

EXHIBIT F

LETTER REGARDING AVAILABILITY OF WATER AND EXHIBITS

Porzak Browning & Bushong LLP

Attorneys • at • Law

929 Pearl Street, Suite 300 • Boulder, CO 80302
303 443-6800 • Fax 303 443-6864

Lawrence J. MacDonnell
Of Counsel

Vail Office:
846 Forest Road
Vail, CO 81657
970-477-5419 Tel.
970-477-5429 Fax.

Glenn E. Porzak
Michael F. Browning
Steven J. Bushong
P. Fritz Holleman
Kristin Howse Moseley
Kevin J. Kinnear

Thomas W. Korver
Eli A. Feldman

April 21, 2006

Andrew Daly
Gore Peaks, LLC
143 East Meadow Drive, Suite 490
Vail, CO 81657

Dear Mr. Daly:

The District Court in and for Water Division No. 6 ("Water Court") in Case No. 97CW78 adjudicated a plan for augmentation which decrees the water rights required to service 120 residential dwelling units in connection with the Priest Creek Ranch and Alpine Mountain Ranch developments. Specifically, this decree granted the right to divert 120 gpm from the existing Priest Creek well, and approved a plan for augmentation which replaces all out of priority depletions from the Priest Creek well through the release of water from Stagecoach Reservoir. A copy of the decree in Case No. 97CW78 is attached as Exhibit A, and the contract for 100 acre feet of Stagecoach Reservoir water is attached Exhibit B.

In March, 2006, Steamboat Alpine Development, LLC filed an amendment to the augmentation plan in Case No. 97CW78 to add four additional residential units (for a total of 124 units) that can be served under the augmentation plan. Moreover, to ensure that there is ample physical supply, this application also requests the right to alternately divert the Priest Creek well at 5 additional wells located within the development. A copy of this application is attached as Exhibit C.

The total depletions associated with the 124 residential units will equal approximately 17 acre feet per year, while the contract for Stagecoach Reservoir water is for 100 acre feet. Furthermore, 120 gpm is an adequate physical supply to serve 124 residential units. Therefore, the decreed augmentation plan, the contract for Stagecoach Reservoir water and the pending augmentation plan amendment provide water rights that substantially exceed the water supply requirements of the combined Priest Creek Ranch and Alpine Mountain Ranch developments at full build out.

Sincerely,



Glenn E. Porzak

Enclosures

CENTRAL FILES

DISTRICT COURT, WATER DIVISION NO. 6, COLORADO
Case No, 97CW78

**FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RULING OF THE REFEREE
FOR UNDERGROUND WATER RIGHT AND
APPROVAL OF PLAN OF AUGMENTATION**

**CONCERNING THE APPLICATION FOR WATER RIGHTS OF:
Priest Creek Ranch LLC, in Routt County, Colorado.**

THIS MATTER having come before the Referee upon the Application For Underground Water Right and Approval of Plan for Augmentation ("Application") by Applicant, Priest Creek Ranch LLC ("Applicant"), and having considered the pleadings, evidence and proposed ruling filed herein, having considered the comments of the Division Engineer as reflected in his Summary of Consultation, and being fully advised in the premises, the Referee hereby makes the following Findings of Fact, Conclusions Of Law and enters his Ruling as set forth below.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

A. PARTIES AND JURISDICTION.

1. The Applicant, Priest Creek Ranch LLC, on or about December 29, 1997, filed an Application For Underground Water Right and Approval of Plan for Augmentation. This application was given Water Division 6 Case No. 97CW78. The Applicant was granted leave by the Water Judge's order on February 2, 2000, to file an amended Application, and on or about January 20, 2000, Applicant filed an Amended Application for Underground Water Right and Approval of Plan for Augmentation (the "Amended Application"). The Amended Application seeks a decree for a water right denominated Priest Creek Well (the "Water Right") in the amount of 0.156 (70 gpm) absolute and .02896 (130 gpm) conditional, from the alluvium of Walton Creek, tributary to the Yampa River.

2. Timely and adequate notice of the application was published as required by law. By its order of February 2, 2000, the Court determined that republication of the Amended Application was not necessary or required under Rule 4(c) of the Uniform Local Rules for all State Water Court Divisions. All notices required by law of the filing of the application and Amended Application have been given, and the time for filing statements of opposition and for seeking leave to intervene has expired. The District Court for Water Division No. 6 has jurisdiction over the subject matter of these proceedings and over all persons affected hereby, whether they have appeared or not. No Statement of Opposition to the application or to the Amended Application was filed.

