term injurious stream depletions that result from mining related exposure of ground water. The DRMS letter identifies four approaches to satisfy this requirement. In accordance with approach no. 1, you have indicated that a bond has been obtained for $165,351.00 through the Division of Reclamation, Mining, and Safety ("DRMS"). Additionally, in accordance with approach no. 4, you have provided an affidavit dated May 23, 2011 that dedicates 1.0 share of Ouray Ditch water as replacement water solely for this SWSP and for as long as there are depletions at this gravel pit site or until such time as another replacement source is obtained. A copy of the affidavit is attached to this letter. For the purposes of this SWSP, this affidavit will be accepted for dedication to this plan; however, if the State Engineer determines that a different affidavit or

dedication process is necessary to assure proper dedication of the shares, additional information may be required prior to future SWSP approvals.

This SWSP request is for a gravel mine located on land owned in part by the Applicant and in part by another landowner. In the case where the operator is not the sole landowner, before any groundwater is exposed on land not owned by the operator, an agreement must be obtained between the operator and the other landowner (or whoever is the responsible party) and their successors to identify who is responsible for the operation and continuance of the substitute water supply plan and future augmentation requirements after mining is complete. The agreement must be recorded with the county clerk and recorder and be a binding document with the title to the property.

DEPLETIONS

Depletions at the Colona Pit will occur as a result of evaporation from exposed ground water, dust suppression, water removed with the mined product, and water filling the gravel pit as a result of material removal. Anticipated net depletions for each year of the proposed renewal period total 31.0 acre-feet, consisting of 17.4 acre-feet of evaporative losses from 6.8 acres of exposed ground water, 3.3 acre-feet used for dust suppression, and 10.3 acre-feet for ground water lost with the mined product and filling the pit resulting from mining of 30,000 tons of aggregate (5,000 tons per month for 6 months), as shown in the attached Table 2. No groundwater will be used for equipment washing, concrete production, reclamation, or any other purpose.

Net evaporative depletions were calculated using a gross annual evaporation of 43.0 inches from the exposed water surface, with a credit of 9.6 inches for effective precipitation. Based on monthly average temperatures reported for the Montrose 2 and Ridgeway weather stations, ice cover was assumed for the months of December, January, and February; therefore no evaporative consumptive use was charged for those months. For the purposes of this SWSP, the Applicant shall replace the net evaporative depletions from the exposed ground water surface area that may occur during the assumed ice cover period (December through February) for any time that the pit is not completely covered by ice. The net depletion of ground water due to evaporation from the 6.8 acres of exposed ground water was calculated to be 17.4 acre-feet for each plan year, as shown on the attached Table 1.

The Applicant has estimated that 5,400 gallons of water per day will be used for dust suppression, five (5) days per week for the period of March to November. This results in a total of 3.3 acre-feet of water used for dust suppression each year, as shown on the attached Table 2.

An estimated 5,000 tons of aggregate will be removed monthly from the Colona Pit during the period of October through March each year of the two-year approval period. Based on a density of 1.8 tons of aggregate per cubic yard and 30,000 tons of aggregate removed per year, 10.3 acre-feet of ground water will subsequently fill the pit each year. This amount includes the 4% of water removed with the mined material.

A Glover stream depletion model was used to calculate lagged depletions to the Uncompahgre River, assuming steady state conditions. The following parameters were used in the model: transmissivity (T) = 50,000 gallons per day per foot; specific yield (SY) = 0.15; distance from the centroid of the pit to the river (X) = 2,000 feet; and distance from the aquifer boundary through the pit to the river (W) = 5,000 feet. Total annual lagged depletions were calculated to be 31.0 acre-feet each year of the two-year approval period, as shown in Table 2.

REPLACEMENT WATER

The primary source of replacement water for this pit during the irrigation season of April through October is consumptive use credits from the dry-up of 29.2 acres historically irrigated by 2.5 shares in the Ouray Ditch (see Table 1, March 27, 2009 for the water rights dedicated to the dry-up plan). Based on Ouray Ditch diversion records, assuming a ditch loss of 10% and an irrigation efficiency of 50%, the average annual historical stream depletion associated with the Applicant's 2.5 shares is estimated to be about 49.1 acre-feet per year, as shown in the attached Table 3. A portion of the water diverted to irrigate the 29.2 acres property historically accrued to the Gunnison River in a form of surface and ground water return flow. You have completed a delayed depletion analysis to determine the amount and timing of the ground water return flow. According to this analysis it was determined that 50 percent of the total return flow accrues to the Uncompahgre River as surface return flow within the same month as the diversion and 50 percent accrues to the Uncompahgre River as ground water return flow. The timing of the ground water return flows was lagged to the Uncompahgre River using the Glover method with the following aquifer parameters: X = 1,880 feet, W = 3,180 feet, S=0.15, and T = 50,000 gpd/ft. After applying the 2.5 shares of Ouray Ditch water, there will be 27.3 acre-feet of uncompensated depletions. However, out-of-priority depletions, determined based on the percentages of days the Gunnison River fell below 750 cfs during the year 2002 (worst case scenario), total 8.4 acre-feet (Table 3, column 14).

A water lease (copy attached) from the Tri-County Water Conservancy District (Tri-County) for reservoir releases of 4 acre-feet per year of fully consumable water from Ridgway Reservoir will be used to supplement the consumptive use credits for the month of October. A 1.65% transit loss will be applied to all deliveries from Ridgway Reservoir as specified in Column 3 of your Table 4.

The proposed source of replacement water for this pit during the non-irrigation season of November through March is fully consumable water released from Blue Mesa Reservoir by the U.S. Bureau of Reclamation. The Applicant has two contracts (copies attached) for Blue Mesa water, one for 5.0 acre-feet and another for 13.0 acre-feet. An 8.9% transit loss will be applied to all deliveries from Blue Mesa Reservoir as specified in Column 2 of your Table 4.

CONDITIONS OF APPROVAL

I hereby approve the proposed substitute water supply plan in accordance with § 37-90-137(11), C.R.S., subject to the following conditions:

1. This plan shall be valid from October 1, 2013 through September 30, 2015 unless otherwise revoked or modified. If this plan will not be made absolute by a water court action by the plan's expiration date, a renewal request must be submitted to this office with the statutory fee (currently $257) no later than **August 15, 2015**.
2. The Applicant must provide the name, address and phone number of the person who will be responsible for the operation of this plan to this office, the Division Engineer, Bob Hurford, and the Water Commissioner, Luke Reschke (both at PO Box 456, Montrose, CO, 81402, telephone 970-249-6622), within 20 days of the receipt of this approval, and same must be provided on the accounting forms submitted to the division engineer and the water commissioner.
3. Well permit no. 66447-F was issued for the maximum total exposed surface area in the pit of 6.28 acres, 8.8 acre-feet of water lost with the mined aggregate and 3 acre-feet of water used for dust control. **Since the existing permit does not cover the 6.8 acres**

of exposed ground water identified in this plan and the increased water lost by filling the gravel pit, a new well permit must be obtained for the current use and exposed surface area of the gravel pit in accordance with §37-90-137(2) and (11), C.R.S. in conjunction with this plan. Applicant is required to submit a well permit application within 30 days of receipt of this plan. The provisions of Colorado Revised Statute 37-90-137(2) prohibits the issuance of a permit for a well to be located within 600 feet of any existing well, unless the State Engineer finds that circumstances so warrant after a hearing held in accordance with the procedural rules in 2CCR402-5. This hearing may be waived if you are able to obtain statements from the owners of all wells within 600 feet, verifying that they have no objection to your use of the proposed well. Should a new well permit be denied for reasons of 600-foot spacing, or any other legitimate reason, approval of this substitute supply plan may be cancelled.

4. For each year of the renewal period, the total area of exposed groundwater shall not exceed 6.8 acres and the total consumptive use of the mining operation shall not exceed 31.0 acre-feet, of which 17.4 acre-feet is due to evaporative losses, 10.3 acre-feet to ground water filling of the pit resulting from mining of 30,000 tons of aggregate, and 3.3 acre-feet to water use for dust suppression. Any increases in depletions must be submitted to this office as an amendment to this plan.

5. Approval of this plan is for the purposes as stated herein. Any additional uses of this water must first be approved by this office. If it is anticipated that the total surface area exposed will exceed those amounts, an amendment will need to be filed with this office prior to such expansion.

6. All pumping for dust control shall be measured in a manner acceptable to the division engineer.

7. Replacement water is to be supplied from the Ouray Ditch and Ridgway Reservoir during the irrigation season and from Blue Mesa Reservoir for the non-irrigation season, and will be released/delivered according to the schedule included in Table 3 of this plan, subject to modification by the division engineer or water commissioner. Transit losses may be modified, as determined necessary, by the division engineer per CRS 37-80-102(7) & CRS 37-83-104.

8. Replacement water shall be made available to cover all out-of-priority depletions in time, place and amount and shall be made available under the direction and/or approval of the water commissioner. The replacement water that is the subject of this plan cannot be sold or leased to any other entity. As a condition of subsequent renewals of this substitute water supply plan, the replacement water must be appurtenant to this site until a plan for augmentation is obtained. All replacement water must be concurrent with depletions in quantity, timing, and locations.

9. The water attributable to the Applicant's 2.5 shares in the Ouray Ditch may not be used elsewhere or for any other purpose during the term of this plan.

10. All deliveries of replacement water shall be measured in a manner acceptable to the division engineer.

11. The Applicant has agreed to dedicate the historical consumptive credit from irrigation of the site with 1 share of the Ouray Ditch to long-term replacement requirements in the unforeseen event, or events, which would lead to the abandonment of the pit. Note that such dedication does not relieve the Applicant from the requirement to obtain a water court approved plan for augmentation to replace depletions to the stream system in time, place and amount. Notwithstanding this dedication, in the event that mining

operations cease absent a water court approved plan for augmentation, the pit must be backfilled to at least two feet above the highest recorded ground water table elevation at the pit.

12. The Applicant will inspect all parcels of dried-up land used to generate augmentation credits during each irrigation season to verify dry-up. The final verifications of dry-up will be in the form of affidavits signed by an individual having personal knowledge of the dry-up for each year's entire irrigation season for each parcel of land used in this SWSP. All affidavits for the first year of the plan must be provided to the division engineer by October 31, 2014, and for the second year of the plan by the expiration date of this SWSP (**September 30, 2015**), in order that final determinations of augmentation credits for each irrigation season can be made and any revisions to the dry-up acreage can be mapped. Credit from any dry-up fields containing alfalfa or native grass will be assessed in the following manner:

    (a) For fields deep tilled or chemically treated to successfully kill alfalfa or native grass, 100% credit will be given for consumptive use as otherwise computed under the conditions of this approval.
    (b) For fields not deep tilled or chemically treated to successfully kill alfalfa, records of monthly monitoring of depth to groundwater at existing irrigation wells or existing or new monitoring wells or piezometers within ¼-mile of each alfalfa or native grass field must be maintained. Credits will be reduced according to the following table when depth to groundwater is less than the depth assumed to provide no significant contribution to alfalfa growth. Measurements taken at the start of each month will determine the necessary reduction in credit to be applied during the following month. The Applicant may use another methodology upon review and approval by the state engineer and division engineer.

Depth to Ground Water (Feet)	Percent Reduction in CU Credit[1]	
	Native Grass	Alfalfa
1	85%	100%
2	50%	90%
3	30%	75%
4	20%	50%
5	15%	35%
6	10%	20%
7	5%	15%
8	0%	10%

1. Adapted from *EVAPOTRANSPIRATION AND AGRONOMIC RESPONSES IN FORMERLY IRRIGATED MOUNTAIN MEADOWS, South Park, Colorado*, March 1, 1990; Revised September 1, 1991

13. The applicant shall maintain daily records of all diversions, replacement, and the amount of water used for each particular purpose. The applicant shall provide a report of these records to the Division Engineer, Bob Hurford, and the Water Commissioner, Luke Reschke (both at PO Box 456, Montrose, CO, 81402, telephone 970-249-6622), on a monthly basis, or other interval acceptable to both of them. The accounting must be submitted within five (5) calendar days of the end of the month for which the accounting is being made. The applicant shall also provide an annual report to the division engineer

and the water commissioner by November 15th, which summarizes diversions and replacements made pursuant to this plan. Accounting forms are subject to modification and approval by the division engineer (a proposed accounting form, Appendix A, is attached). Flowrates shall be reported in cfs and volumes in acre-feet.

14. Before any exposure of ground water due to gravel mining may proceed on the portion of the property that is owned by a private landowner and leased to the Applicant, an agreement between the Applicant and the landowner (or whoever is the responsible party) and their successors to identify who is responsible for the operation and continuance of the SWSP and future augmentation requirements after mining is complete. Such an agreement will have to be recorded with the county clerk and recorder and be a binding document with the title to the property.

15. If reclamation of the mine site will produce a permanent water surface exposing groundwater to evaporation, an application for a plan for augmentation must be filed with the Division 4 Water Court at least three years prior to the completion of mining to include, but not be limited to, long-term evaporation losses and lagged depletions. If a lined pond results after reclamation, replacement of lagged depletions shall continue until there is no longer an effect on stream flow. Granting of this plan does not imply approval by this office of any such court application(s).

16. This substitute water supply plan may be revoked or modified at any time should it be determined that injury to other vested water rights has or will occur as a result of the operation of this plan. Should this substitute water supply plan expire without renewal or be revoked prior to adjudication of a permanent plan for augmentation, all excavation of product from below the water table, and all other use of water at the pit, must cease immediately.

17. In accordance with amendments to §25-8-202(7), C.R.S., and Senate Bill 89-181 Rules and Regulations adopted on February 4, 1992, the State Engineer shall determine if the substitute supply is of a quality to meet requirements of use to which the senior appropriation receiving the substituted supply has normally been put. As such, water quality data or analyses may be requested at any time to determine if the requirements of use of the senior appropriator are met.

18. The decision of the state engineer shall have no precedential or evidentiary force, shall not create any presumptions, shift the burden of proof, or serve as defense in any water court case or any other legal action that may be initiated concerning the substitute water supply plan. This decision shall not bind the state engineer to act in a similar manner in any other applications involving other plans or in any proposed renewal of this plan, and shall not imply concurrence with any findings of fact or conclusions of law contained herein, or with the engineering methodologies used by this applicant.

Please contact Mike Bender in Denver at (303) 866-3581, or Bob Hurford, Division Engineer, in Montrose at (970) 249-6622, if you have any questions concerning this approval.