3. The name, address, and telephone number of the Applicant are:

Priest Creek Ranch LLC
c/o Thomas R. Sharp, Esq. or Melinda H. Sherman, Esq.
Sharp and Barney LLC
P.O. Box 774608
Steamboat Springs, Colorado 80477
(970) 879-7600

4. On or about December 18, 1998, a Summary of Consultation was issued by the Division Engineer, including comments and recommendations to the Referee pursuant to C.R.S. §37-92-302(4). The Referee has considered such comments and recommendations.

B. UNDERGROUND WATER RIGHT FOR PRIEST CREEK WELL.

5. Name of underground water right (well): Priest Creek Well.

6. The legal description of the location of Priest Creek Well is as follows:

Township 6 North, Range 84 West of the 6th P.M.:
In the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 33,
1,375 feet from the South Section Line, and
780 feet from the East Section Line.
Routt County, Colorado.

7. The source of water for Priest Creek Well is the alluvium of Walton Creek, tributary to the Yampa River.

8. The depth of Priest Creek Well is approximately 20 feet

9. The Applicant initiated its appropriation of Priest Creek Well on June 24, 1997, by the demonstrated conjunction of intention and overt actions, by filing of the Well Permit Application for such well with the Colorado State Engineer, and by survey of the location of said Priest Creek Well.

10. A well permit, Permit No. 48662-F, was issued for the Priest Creek Well from the Colorado State Engineer, which expired, and a replacement Well Permit No. 51623-F was issued thereafter by the Colorado State Engineer.

11. The Priest Creek Well was completed in October of 1997, and the Applicant has since such time diverted water from the Walton Creek alluvium at a pumping rate of 70 gpm under claim of right for the Water Right.

12. The Priest Creek Well is located within a tract of land of approximately 1,590 acres located adjacent to and south of the City of Steamboat Springs, east of U.S. Highway 40, and west of the Routt National Forest, all in Sections 26, 33, 34, and 35 of Township 6 North, Range 84 West, and Sections 2 and 3, Township 5 North, Range 84 West of the 6th P.M., as more particularly described in Exhibit "A" attached to the original application and as shown on the map attached as Exhibit "D" to the original application, each of which are by this reference made a part hereof (hereinafter called the "Alpine/Priest Creek Ranch Properties"). Approximately 373 acres of such Alpine/Priest Creek Ranch Properties was subdivided as a Land Preservation Subdivision under Routt County ordinances as Priest Creek Ranch, a subdivision within Sections 33 and 34, Township 6 North, Range 84 West of the 6th P.M., in Routt County, Colorado, as shown on the map attached as Exhibit "C" to the original application and by this reference made a part hereof (the "Subdivision"). The Subdivision consists of 17 separate parcels including 13 buildable residential lots. Secondary residential units may be built on almost all of such 13 lots. Applicant has constructed the first phase of a central diversion, treatment, and distribution community water supply system to serve Alpine/Priest Creek Ranch Properties, such construction including the Priest Creek Well, a chlorination chamber, a water storage tank, water supply trunk lines and service lines, and fire hydrants (in all, hereinafter called the "Water System"). The water so diverted by Priest Creek Well from the Walton Creek alluvium has been transported into such Water System since November 10, 1997, and has been thereafter beneficially used within the Alpine/Priest Creek Ranch Properties for the uses claimed in the Amended Application.

13. The date water was first applied from Priest Creek Well to beneficial use: is November 10, 1997.

14. The amount of water claimed for Priest Creek Well is 0.156 cfs (70 gpm) absolute, plus 0.2896 cfs (130 gpm) conditional.

15. The uses for the water from Priest Creek Well are domestic and household uses; irrigation of lands and landscaping adjacent to residences; stock water for livestock; and fire protection.

16. The name and address of the owner of the land on which the Priest Creek Well is located are:

Priest Creek Ranch Association
c/o Priest Creek Ranch LLC
c/o Donald D. Valentine
P.O. Box 881090
Steamboat Springs, Colorado 80488.

17. The maximum number of residential lots within the Alpine/Priest Creek Ranch Properties which is expected to be served by water for domestic, stock watering, lawn irrigation, and fire protection purposes from the Priest Creek Well is 60 lots. Each such lot may potentially have a secondary dwelling unit constructed thereon, so that the maximum number of residences within the Alpine/Priest Creek Ranch Properties which is expected to be served by water from the Priest Creek Well is 120 dwelling units. It is anticipated that an average not to exceed 4,000 square feet of lawns and gardens per residential lot will be irrigated from water from the Priest Creek Well, totaling 5.51 acres.

C. PLAN OF AUGMENTATION.

18.. The name of the structure to be augmented is Priest Creek Well, Colorado State Engineer Well Permit Nos. 48662-F and 051623-F.