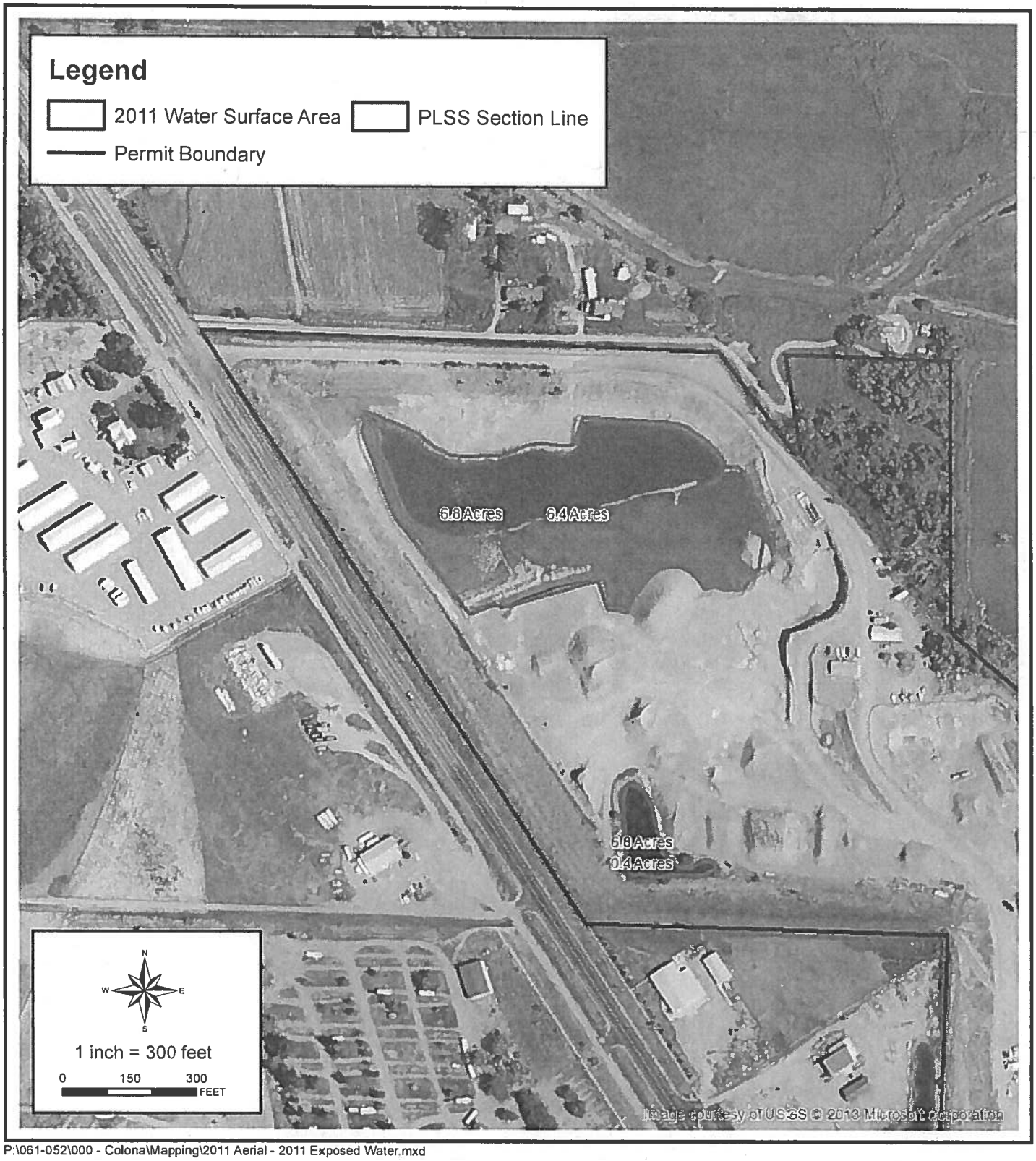
Sincerely,

Jeff Deatherage, P.E.
Chief of Water Supply

Attachments: Figure 1 – Exposed Groundwater Area
Table 1 – Evaporation Calculation
Table 2 – Operational Water Depletions
Table 1, March 27, 2009 – Water Rights Pro Rata Dedication
Table 3 – Out-of-Priority Depletions
Table 4 – Out-of-Priority Depletions and Replacement Supply
Appendix A – Sample Accounting Sheet
Appendix B1 – Glover Analysis – Year One
Affidavit dated May 23, 2011 – Water Rights Dedication
DRMS letter dated April 30, 2010
Water Lease Contracts for Ridgeway Reservoir and Blue Mesa Reservoir

Cc: Bob Hurford, Division Engineer
Luke Reschke, Water Commissioner, District 41
Division of Reclamation, Mining and Safety

JD/IDC/GMB: Colona Pit SWSP 13-15.doc



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WWE
WRIGHT WATER ENGINEERS, INC.
1666 N. MAIN AVE, STE C
DURANGO, CO 81301
(970) 259-7411

MONTROSE COUNTY, COLORADO

EXPOSED GROUNDWATER AREA

COLONA GRAVEL PIT SWSP

SEC. 36, T48N, R9W, AND SEC. 1, T47N, R9W, N.M.P.M.

PROJECT NO. 061-052.000

FIGURE 1

Table 1
Evaporation Calculation
United Companies - Colona Gravel Pit SWSP

Groundwater exposed 6.8 acres (based on current measurements)
Gross Evaporation 43 inches (from NOAA Technical Report NWS 33)
Precipitation Station Montrose 2 and Ridgway

Month	Monthly Evaporation Distribution	Gross Evaporation	Average Year Precipitation	Effective Precipitation	Net Unit Evaporation	Net Unit Evaporation	Average Temperature	Net Unit Evaporation	Total Evaporation
	(%)	(inches)	(inches)	(inches)	(inches)	(feet)	(°F)	(feet)	(acre-feet)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
January	3.0	1.3	0.7	0.5	0.8	0.1	25.4	0.0	0.0
February	3.5	1.5	0.6	0.5	1.1	0.1	30.4	0.0	0.0
March	5.5	2.4	1.2	0.8	1.6	0.1	38.6	0.1	0.9
April	9.0	3.9	1.2	0.8	3.0	0.3	46.0	0.3	1.7
May	12.0	5.2	1.3	0.9	4.3	0.4	54.8	0.4	2.4
June	14.5	6.2	0.8	0.6	5.7	0.5	63.6	0.5	3.2
July	15.0	6.5	1.5	1.0	5.4	0.5	69.1	0.5	3.1
August	13.5	5.8	1.8	1.2	4.6	0.4	67.0	0.4	2.6
September	10.0	4.3	1.6	1.1	3.2	0.3	58.9	0.3	1.8
October	7.0	3.0	1.3	0.9	2.1	0.2	47.6	0.2	1.2
November	4.0	1.7	1.2	0.8	0.9	0.1	35.7	0.1	0.5
December	3.0	1.3	0.7	0.5	0.8	0.1	25.9	0.0	0.0
Annual	**100.0**	**43.0**	**13.8**	**9.6**	**33.4**	**2.8**		**2.6**	**17.4**

Notes:
(1) From SEO's Guidelines (2/28/95) for sites with elevation less than 6,500 ft.
(2) Annual value from NOAA Technical Report NWS 33.
(3) Weighted average annual precipitation data from NOAA recording stations at Montrose 2 (1982-2006, 60%) and Ridgway (1982-2006, 40%).
(4) Equals Column (3) x 0.70.
(5) Column (2) - Column (4).
(6) Column (5) / 12.
(7) Weighted average monthly temperature data from NOAA recording stations at Montrose 2 (1982-2006, 60%) and Ridgway (1982-2006, 40%).
(8) If Column (7) is less than 32 then equals zero, if greater than 32 equals Column (6).
(9) Column (8) x number of exposed groundwater surface acres.

Table 2.
Operational Water Depletions
United Companies - Colona Gravel Pit SWSP

Month	Evaporation from Exposed Groundwater	Depletions from Dust Suppression	Depletions from Groundwater Filling the Pit	Total Depletions	Lagged Total Depletions
	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)
	(1)	(2)	(3)	(4)	(5)
January	0.0	0.0	1.7	1.7	2.4
February	0.0	0.0	1.7	1.7	2.3
March	0.9	0.4	1.7	3.0	2.3
April	1.7	0.4	0.0	2.1	2.5
May	2.4	0.4	0.0	2.8	2.4
June	3.2	0.4	0.0	3.6	2.6
July	3.1	0.4	0.0	3.4	2.8
August	2.6	0.4	0.0	3.0	2.8
September	1.8	0.4	0.0	2.1	2.7
October	1.2	0.4	1.7	3.3	2.7
November	0.5	0.4	1.7	2.6	2.8
December	0.0	0.0	1.7	1.7	2.6
Annual	**17.4**	**3.3**	**10.3**	**31.0**	**31.0**

Notes:

(1) See Table 1, Column (9).