19. The water to be used for such augmentation is water from Stagecoach Reservoir, Rout County, Colorado. Applicant has a water allotment contract from the Upper Yampa Water Conservancy District for delivery of 100 acre feet per year of Stagecoach Reservoir storage water, usable for direct application, for exchange, for storage purposes, and/or for augmentation purposes. Water is stored in Stagecoach Reservoir by the Upper Yampa Water Conservancy District under one or more of the decrees specifically described on Exhibit "E" attached to the Amended Application and by this reference made a part hereof.

20. The 100 af of storage water allotted to Applicant under the water allotment contract from the Upper Yampa Water Conservancy District out of Stagecoach Reservoir has not previously been allotted or used. Stagecoach Reservoir is an on-stream reservoir of approximately 33,500 acre feet of storage on the Yampa River about 10 miles upstream from the Alpine/Priest Creek Ranch Properties, and is owned by the Upper Yampa Water Conservancy District, P.O. Box 880339, Steamboat Springs, CO 80488.

21. Statement of plan for augmentation, covering all applicable matters under CRS 37-92-103(9), 302(1)(2) and 305(8). The Applicant has set forth the following Plan of Augmentation for Priest Creek Well, using water from Stagecoach Reservoir as above described:

a. Applicant presently owns the Water System described herein. The Declaration of Covenants for Priest Creek Ranch provides that the Applicant may at any time, in its sole discretion, convey the Water System to the Priest Creek Ranch Association, which will be responsible for the maintenance, repair and improvement and replacement of such Water System. Applicant does not intend to make such conveyance until the completion of the build out of all potential lots within the Alpine/Priest Creek Ranch Properties.

b. Applicant will divert water through the Priest Creek Well for use within the Alpine/Priest Creek Ranch Properties under the priority granted in this case and pursuant

to the plan for augmentation approved in this case. So long as the Priest Creek Well adjudicated under this case is in priority, the Applicant will divert and use the water under the Priest Creek Well priority. When the Priest Creek Well right adjudicated under this case is out-of-priority, then the Applicant will continue to divert from such Priest Creek Well and will augment the diversions resulting from such out-of-priority diversions on a simultaneous basis using water released from Stagecoach Reservoir pursuant to Applicant's Stagecoach Reservoir allotment contract.

c. The remainder of approximately 1,217 acres of the Alpine/Priest Creek Ranch Properties may be developed as residential property in a fashion similar to the Subdivision in the future, and most, if not all of such Alpine/Priest Creek Ranch Properties can physically be served by the Water System, as may be expanded. If such remainder is subdivided under the County's Land Preservation Subdivision ordinance, an additional 47 residential lots may be laid out and created. Each of such lots may be entitled to have a secondary residential dwelling unit on such lot. Such additional lots and dwelling units would also utilize the water from the Priest Creek Well for domestic, stock watering, lawn irrigation, and fire protection purposes.

d. Not more than an average of 4,000 square feet of lawn and gardens will be irrigated on each lot served in the Alpine/Priest Creek Ranch Properties. The maximum number of residential lots to be served from the Water System, as expanded, will be 60 lots, and the maximum number of residential units to be served will be 120 units.

e. The estimated annual water requirement for the Alpine/Priest Creek Ranch Properties, including the Subdivision, when fully developed as a residential subdivision, with not more than 60 lots or 120 dwelling units, including domestic and stock water uses and lawn and garden irrigation not to exceed 4,000 square feet average per lot, is 55 acre-feet per year.

f. Domestic wastewater from the in-house uses for the 120 units will be treated using conventional septic tank/leach field systems, with the majority (85% to 90%) of the water diverted for in-house domestic uses returning to the stream system. Similarly, a portion of the water applied for outside irrigation (15% to 20%) will return to the stream system as surface runoff and deep percolation. The annual stream depletion associated with the water demands at the Alpine/Priest Creek Ranch Properties is estimated to be approximately 16.3 acre-feet per year.

g. The maximum requirement for augmentation of diversions attributable to times when the diversions at the Priest Creek Well are out-of-priority, is estimated to be 55 acre-feet per year. Applicant may divert water out-of-priority through the Priest Creek Well so long as sufficient replacement water from Applicant's allocation of the Stagecoach Reservoir is delivered above the point of diversion of the senior water right

exercising a valid call. The amount of such replacement water shall be equal to the out-of-priority diversions, plus an additional amount of water to compensate for instream transit losses between Stagecoach Reservoir and the mouth of Walton Creek, as determined by the Division Engineer. The replacement water from Stagecoach Reservoir will be released within 48 hours after notification of a call on the Priest Creek Well from the Division Engineer. While the Priest Creek Well draws water from the Walton Creek alluvium, there are no other diverters from Walton Creek downstream of the infiltration gallery at the Well to the confluence with the Yampa River, approximately a mile in distance.