(2) Based on 5,400 gallons of water applied per day, 5 days per week, March through November.

(3) Equivalent to the water that fills the pit and 5,000 tons of material removed per month from October through March. Material has a volume of 1.8 tons per yd^3. Equals (# tons) / (1.8) x (27) / (43,560).

(4) Equals Columns (1) + (2) + (3).

(5) Equals the lagged depletions to the Uncompahgre River based on the Glover Analysis. Lagged depletions assume that the depletion rate from the river has reached steady state and all depletions occur within one year of pumping.

Table 1
United - Colona
Gravel Pit Operation
1-Yr. Substitute Water Supply Plan

Duty of Water	40	acres per cfs
Dry up acreage	29.2	acres
Flow for Dry Up	0.730	cfs
Shares owned by United	2.5	shares
Total Shares Outstanding	40	shares
Pro Rata Share	6.25%	percent

Administration Number	Appropriation Date	Adjudication Date	Case No.	Decreed Amount (CFS)	Pro Rata Decreed Amount (CFS)	Cummulative Pro Rata Decreed Amount (CFS)	C.U. Credits Based on Pro Rata Decreed Amount (AF)
9983.00000	5/15/1897	5/01/1877	CA1660	0.375	0.02	0.02	1.58
10360.00000	5/15/1897	5/13/1878	CA1203	0.50	0.03	0.05	2.10
10362.00000	5/15/1897	5/15/1878	CA1203	2.25	0.14	0.20	9.47
10683.00000	5/15/1897	4/01/1879	CA1236	2.25	0.14	0.34	9.47
10744.00000	5/15/1897	6/01/1879	CA1660	1.00	0.06	0.40	4.21
11232.00000	5/15/1897	10/01/1880	CA1790	3.145	0.20	0.60	13.23
11576.00000	5/15/1897	9/10/1881	CA1206	1.50	0.09	0.69	6.31
20063.11093	2/11/1905	5/15/1880	CA1660	2.00	0.04	0.73	2.78
Total				13	0.73		49.14

Table 3.
Out-of-Priority Depletions
United Companies - Colona Gravel Pit SWSP

Month	Demands			Return Flows					Depletions					
	Pro-Rata Diversions	Pro-Rata Headgate Delivery	Dry-Up HCU	Total Return Flows	Surface Water Return Flows	Groundwater Return Flows	Lagged Groundwater Return Flows	Lagged Total Return Flows	Lagged Historical Stream Depletions	Total Lagged Operational Depletions	Difference between Historical Depletions and Operation Depletions	Unmet Operational Depletions and Delayed Return Flow Obligation	Percent of Month Out-of-Priority	Out-of-Priority Depletions
	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(%)	(acre-feet)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
January	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5	-1.5	2.4	3.9	3.9	0%	0.0
February	0.0	0.0	0.0	0.0	0.0	0.0	1.3	1.3	-1.3	2.3	3.6	3.6	0%	0.0
March	0.0	0.0	0.0	0.0	0.0	0.0	1.2	1.2	-1.2	2.3	3.5	3.5	74%	2.6
April	1.1	1.0	0.5	0.5	0.3	0.3	1.1	1.4	-0.3	2.5	2.8	2.8	37%	1.0
May	14.8	13.3	6.7	6.7	3.3	3.3	1.3	4.6	8.7	2.4	-6.3	0.0	100%	0.0
June	26.3	23.6	11.8	11.8	5.9	5.9	2.0	8.0	15.7	2.6	-13.1	0.0	100%	0.0
July	30.0	27.0	13.5	13.5	6.7	6.7	2.9	9.7	17.3	2.8	-14.5	0.0	100%	0.0
August	23.0	20.7	10.4	10.4	5.2	5.2	3.4	8.6	12.1	2.8	-9.3	0.0	100%	0.0
September	12.5	11.2	5.6	5.6	2.8	2.8	3.3	6.1	5.1	2.7	-2.4	0.0	30%	0.0
October	1.5	1.4	0.7	0.7	0.3	0.3	2.8	3.1	-1.7	2.7	4.4	4.4	0%	0.0
November	0.0	0.0	0.0	0.0	0.0	0.0	2.1	2.1	-2.1	2.8	4.8	4.8	10%	0.5
December	0.0	0.0	0.0	0.0	0.0	0.0	1.7	1.7	-1.7	2.6	4.3	4.3	100%	4.3
Total	109.2	98.3	49.1	49.1	24.6	24.6	24.6	49.1	49.1	31.0	-18.2	27.3		8.4

Notes:

(1) Calculated based on the HCU, 50 percent irrigation efficiency and 10 percent ditch loss. Equals Column (2) / 0.9.

(2) Column (3) x 2 to account for 50 percent irrigation efficiency.

(3) Based on results of Blaney-Criddle Analysis for Ridgway (40%) and Montrose (60%) Climate Stations and Alfalfa Crop Type.

(4) Column (2) - Column (3).

(5) Column (4) x 50% surface water return flows.

(6) Column (4) x 50% groundwater return flows.

(7) Lagged groundwater return flows based on results of Glover Analysis where transmissivity = 50,000 gallons per day per foot, specific yield = 0.15, distance to river = 1,880 feet, and distance to no-flow boundary = 3,180 feet. Assumes steady state depletion and all depletions.

(8) Column (5) + Column (7).

(9) Column (2) - Column (8). Negative values indicate net inflows to the stream.

(10) Table 2, Column 5.

(11) Column (10) - Column (9). Negative values indicate net inflows to the stream.

(12) If Column (11) is greater than zero, then Column (11), otherwise zero.

(13) For irrigation season (April 15-Oct 15), equals percentage of days per month the Uncompahgre River was on call in 2002. For non-irrigation season, equals percentage of days per month in 2002 that Gunnison River flow fell below 750 cfs as measured at USGS stream gage station near Grand Junction.

(14) Column (12) x Column (13).

Table 4.
Out-of-Prioirity Depletions and Replacement Supply
United Companies - Colona Gravel Pit SWSP

Month	Out-of-Priority Lagged Depletions (acre-feet) (1)	Replacement Water Source	
		Blue Mesa Reservoir (acre-feet) (2)	Ridgway Reservoir (acre-feet) (3)
January	0.0	0.0	
February	0.0	0.0	
March	2.6	2.9	
April	1.0		1.0
May	0.0		0.0
June	0.0		0.0
July	0.0		0.0
August	0.0		0.0
September	0.0		0.0
October	0.0		0.0
November	0.5	0.5	
December	4.3	4.7	
Annual	**8.4**	**8.1**	**1.0**

Notes:
(1) Table 3, Column 14.
(2) Blue Mesa Reservoir augmentation supply from November through March, includes 8.9% transit loss.
(3) Ridgway Reservoir augmentation supply from April through October, includes 1.65% transit loss.

APPENDIX A
Sample Accounting Sheet
United Companies - Colona Gravel Pit SWSP

Month	Evaporation from Exposed Groundwater	Dust Suppression	Depletions from Pit Filling	Total Depletions	Total Lagged Depletions	Percent of Month Out-of-Priority	Water Supplied from Blue Mesa and Ridgway Reservoir
	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(acre-feet)	(%)	(acre-feet)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
January							
February							
March							
April							
May							
June							
July							
August							
September							
October							
November							
December							
Annual							

Notes:

(1) Based on the unit evaporation from Table 1 and a water surface area of _____.

(2) Based on measured water pumped from pit used for dust control.

(3) Based on _____ tons of material removed with a density of 1.8 yd^3 per ton of material. Equals (tons of material) / (1.8) x (27) / (43560).