D. CONCLUSIONS OF LAW.

22. The District Court for Water Division No. 6 has exclusive jurisdiction over the subject matter of this proceeding pursuant to C.R.S. §37-92-203 and over all persons or entities affected by this proceeding, whether they have appeared or not.
23. The Amended Application is one contemplated by law.
24. The Amended Application for absolute and conditional water rights in Priest Creek Well and for approval of the proposed Plan of Augmentation of such Well is, as a matter of law, permissible and authorized by statute, and should be granted subject to the terms and conditions of this Ruling.
25. The Applicant can and will develop the conditional portion of the water right for Priest Creek Well as adjudicated herein with diligence and within a reasonable time.
26. The water rights and Plan of Augmentation described above are capable of administration by the Division Engineer and the Colorado State Engineer.
27. Subject to the terms and conditions of this Ruling, the Plan for Augmentation described herein meets the requirements of Colorado law. C.R.S. §§ 37-80-120 and 37-92-103(9), 302, and 305. The application for approval of the plan for augmentation should be approved subject to the provisions of this Ruling.

RULING OF THE REFEREE

- 28.. The findings of fact and conclusions of law set forth in Paragraphs 1-27 are incorporated herein by reference and are a part of this Ruling.
29. The Amended Application for underground water right for the Priest Creek Well is granted with an appropriation date of June 24, 1997 in the amount of 0.156 cfs (70 gpm) Absolute, plus 0.2896 cfs (130 gpm) Conditional.

30. The application for approval of the Plan of Augmentation is granted, subject to the terms and conditions set forth below in this Ruling.

31. Applicant will maintain adequate measuring devices at the Priest Creek Well, and will maintain such records of diversions as are required by the Division Engineer for the proper administration of the Plan of Augmentation. Applicant will file an annual report with the Division Engineer by November 15th of each year summarizing diversions from the Priest Creek Well and replacements of diversions made under the Plan of Augmentation.

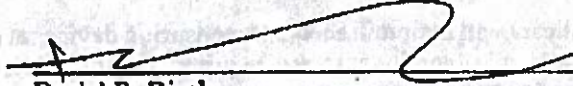
32. Pursuant to C.R.S. §37-92-304(6), the Plan of Augmentation shall be subject to reconsideration by the water judge for the District Court, Water Division No. 6, on the question of injury to the vested rights of others for five years after build-out of residential development on 75% of the total of 60 buildable lots expected to be created in the Alpine/Priest Creek Ranch Properties, of which 13 buildable lots now exist within the Subdivision.

33. The terms and conditions of this Ruling are adequate to assure that no material injury to any water rights will result from the granting of the water rights requested in the Amended Application or from the implementation and operation of the Plan of Augmentation. The release of water from Stagecoach Reservoir for the purpose of replacing diversions resulting from pumping of the Priest Creek Well will insure that Applicant provides replacement water necessary to meet the lawful requirements of senior diverters at the appropriate time and location and to the extent that such senior diverters would be deprived of their lawful entitlements by such diversions. So long as such replacement water continues to be provided, the Plan for Augmentation approved herein shall be sufficient to permit the continuation of pumping of Priest Creek Well when curtailment of such pumping would otherwise be a requirement to meet a valid senior call for water downstream from Priest Creek Well. If for any reason such replacement water is no longer provided, the State Engineer or Division Engineer shall curtail all out-of-priority pumping by the Priest Creek Well as necessary to prevent injury to vested water rights. C.R.S. §37-92-305(8).

34. If the Applicant desires to maintain the conditional portion of the water right approved herein for the Priest Creek Well, Applicant shall file an application for a finding of reasonable diligence in January of 2007 and every sixth calendar year after each diligence decree is entered until a determination has been made that said conditional portion of such water right has become absolute by virtue of the completion of the appropriation or that it has been otherwise disposed of. See C.R.S. §37-92-301(4)(a). 2007
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35. This Ruling, and any decree of the Water Judge in this case, shall be filed with the Water Clerk and a copy shall be filed with the Colorado State Engineer and Division Engineer for Water Division No. 6

DATED AND ENTERED THIS 30th day of April, 2000.



Daniel R. Birch
Water Referee
Water Division No. 6

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND JUDGMENT AND DECREE

The District Court, Water Division No. 6, hereby finds and determines that no protest to the Ruling of the Referee was filed in this case, the foregoing findings of fact, conclusions of law and ruling of the Referee are hereby confirmed and approved and made the findings of fact and conclusions of law of this Court, and the Ruling of the Referee is hereby made and entered as the Judgment and Decree of this Court.

DATED: Jan 9, 2001, 2000

BY THE COURT


Richard P. Doucette
Water Judge
Water Division No. 6
State of Colorado

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PETITION TO UPPER YAMPA WATER CONSERVANCY DISTRICT FOR WATER ALLOTMENT CONTRACT

PRIEST CREEK RANCH LLC, a Colorado limited liability Company, Petitioner (hereinafter called "Petitioner"), hereby petitions the UPPER YAMPA WATER CONSERVANCY DISTRICT, a political subdivision of the State of Colorado, and a body corporate with all powers of a public or municipal corporation (hereinafter called "District"), organized and existing by virtue of Title 37, Article 45, Colorado Revised Statutes, 1973, as amended, for an allotment contract pursuant to 37-45-125, C.R.S. 1973, for the beneficial use of water under and pursuant to the following terms and conditions:

I. RECITALS:

a. The District has constructed and is operating a dam and reservoir known as Stagecoach Reservoir for the purpose of supplying water to municipal, industrial and agricultural users within its boundaries. The dam and reservoir are located on the Yampa (Bear) River upstream from the City of Steamboat Springs, Colorado. The total storage capacity of the Reservoir is approximately 33,275 acre-feet. Water is stored in Stagecoach Reservoir pursuant to water rights which were acquired by the District from Colorado-Ute Electric Association, Inc. ("Colorado-Ute").

b. The District has allocated 15,000 acre-feet of storage capacity in Stagecoach Reservoir in excess of the conservation and recreation pool approximately as follows: municipal users - 2,000 acre-feet; industrial users - 9,000 acre-feet; and agricultural users - 4,000 acre-feet.

NOW, THEREFORE, IN CONSIDERATION OF THE PAYMENTS TO BE MADE BY PETITIONER as hereinafter provided, and in consideration of the mutual covenants herein contained, the sufficiency of which consideration is hereby expressly acknowledged, the District and Petitioner hereby agree as follows:

II. STORAGE AND RELEASE OF WATER:

2.1 The District agrees, subject only to physical water supply conditions, the administration of water rights by State of Colorado water officials and the terms of this Petition, to store in Stagecoach Reservoir prior to July 15th of each calendar year 100 acre-feet of water for release for Petitioner's use, upon request. Petitioner shall be entitled to one use of the water delivered hereunder to extinction, but shall not be entitled to the reuse or successive use of such water.

2.2 Except in times of emergency, Petitioner shall give at least 24 hours' advance written notice to the District specifying the time and quantity of water requested to be

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PG 1 OF 7

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released. The point of delivery shall be the discharge of the outlet works of the Stagecoach Reservoir. Responsibility for transportation loss shall be borne by Petitioner. The District shall maintain permanent records of all releases of water from storage in Stagecoach Reservoir, and shall maintain records of water levels in the Reservoir measured not less frequently than once per month. Petitioner shall be entitled to inspect such records and copies shall be furnished to Petitioner upon written request.

2.3 In any calendar year when insufficient water is stored in Stagecoach Reservoir to supply the full allocations for municipal, agricultural and industrial users, as measured at time of peak annual storage, then the amount of water allocated to each of the users of water from Stagecoach Reservoir shall be abated proportionally; provided, however, that the District may, in its sole discretion, allocate the actual amount of stored water in such manner that the water delivery obligation to Petitioner and/or the other municipal and industrial users is first satisfied. If any part of the water allocated to Petitioner by this Contract is to be reduced by abatement as provided herein, the District shall notify Petitioner in writing of such fact, and of the amount of the reduction in such water, by August 1st of that year, and in the absence of such notice, the full amount of water for Petitioner shall be deemed to have been in storage on or prior to July 15th of that year.

III. PURCHASE PRICE:

3.1 The purchase price for the Stagecoach Reservoir storage water allocated to Petitioner shall be the sum of Forty-Three and 50/100 Dollars (\$43.50) annually for each acre-foot of such water stored at the annual peak storage occurring on or prior to July 15th of such year, without regard to subsequent releases or evaporation or reasonably unpreventable leakage of such water and without regard to whether or not all or any part of such water has been carried over in storage from the prior year.

3.2 Annual payments of such purchase price shall be made by Petitioner to the District at Steamboat Springs, Colorado, on or before July 31st of each year during the term of this Contract, commencing with the first calendar year in which, by July 15th of such year, water allocated hereby to Petitioner has been placed in storage in the Stagecoach Reservoir. Any annual payment not made within 10 days after the due date shall bear interest at the rate of 12% per annum until paid. Payments due hereunder are based on storage water allocated to Petitioner and shall be made regardless of the amount of water delivered to or available for Petitioner and there shall be no abatement or setoff against any such payment, nor shall Petitioner be permitted to withhold any payment required hereunder, for any reason whatsoever.