(4) Total of Columns (1) through (3).

(5) Equals Column (5) lagged using the glover analysis for this SWSP.

(6) Equals (number of days per month river is under administration) / (total number of days of month). Data from CDWR records.

(7) Equals Column (5) x Column (6), then multiplied to account for transit losses (8.9% for Blue Mesa, 1.65% for Ridgway Reservoir).

APPENDIX B1
Glover Analysis - Year One
United Companies - Colona Gravel Pit SWSP

Project Data Summary	
Aquifer Option:	Option No. 2
Transmissivity (gpd/ft):	50,000
Specific Yield:	0.15
Distance X (ft):	2,000
Distance W (ft):	5,000

Pumping Schedule			Pumping Summary		Depletion Summary		
Date	Pumping Period (months)	Pumping Rate (gpm)	Volume Pumped this Period (acre-feet)	Cumul. Volume Pumped (acre-feet)	Depletion Rate (gpm)	Volume of Depletion (acre-feet)	Volume of Depletion this Period (acre-feet)
10/1/13	85	24	3.2	3.2	5	0.3	0.3
11/1/13	86	19	2.6	5.8	8	1.3	1.0
12/1/13	87	13	1.7	7.5	8	2.4	1.1
1/1/14	88	13	1.7	9.2	8	3.5	1.1
2/1/14	89	14	1.9	11.1	9	4.7	1.2
3/1/14	90	22	2.9	14.0	12	6.1	1.4
4/1/14	91	16	2.1	16.1	12	7.7	1.6
5/1/14	92	20	2.7	18.8	13	9.4	1.7
6/1/14	93	27	3.6	22.5	16	11.3	2.0
7/1/14	94	25	3.4	25.8	17	13.6	2.3
8/1/14	95	22	2.9	28.7	18	16.0	2.4
9/1/14	96	16	2.2	30.9	17	18.3	2.3
10/1/14	97	24	3.2	34.1	18	20.6	2.3
11/1/14	98	19	2.6	36.7	18	23.0	2.4
12/1/14	99	13	1.7	38.4	16	25.3	2.3
1/1/15	100	13	1.7	40.1	15	27.5	2.1
2/1/15	101	14	1.9	42.0	15	29.5	2.1
3/1/15	102	22	2.9	44.9	17	31.7	2.1
4/1/15	103	16	2.1	47.0	17	33.9	2.3
5/1/15	104	20	2.7	49.7	17	36.2	2.3
6/1/15	105	27	3.6	53.3	19	38.7	2.5
7/1/15	106	25	3.4	56.7	20	41.4	2.7
8/1/15	107	22	2.9	59.6	20	44.1	2.8
9/1/15	108	16	2.2	61.8	19	46.8	2.7
10/1/15	109	24	3.2	65.0	20	49.4	2.6
11/1/15	110	19	2.6	67.6	20	52.1	2.7
12/1/15	111	13	1.7	69.3	18	54.6	2.6
1/1/16	112	13	1.7	71.0	17	57.0	2.3
2/1/16	113	14	1.9	72.9	16	59.2	2.2
3/1/16	114	22	2.9	75.8	18	61.5	2.3
4/1/16	115	16	2.1	77.9	18	63.9	2.4
5/1/16	116	20	2.7	80.6	18	66.3	2.4
6/1/16	117	27	3.6	84.2	20	68.9	2.6
7/1/16	118	25	3.4	87.6	21	71.6	2.8
8/1/16	119	22	2.9	90.5	21	74.5	2.8
9/1/16	120	16	2.2	92.7	20	77.2	2.7

M-94-005

Dedication of Water Rights to the

Colona Pit Substitute Water Supply Plan

United Companies, Inc. Is the owner of 2.5 shares of the Ouray Ditch, evidenced by Certificate No. 344, and I, Peter J. Siegmund, as an authorized representative of United Companies, hereby affirm that 1.0 of the said shares will be dedicated solely to the Colona Pit Substitute Water Supply Plan for as long as there are depletions at this gravel pit or until such time as another replacement source is obtained. The 1.0 shares will not be sold, leased, or traded to others during the term of this dedication.

Signature: Peter J. Siegmund

Date: 5-23-11

STATE OF COLORADO)

)

COUNTY OF Mesa)

The foregoing instrument was acknowledged before me this 23 day of May, 2011, by Peter J. Siegmund and _____.

My Commission Expires: April 4, 2015

Witness my hand and official seal.

NOTARY PUBLIC
GENEVIEVE M. BLECHA
STATE OF COLORADO

Genevieve M Blecha

Notary Public

April 30, 2010

Permittee Address

RE: Mining Operations with Exposed Ground water

To Whom it May Concern:

The Division of Reclamation Mining and Safety is responsible for ensuring that Sand and Gravel mining operators comply with the requirements of the Colorado Land Reclamation Act for the Extraction of Construction Materials (Act) and the Mineral Rules and Regulations of the Colorado Mined Land Reclamation Board for the Extraction of Construction Materials (Rules). Among these requirements are provisions for the protection of water resources. The Act requires that reclamation plans must ensure minimization of disturbances to the prevailing hydrologic balance, including disturbances to the quantity of water in the area affected by mining and in the surrounding areas. § 34-32.5-116(4)(h). Rule 3.1.6(1)(a) requires compliance with Colorado water laws and regulations governing injury to existing water rights both during and after mining. Permits must specify how the permittee will comply with applicable Colorado water laws and regulations governing injury to existing water right rights. Rule 6.3.3(j); Rule 6.4.5(2)(c). After an extensive review, the Division determined that several operators may not have appropriate permit conditions to address certain reclamation liabilities arising from impacts to water resources.

in September 2009 the Division of Water Resources (DWR) updated its Guidelines for Sand and Gravel Pits. These guidelines provide guidance on achieving compliance with state law regarding replacement of depletions from sand and gravel mining, thus the guidelines provide a benchmark for the protection of hydrologic balance required under the Act and Rules. As noted in the Guidelines, sand and gravel operations which expose groundwater without complying with state law create a reclamation liability by impacting available groundwater.

State law requires that any person exposing ground water must obtain a well permit from the SEO pursuant to § 37-90-137(11). Because exposed groundwater results in out-of-priority water depletions, operations which expose ground water must also eventually obtain a water-court approved augmentation plan. Currently, several operators do not have either an augmentation plan or bonding to provide an alternative method to mitigate injurious stream depletions that result from mining-related exposure of ground water. The Division has a statutory duty to ensure that lands affected by mining are reclaimed in a manner that complies with state law and to ensure that operators have sufficient bonding to achieve reclamation. In order to assist operators in achieving compliance with these requirements, the Division proposes that, by April 30, 2011, operators should contact the Division and agree upon a plan for achieving compliance.

The Division has identified four approaches for operators:

1. File a financial warranty that will ensure backfilling of the pit to cover the exposed ground water to a depth of two feet above the static ground water level or,

2. Obtain a court approved augmentation plan prior to exposing ground water or,

3. File a financial warranty to cover the cost of installing a clay liner or slurry wall that meets the Division of Water Resources requirements for preventing ground water exposure or,

4. Obtain approval from the Division of Water Resources that acknowledges compliance with the SEO's requirements pursuant to § 37-90-137(11).

The Division will work with operators on an individual basis as they move to implement one of these plans. It is likely that options 1 and 3 will require the submittal of a technical revision or an amendment to the existing permit depending on the nature of the current mining and reclamation plan and the proposed changes. Increased financial warranties, as a result of these modifications, may be posted in a phased manner not to exceed three years. Amendments or revisions currently under review will be required to be approved by April 30, 2011 and may use the phased financial warranty approach described above. New applications going forward or presently under review by the Division will be required to meet the requirements of one of the options 1-4 at the time of application approval. Failure of affected operators to initiate contact with the Division and gain compliance as described above could result in an enforcement action being issued by the Division.