3.3 As security to the District, Petitioner agrees to be bound by the provisions of 37-45-125, C.R.S. 1973. If the annual payments herein required or some portion thereof are not fully met from such sources of revenue as may be legally available to Petitioner for such purpose, such annual payment or such portion thereof may be met from assessments levied

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489977 B-744 P-309 03/09/1998 02:29P PG 2 OF 7

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by the District pursuant to 37 USC 129, U.R.S. 1973 against the property described in Exhibit "A" attached hereto.

IV. TERM OF AGREEMENT.

4.1 Unless so terminated or extended as set forth in paragraph 4.2 below, the term of this Contract shall be for a period of 21 years, commencing on July 15, 1998.

4.2 At the end of the 21-year period described above, Petitioner shall have the continuing right for the life of Stagecoach Reservoir to purchase annually from the District 100 acre-feet of Stagecoach Reservoir storage water at a price per acre-foot per year to be determined and paid as provided in subparagraph 4.3; provided, Petitioner is not in default of any of the terms, conditions and obligations of this Contract, and Petitioner has not provided written notice to the District at least 12 months before the expiration of the 21-year period described above of Petitioner's intention not to exercise said continuing right.

4.3 The purchase price during the extended period (on a per acre-foot per year basis) shall be based upon the District's costs of operating, repairing, renovating and maintaining Stagecoach Reservoir. The price per acre-foot for any given year will be computed by dividing an estimate of the annual costs (computed each year) the District expects to incur for the operation, repair, renovation and maintenance of Stagecoach Reservoir (including replacement costs) as computed pursuant to standard accounting procedures, by 15,000 acre-feet. The District shall render a statement to Petitioner of the per acre-foot per year price for each year during the extended period on or before July 1st of that year. The annual purchase price shall be due July 31st of that year.

V. OPERATION AND MAINTENANCE OF STAGECOACH RESERVOIR:

5.1 It is hereby expressly acknowledged that the District shall be solely responsible for constructing, operating, repairing and maintaining Stagecoach Reservoir, and that the District shall be the sole owner of the dam and all facilities used in connection with the construction, operation, repair and maintenance of said Reservoir, and the water rights adjudicated thereto. Nothing herein contained shall be deemed to create a partnership, a joint venture, or joint ownership or joint responsibility in any way between the parties hereto.

VI DEFAULT:

6.1 Except as provided for in paragraph 3.2 where no notice of late payment is required, if any obligation required hereunder is not made or performed in accordance with this Contract, the non-defaulting party shall give written notice to the other party in default specifying such failure in performance. The party in default shall have a period of 15 days after receipt of such notice in which to perform the obligation then in default, or if such default is of such a nature that it cannot be completely cured within such 15-day period to

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489977 B-744 P-309 03/05/1998 02:29P PG 3 OF 7

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commence such curing within 10 days and thereafter proceed with reasonable diligence and in good faith to cure such default. If the party in default shall fail to do so within such period, then the non-defaulting party may seek specific performance of this Contract. The parties expressly agree that this Contract shall be specifically enforceable, which is intended to be the exclusive remedy available to the parties in the event of any default. The parties expressly waive rescission or termination of this Contract as remedies in the event of default.

VII. GOVERNING LAW:

7.1 This Contract shall be governed by, and construed and enforced in accordance with the laws of the State of Colorado.

VIII. NOTICES:

8.1 All notices, elections, requests, demands, waivers and other communications hereunder shall be in writing and shall be effective when delivered (a) to the District in care of the Secretary, Upper Yampa Water Conservancy District, Steamboat Springs, CO 80488-0339, or at such other address as the District shall have furnished to Petitioner in writing; or (b) if to Petitioner, c/o Donald D. Valentine, P.O. Box 881090, Steamboat Springs, CO 80488, or at such other address as Petitioner shall have furnished to the District in writing.

IX. MISCELLANEOUS:

9.1 The water allocated to Petitioner under this Contract shall never be diverted or used outside of the property described in Exhibit "A" attached hereto.

9.2 In addition to all the other terms, conditions and covenants contained herein, it is specifically understood and agreed by and between the parties hereto that the rights of Petitioner hereunder are subject to the following terms, conditions and limitations, to all intents and purposes as though set forth verbatim therein and made a part hereof by reference, to-wit:

A. The Water Conservancy Act of Colorado and such rules and regulations as may from time to time be adopted by the Board of the District;

B. The terms and conditions of any and all water right decrees for or associated with the operation of Stagecoach Reservoir.

9.3 This Contract shall be binding upon and inure to the benefit of the parties hereto, their successors and assigns. This Contract may not be assigned nor transferred to any third party without the prior written consent of both parties hereto; provided, however, that the District may, without the prior consent of Petitioner, assign or transfer this Contract to a third party as security for the purpose of obtaining financing. This Contract constitutes

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489977 B-744 P-309 03/09/1998 11:29P PG 4 OF 7

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the entire understanding and agreement between the parties with respect to the subject matter hereof, and shall supersede all prior understandings and agreements between the parties with respect to such subject matter. The captions in this Contract are for the purposes of reference only and shall not limit or otherwise affect any of the terms hereof.

APPLICANT: PRIEST CREEK RANCH LLC, a Colorado limited liability company

By: Donald D. Valentine
Donald D. Valentine, its Manager

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489977 B-744 P-309 03/09/1998 02:29p PG 5 OF 7

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ORDER ON APPLICATION

Application having been made by PRIEST CREEK RANCH LLC, a Colorado limited liability company ("Applicant"), as a party interested in a water allotment from the Stagecoach Reservoir to the Upper Yampa Water Conservancy District ("District") and after a hearing by the Board of Directors of the District,

IT IS HEREBY ORDERED that the above application be granted and that an allotment contract for 100 acre-feet annually of water is hereby made to Applicant from the Stagecoach Reservoir for the beneficial use as set forth in said application upon the terms, conditions and manner of payment as herein specified.

UPPER YAMPA WATER CONSERVANCY DISTRICT

By: *Thomas D. Fletcher*
President

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I hereby certify that the above Order is entered by the Board of Directors of the Upper Yampa Water Conservancy District on the SIX day of MARCH, 1998.

ATTEST:

By: *John R. Fletcher*
John R. Fletcher, Secretary

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-6-

489977 B-744 P-309 /09/1998 02:29P PG 6 OF 7

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EXHIBIT A

LEGAL DESCRIPTION

ALL INCLUSIVE LEGAL DESCRIPTION

Township 5 North, Range 84 West of the 6th P.M.
 Section 2: Lot 4, S1/2NW1/4
 Section 3: Lots 1, 2 and 3, S1/2NE1/4, S1/2NW1/4, S1/2SW1/4, S1/2SE1/4, NW1/2NW1/4

Township 6 North, Range 84 West of the 6th P.M.
 Section 28: S1/2SW1/4SW1/4
 Section 33: S1/2NE1/4, SE1/4
 Section 34: S1/2, S1/2NW1/4, SW1/4NE1/4, E1/2NE1/4
 Section 35: NW1/4, W1/2SW1/4, N1/2NE1/4SW1/4

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EXCEPTING THEREFROM, the following 8 tracts of land:

- 1.) EXCEPT a lane for a right of way for a road connecting the West side of the tract with the South side of said tract, as reserved by Henry Cook in the Deed recorded June 23, 1933 in Book 167 at Page 567.
- 2.) EXCEPT that property conveyed to the Board of County Commissioners of County of Routt by Deed recorded November 8, 1926, in Book 149 at Page 447.
- 3.) EXCEPT a tract of land conveyed to the County of Routt by Deed recorded November 10, 1934, in Book 182 at Page 179.
- 4.) EXCEPT a tract conveyed to the State Highway Department of the State of Colorado by Deed recorded July 12, 1950 in Book 243 at Page 110.
- 5.) EXCEPT a tract of land described and excepted in Warranty Deed to William D. Sparr, Trustee, recorded December 11, 1968 in Book 335 at page 110.
- 6.) EXCEPT a tract conveyed to Frank Hull by Warranty Deed recorded July 27, 1900 in Book 43 at Page 255.
- 7.) EXCEPT a tract in the SW1/4NW1/4, Section 3, Township 5 North, Range 84 West of the 6th P.M. conveyed to the State Highway Department by Deed recorded July 12, 1950 in Book 243 at Page 122.
- 8.) EXCEPT a tract conveyed to the Board of County Commissioners by Deed recorded August 8, 1932 in Book 176 at Page 162.