If you have any questions, please contact Tony Waldron at 303-866-3567, extension 8150.

cc: Permit Id Site Name

CONTRACT BETWEEN THE UNITED STATES OF AMERICA,
TRI-COUNTY WATER CONSERVANCY DISTRICT, AND
Old. Castle SW Group dba United Companies of Mesa County
FOR THE SALE AND USE OF DALLAS CREEK PROJECT INDUSTRIAL WATER

THIS CONTRACT made this 24 ~~25~~ day of ~~August~~ September, 2008 between the UNITED STATES OF AMERICA, acting by and through the Bureau of Reclamation, Department of the Interior, pursuant to the provisions of Federal Reclamation Laws, particularly the Act of April 11, 1956 (70 stat. 105), TRI-COUNTY WATER CONSERVANCY DISTRICT, organized under the laws of the State of Colorado, with its principal place of business at Montrose, Colorado, hereinafter referred to as the District, and Old Castle SW Group dba United Companies of Mesa County (United Companies),, hereinafter referred to as the "Buyer".

WITNESSETH:

WHEREAS, the District has entered into a contract with the United States of America dated January 14, 1977, hereinafter referred to as the Government-District contract (No. 7-07-40-L0273), for repayment of certain costs of construction of the works of the Dallas Creek Project hereinafter referred to as the "Project", by means of which Project water will be delivered for irrigation, municipal, industrial and other uses, and

WHEREAS, the Buyer desires to contract for and purchase an allotment of Project industrial water,

NOW, THEREFORE, in consideration of the mutual and dependent covenants herein contained, the parties agree as follows:

PROJECT WATER AND CONTRACT TERM

1. The District agrees and hereby obligates itself to sell and the Buyer agrees and hereby obligates itself to purchase industrial water of the Project totaling 4.0 acre feet on an annual basis. This augmentation water is purchased and released to offset depletions in the Uncompahgre River basin from domestic and industrial use.

2. This Contract shall be in force and effect through 2049, the repayment term established by the Government-District contract. At such time as the repayment obligation of the District to the United States under the Government-District Contract is paid in full, the Buyer has the option of renewing this Contract at a price to be agreed upon between the District and the Buyer.

3. During the term of this Contract, any purchases of water in addition to the water purchase pursuant to Paragraphs 1 and 2 shall be accomplished by amendment to this Contract.

PRICE AND TERMS OF PAYMENT

4. The purchase price per acre foot to be paid the District by the Buyer shall be at the current rate in accordance with District Operating Policy. All payments for water shall be paid annually as hereinafter set forth.

5. In addition thereto, the Buyer shall pay the District a fair proportionate amount of the operation, maintenance, and replacement costs of the Project attributable to M&I use. Such amount shall be determined each year by the District. The District's determination shall be final subject only to review by the Courts. The District shall estimate such fair proportionate amount in advance each year based on the Buyer's water purchase obligation with respect to all M&I water purchase obligations each year. If such estimate is more or less than the cost thereof, an appropriate adjustment will be made in the annual amount for the year following the year for which the estimate was made. This obligation to make OM&R payments shall continue as long as the Buyer purchases water from the District.

6. The first annual payment to the District shall be made upon the execution of this contract and thereafter the annual payments shall be made to the District on or before the 15th day of January of each year. If payment is not received by the District by said 15th day of January, then this contract is cancelled.

7. The Buyer shall meet the annual installments due the District hereunder as provided in Title 37, Article 45 of the Colorado Revised Statutes and particularly in accordance with the provisions of Sections 131 and 132 thereof.

8. The Buyer shall not be charged directly or indirectly for any costs incurred by the District pursuant to Section 20 of the Government-District contract so as long as the Buyer is current in its payments hereunder.

POINT OF DELIVERY OF PROJECT WATER

9. The Project water purchased hereunder by the Buyer shall be measured and delivered at the outlet works of Ridgway Reservoir as directed by the State of Colorado. The District shall be responsible for measurement and release of augmentation water and records shall be made available to all concerned. It shall not be the responsibility of the District to provide facilities to convey water from such point or points of delivery to the place of use.

DEFAULT AND PENALTY

10. No Project water shall be delivered to or for the Buyer until payment is made in full. The provisions of this article are not exclusive and shall not prevent the District from exercising any other remedy given by this Contract or by law to collect or enforce the collection of any payments due under the terms of this Contract.

11. If the District is unable to deliver water to the Buyer from the Project without fault on the part of the District, the District shall make available to the Buyer that proportionate amount of any other water supplies it may have during such period as the Buyer's purchase of industrial Project water bears to the total amount of Project industrial water for which the District is then paying the United States under its said repayment obligation.

12. If the District or other purchasers of Project water from the District default in their payments to the United States, the District agrees to continue to supply the Buyer its share of Project water if permitted to do so by the United States as long as the Buyer is not in default of its payments due hereunder, which payments the District shall pay over to the United States on its repayment obligation.

WATER SHORTAGES

13. In the event of a Project water shortage caused by drought, hostile diversion, prior or superior claims, or other causes not within the control of the District, nor resulting from its negligence, no liability shall accrue against the District or the United States, or any of their officers, agents or employees, or either of them for any damage, direct or indirect, arising therefrom; and the payment to the District provided for herein shall not be reduced because of any such shortage or damage. If there should be any shortage of water, water allotted pursuant to this contract shall be abated along with supplies to irrigation prior to the reduction of deliveries of water for municipal purposes. The District shall include appropriate provisions to this effect in contracts with other users of industrial and irrigation water.

AIR AND WATER POLLUTION

14. The Buyer shall comply with all air and water pollution requirements as set forth in the Government-District Contract.

USE OF PROJECT WATER

15. Except as hereinafter provided all Project water herein sold to the Buyer shall be used for industrial use within or through facilities or upon lands owned or served by the Buyer, provided, however, that all lands which receive benefits from said water shall be situated within the boundaries of the District. The Project water shall be beneficially used for the purposes and in the manner herein specified and as specified in the Government-District Contract. The Buyer shall be entitled to use said water within a legal water supply plan, substitution or exchange or change of water right, including a plan for augmentation. This sale of water is made for the exclusive benefit of the Buyer and shall not inure to the benefit of any successors or assigns of the Buyer without prior specific approval of the District.

COMPLIANCE WITH GOVERNMENT-DISTRICT CONTRACT AND FEDERAL AND STATE LAWS AND REGULATIONS

16. This Contract and the sale of water pursuant thereto and the performance of all provisions of this Contract are subject to all applicable conditions and provisions of the Government-District Contract, the laws of the State of Colorado and the laws of the United States of America.

REPEAL OR AMENDMENT OF LAW OR GOVERNMENT-DISTRICT CONTRACT

17. In the event of material amendment or repeal of the Federal Reclamation law or the Colorado Statutes relative to Water Conservancy Districts or the Government-District contract, the Buyer and District agree to negotiate amendments of this Contract in accordance therewith.

BOOKS, RECORDS AND REPORTS

18. Each party shall make available to the other its books, records and reports pertaining to this Contract and transactions thereunder.

REMEDIES UNDER CONTRACT NOT EXCLUSIVE--WAIVERS

19. Nothing contained in this Contract shall be construed as in any manner abridging, limiting, or depriving the District or the Buyer of any means of enforcing any remedy, either at law or in equity, for the breach of any of the provisions hereof which it would otherwise have. Any waiver at any time by either party to this Contract of its rights with respect to a default, or any matter arising in connection with this Contract, shall not be deemed to be a waiver with respect to any subsequent default or matter.

AUTHORIZATION AND EFFECTIVE DATE

20. This Contract shall become effective upon the approval and authorization thereof by the Board of Directors of the District acting by Resolution and the execution thereof by the Buyer.

EXECUTED the date first above written.

TRI-COUNTY WATER CONSERVANCY DISTRICT

By: _____ President

ATTEST:

_____
Secretary

BUYER

By: _____

ATTEST:

_____

APPROVED: UNITED STATES OF AMERICA

_____ _____
Office of the Solicitor Regional Director, Upper Colorado Region

Intermountain Region

CERTIFICATE

The undersigned Secretary of the Tri-County Water Conservancy District hereby certifies that the following Resolution was duly adopted by the Board of Directors of Tri-County Water Conservancy District at a regular meeting held on September 24, 2008 at the District office in Montrose, Colorado:

RESOLVED: That the Board of Directors of Tri-County Water Conservancy District hereby approves, authorizes, and ratifies the entering into a contract with Old Castle SW Group for the sale and use of Dallas Creek Project industrial water which contract provides for sale and purchase of a total of 4 acre-feet annually; authorizing and directing the President and the Secretary to sign and execute this contract; and hereby ratifies said contract and the signing and execution thereof.

Dated this 24th day of September, 2008.

Secretary
Tri-County Water Conservancy District

Contract No. 05-WC-40-480
Amendment 1

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

COLORADO RIVER STORAGE PROJECT
WAYNE N. ASPINALL STORAGE UNIT

LONG-TERM WATER SERVICE CONTRACT BETWEEN
THE UNITED STATES
and
UNITED COMPANIES

THIS CONTRACT, made this 25 day of AUGUST, 2010, pursuant to the Act of Congress approved June 17, 1902 (32 Stat. 388), and acts amendatory thereof or supplementary thereto, and particularly pursuant to the Colorado River Storage Project Act approved April 11, 1956 (70 Stat. 105), between THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, represented by the officer executing this contract, his duly appointed successor or his duly authorized representative, hereinafter referred to as the Contracting Officer, and UNITED COMPANIES, hereinafter referred to as the Contractor,

WITNESSETH:

WHEREAS, the following statements are made in explanation:

WHEREAS (b) shall read as follows:
The Contractor has requested a water service contract for 13.0 acre-feet of industrial water stored in Blue Mesa Reservoir.

NOW, THEREFORE, in consideration of the mutual and dependent covenants herein contained, the parties hereto agree as follows:

1. Article 2. DELIVERY OF WATER shall read as follows:
   (a) The Contracting Officer, during the term of this contract shall release water, not to exceed 13.0 acre-feet at the outlet works of Blue Mesa Dam.

2. Article 3. RATE AND METHOD OF PAYMENT FOR WATER shall read as follows:
   (c) For each annual payment thereafter, the United Sates will bill the Contractor and the Contractor agrees to pay for 13.0 acre-feet at the current rate charged for such water. Payments shall be made annually by February 1.

3. All other terms and conditions within Contract No. 5-WC-40-480 (Contract) shall remain in effect for the term of the Contract.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be duly executed as of the day and year first written above.

UNITED STATES OF AMERICA

Regional Director
Bureau of Reclamation

Approved:

Office of the Regional Solicitor

CONTRACTOR

By: Peter J. Stegmund

UNITED COMPANIES
ACKNOWLEDGMENT

State of Colorado)
) ss.
County of Mesa)

On this 20th day of July, 2010, personally appeared before me Peter J. Sigmund who being by me duly sworn did say that he is the Vice President of Oldcastle SW Group, Inc. dba United Companies and that the within and foregoing instrument was signed in behalf of said Company, pursuant to authority delegated to him by said Company, for the use and benefit of said Company.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed by official seal the day and year first above written.

(SEAL)

KATHY KOLLENS TEITZ NOTARY PUBLIC STATE OF COLORADO

Notary Public in and for the
State of: Colorado

Residing at: 2674 Foxen Ct.
Grand Junction CO 81506

My commission expires: 01/04/2012

Contract No. 07-WC-40-290

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

COLORADO RIVER STORAGE PROJECT
WAYNE N. ASPINALL STORAGE UNIT

LONG-TERM WATER SERVICE CONTRACT BETWEEN
THE UNITED STATES
and
OLDCASTLE SW GROUP dba
UNITED COMPANIES OF MESA COUNTY
(UNITED COMPANIES)

THIS CONTRACT, made this 24 day of September, 2007, pursuant to the Act of Congress approved June 17, 1902 (32 Stat. 388), and acts amendatory thereof or supplementary thereto, and particularly pursuant to the Colorado River Storage Project Act approved April 11, 1956 (70 Stat. 105), between THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, represented by the officer executing this contract, his duly appointed successor or his duly authorized representative, hereinafter referred to as the Contracting Officer, and United Companies, hereinafter referred to as the Contractor,

WITNESSETH:

WHEREAS, the following statements are made in explanation:

(a) The United States has constructed Blue Mesa Dam and Reservoir as a unit of the Colorado River Storage Project, for the furnishing of water for irrigation, municipal, and other beneficial uses; and

(b) The Contractor has requested a water service contract for 5.0 acre-feet of municipal and industrial water stored in Blue Mesa Reservoir; and

(c) The Contractor's point of use shall be in SE1/4 of the SE1/4, SW1/4 of the SE1/4 and the SE1/4 of the SW1/4 of Section 36 in Township 48 North, Range 9 West and NE1/4 of the NE1/4 Section 1 in Township 47 North, Range 9 West, New Mexico PM; and

(d) The Contractor desires a water supply stored at Blue Mesa Dam for augmentation of depletions resulting from evaporation, dust control and material removal on gravel mining operations pursuant the Contractor's plan of augmentation has been applied for with the District Court in Water Division 4.

NOW, THEREFORE, in consideration of the mutual and dependent covenants herein contained, the parties hereto agree as follows:

1. TERM OF CONTRACT

(a) This contract shall be effective for 40 years from the date of execution.

(b) The Contractor may terminate this contract at any time.

(c) Termination as above provided shall be accomplished by written notice by the Contractor to the United States as provided in Article 8 below, at least 1 year prior to the date of such termination.

(d) Upon failure of the Contractor to perform its obligations under this contract, the United States will notify the Contractor in writing of the intent to terminate this agreement. The said Notice of Termination shall specify each failure of the Contractor, and shall further provide that the Contractor may, within a 90-day period from the date of said notice, present a detailed program to correct such deficiencies, and the United States shall review and reasonably accept such corrections and thereby waive the termination notice.

2. DELIVERY OF WATER

(a) The Contracting Officer, during the term of this contract shall release water, not to exceed 5.0 acre-feet at the outlet works of the Blue Mesa Dam.

(b) Requests for the release of water under this contract, from Blue Mesa Reservoir shall be made by the Colorado Division of Water Resources, Water Division 4 Engineer by calling the Water Management Group at the Western Colorado Area Office of the Bureau of Reclamation at (970) 248-0652 or (970) 248-0600.

(c) The Contractor shall have no holdover storage rights in Blue Mesa Reservoir from year to year. Any water purchased hereunder not called for by the end of each calendar year shall become integrated with the water supply for all purposes of the Blue Mesa Reservoir and be available for all purposes at that time.

3. RATE AND METHOD OF PAYMENT FOR WATER

(a) The Contractor agrees to pay annually to the United States for the quantity of water for which it has contracted, whether or not the water is actually released from Blue Mesa Reservoir.

The payment rate for municipal water will be reviewed and adjusted annually in accordance with the Debt Servicing Methodology used for the Colorado River Storage Project. An adjustable charge for operation and maintenance (O&M) expenses, currently at a rate of $1 per acre-foot, will be added annually to the municipal rate. The 2007 Colorado River Storage Project municipal water rate has been set at $74.72 per acre-foot plus $1.00 per acre-foot for O&M expenses.

(b) The first annual payment in the amount of $378.60 for 5.0 acre-feet of water shall be made by the Contractor upon execution of the contract.

(c) For each annual payment thereafter, the United States will bill the Contractor and the Contractor agrees to pay for 5.0 acre-feet at the current rate charged for such water. Payments shall be made annually by February 1.

(d) All payments from the Contractor to the United States under this contract shall be by the medium requested by the United States on or before the date payment is due. The required method of payment may include checks, wire transfers, or other types of payment specified by the United States.

(e) Payment received by the United States for the sale of water under this contract shall be credited pursuant to Section 5 of the Colorado River Storage Project Act.

4. CHARGES FOR DELINQUENT PAYMENTS

(a) The Contractor shall be subject to interest, administrative, and penalty charges on delinquent payments. If a payment is not received by the due date, the Contractor shall pay an interest charge on the delinquent payment for each day the payment is delinquent beyond the due date. If a payment becomes 60 days delinquent, in addition to the interest charge, the Contractor shall pay an administrative charge to cover additional costs of billing and processing the delinquent payment. If a payment is delinquent 90 days or more, in addition to the interest and administrative charges, the Contractor shall pay a penalty charge for each day the payment is delinquent beyond the due date, based on the remaining balance of the payment due at the rate of 6 percent per year. The Contractor shall also pay any fees incurred for debt collection services associated with a delinquent payment.

(b) The interest charge rate shall be the greater of either the rate prescribed quarterly in the Federal Register by the Department of the Treasury for application to overdue payments or the interest rate of 0.5 percent per month. The interest charge rate will be determined as of the due date and remain fixed for the duration of the delinquent period.

(c) When a partial payment on a delinquent account is received, the amount received shall be applied first to the penalty charges, second to the administrative charges, third to the accrued interest, and finally to the overdue payment.

5. GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

(a) The obligation of the Contractor to pay the United States as provided in this contract is a general obligation of the Contractor notwithstanding the manner in which the obligation may be distributed among the Contractor's water users and notwithstanding the default of individual water users in their obligation to The Contractor.

(b) The payment of charges becoming due pursuant to this contract is a condition precedent to receiving benefits under this contract. The United States shall not make water available to the Contractor through the Colorado River Storage Project, Aspinall Storage Unit facilities during any period in which the Contractor is in arrears in the advance payment of water rates due the United States. The Contractor shall not deliver water under the terms and conditions of this contract for lands or parties that are in arrears in the advance payment of water rates as levied or established by the Contractor.

6. MEASUREMENT AND RESPONSIBILITY FOR DISTRIBUTION

(a) The water to be released for the Contractor shall be measured by facilities of the United States and delivered into the Gunnison River at the outlet works of Crystal Dam. The Contractor shall suffer all distribution and administration losses from the point of such delivery to the place of use.

(b) The Contractor shall hold the United States harmless on account of damage or claim of damage of any nature whatsoever, including property damage, personal injury, or death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water by the Contractor.

(c) This contract and all water taken pursuant hereto shall be subject to and controlled by the Colorado River Compact, dated November 24, 1922, and proclaimed by the President of the United States June 25, 1929, the Boulder Canyon Project Act approved December 21, 1928, the Boulder Canyon Project Adjustment Act of July 19, 1940, the Upper Colorado River Basin Compact dated October 11, 1948, the Mexican Water Treaty of February 3, 1944, and the Colorado River Basin Project Act of September 30, 1968, Public Law 90-537.

(d) In the event water available to the Contractor is required to be curtailed under and by reason of the provisions of the foregoing acts, including the reaching of maximum use of water allotted to the State of Colorado, no liability shall attach to the United States for such curtailment, and the Contractor agrees to reduction of the amount of water taken hereunder as the Secretary determines necessary to comply with the provisions of said acts.

7. UNITED STATES NOT LIABLE FOR WATER SHORTAGE--ADJUSTMENTS

On account of drought, errors in operation, or other causes, there may occur at times a shortage during any year in the quantity of water released at the request of the Contractor by the United States pursuant to this contract through and by means of the project, and in no event shall any liability accrue against the United States or any of its officers, agents, or employees for any damage direct or indirect, arising therefrom. In any year in which there may occur such a shortage, the United States reserves the right to apportion the available water supply among the Contractor and others entitled, under existing and future contract(s), to receive water from the same project water supply all in a manner to be prescribed by the Contracting Officer.

8. NOTICES

Any notice, demand, or request authorized or required by this contract other than as addressed in Article 2 (b) above shall be deemed to have been given on behalf of the Contractor when mailed, postage prepaid, or delivered to the Regional Director, Upper Colorado Region, Bureau of Reclamation, 125 South State Street, Room 6107, Salt Lake City, Utah 84138-1102 to the attention of UC-445 and on behalf of the United States when mailed, postage prepaid, or delivered to the Contractor at 2273 River Road, Grand Junction CO 81505 to the attention of Mr. Brent Kerr, Project Manager. The designation of the addressee or the address may be changed by notice given in the same manner as provided in this article for other notices.

9. ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

The provisions of this contract shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this contract or any right or interest therein by either party shall be valid until approved in writing by the other party.

10. STANDARD CONTRACT ARTICLES

The standard contract articles applicable to this contract are listed below. The full text of these standard articles is attached hereto as Addendum "A" and by this reference made a part thereof.

A. CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS
B. BOOKS, RECORDS, AND REPORTS
C. RULES, REGULATIONS, AND DETERMINATIONS
D. PROTECTION OF WATER AND AIR QUALITY
E. OFFICIALS NOT TO BENEFIT
F. EQUAL EMPLOYMENT OPPORTUNITY

G. COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS
H. CERTIFICATION OF NONSEGREGATED FACILITIES

11. CONTRACT DRAFTING CONSIDERATIONS

Articles 1 through 11 of this Contract have been drafted, negotiated, and reviewed by the parties hereto, each of whom is sophisticated in the matters to which this Contract pertains, and no one party shall be considered to have drafted the stated articles.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be duly executed as of the day and year first written above.

UNITED STATES OF AMERICA

Regional Director
Bureau of Reclamation

Approved:

Office of the Regional Solicitor

CONTRACTOR

By:

ADDENDUM "A "

A. CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

The expenditure or advance of any money or the performance of any obligation of the United States under this contract shall be contingent upon appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations under this contract. No liability shall accrue to the United States in case funds are not appropriated or allotted.

B. BOOKS, RECORDS, AND REPORTS

The Contractor shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this contract, including the Contractor's financial transactions; water supply data; project operation, maintenance, and replacement logs; project land and rights-of-way use agreements; the water users' land-use (crop census), land-ownership, land-leasing, and water-use data; and other matters that the Contracting Officer may require. Reports shall be furnished to the Contracting Officer in such form and on such date or dates as the Contracting Officer may require. Subject to applicable Federal laws and regulations, each party to this contract shall have the right during office hours to examine and make copies of the other party's books and records relating to matters covered by this contract.

C. RULES, REGULATIONS, AND DETERMINATIONS

(a) The parties agree that the delivery of water or the use of Federal facilities pursuant to this contract is subject to Federal reclamation law, as amended and supplemented, and the rules and regulations promulgated by the Secretary of the Interior under Federal reclamation law.

(b) The Contracting Officer shall have the right to make determinations necessary to administer this contract that are consistent with the expressed and implied provisions of this contract, the laws of the United States, the State of Colorado and the rules and regulations promulgated by the Secretary of the Interior. Such determinations shall be made in consultation with the Contractor.

D. PROTECTION OF WATER AND AIR QUALITY

(a) Project facilities used to make available and deliver water to the Contractor shall be operated and maintained in the most practical manner to maintain the quality of the water at the highest level possible as determined by the Contracting Officer: *Provided, That* the United States does not warrant the quality of the water delivered to the Contractor and is under no obligation to furnish or construct water treatment facilities to maintain or improve the quality of water delivered to the Contractor.