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DISTRICT COURT, WATER DIVISION NO. 6, STATE OF COLORADO 522 Lincoln, 3rd Floor/P.O. Box 177317 Steamboat Springs, CO 80477	
CONCERNING THE APPLICATION OF STEAMBOAT ALPINE DEVELOPMENT, LLC IN ROUTT COUNTY, COLORADO	▲ COURT USE ONLY ▲
Porzak Browning & Bushong LLP Glenn E. Porzak (#2793) 929 Pearl Street, Suite 300 Boulder, CO 80302 Tel: 303-443-6800 Fax: 303-443-6864 Email: gporzak@pbblaw.com	Case Number: 06CW <u>10</u> Water Division: 6
APPLICATION FOR CHANGE OF WATER RIGHTS AND AMENDMENT OF PLAN FOR AUGMENTATION	

1. Name and address of Applicant:

Steamboat Alpine Development, LLC
 c/o Andy Daly
 143 E. Meadow Drive, Suite 490
 Vail, Colorado 81657
 970-477-1315

Direct all pleadings to:

Glenn E. Porzak
 Porzak Browning & Bushong LLP
 929 Pearl Street, Suite 300
 Boulder, CO 80302

2. Description of Water Right To Be Changed: By decree of the District Court in and for Water Division No. 6 in Case No. 97CW78 dated January 9, 2001, an underground water right was decreed to the Priest Creek Well for 200 gpm, with 70 gpm decreed absolute and 130 gpm decreed conditional. The decreed uses are domestic and household uses; irrigation of lands and landscaping adjacent to residences; stock water for livestock; and fire protection. The decreed location of the Priest Creek Well is in the NE1/4SE1/4 of Section 33, Township 6 North, Range 84 West, 6th P.M. at a point 1,375 from the South Section Line and 780 feet from the East Section Line. The decreed depth of the well is 20 feet and the decreed source is water in the alluvium of Walton Creek, a tributary of the Yampa River. The Priest Creek Well has Well Permit 51623-F.

The decree in Case No. 97CW78 also approved a plan for augmentation allowing use of the Priest Creek Well to supply water to proposed subdivisions consisting of 120 homes on 60 lots, with each lot having an average of 4,000 square feet of irrigated lawns and gardens (the "Approved Augmentation Plan"). The decree determined that the total water diversion requirements under the Approved Augmentation Plan would be 55 acre feet per year. Replacement water for the out of priority depletions resulting from these diversions was provided under a water allotment contract from the Upper Yampa Water Conservancy District out of Stagecoach Reservoir for 100 acre feet.

The existing Priest Creek Ranch Subdivision consists of 13 lots with up to 26 potential dwelling units, leaving 47 lots and 94 dwelling units for future development under the Approved Augmentation Plan. Applicant intends to develop its property into a total of 76 lots, with a total of 124 dwelling units, which is 16 more lots and 4 more dwelling units than currently referenced under the Approved Augmentation Plan. Applicant desires to amend the Approved Augmentation Plan to reflect this additional level of development and confirm the depletion assumptions under the Approved Augmentation Plan.

Applicant also desires to drill and use five wells (the "New Wells") in addition to the existing Priest Creek Well. These New Wells will be additional alternate points of diversion for the Priest Creek Well, and will be completed into the same alluvium as the existing Priest Creek Well, at estimated depths of 20 to 60 feet. The New Wells are projected to be located in the SE1/4 of Section 33, Township 6 North, Range 84 West, 6th P.M, as depicted on the map attached hereto as Exhibit A, and described as follows:

<u>Well No.</u>	<u>Distance from South Section Line</u>	<u>Distance from East Section Line</u>
1	1,000 ft.	1,200 ft.
2	300 ft.	1,200 ft.
3	700 ft.	1,800 ft.
4	1,400 ft.	1,800 ft.
5	1,800 ft.	1,200 ft.

Prior to entry of a final decree and without need to republish, Applicant seeks the right to change the locations of the New Wells as may be necessary to maximum well yields, provided that the final locations are within the SE ¼ of said Section 33.

3. Change of Water Right. Applicant seeks to have each of the New Wells decreed to be an alternate and supplement point of diversion for the existing Priest Creek Well. Total diversions at the existing Priest Creek Well and the New Wells shall not exceed 200 gpm.
4. Amendment of Approved Augmentation Plan. As discussed above, Applicant desires to increase the total number of lots served by the Approved Augmentation Plan from 60 to 76, and the total number of dwelling units served under the Approved Augmentation Plan from 120 to 124. The Approved Augmentation Plan determined that the total water

diversion requirements of 60 lots and 120 homes was 55 acre feet per year. By this amendment, Applicant seeks to confirm that 10 % of the water diversion requirement for in house domestic use will be consumed as individual septic systems are used, and 85 % of the water diverted for outside irrigation will be consumed. At full build out (a) the total in house domestic use will be 48.6 acre feet (124 units x 350 gallons/day/unit), of which approximately 5 acre feet will be consumed; and (b) the irrigation use will be 14 acre feet (76 lots x 4000 sq. ft./lot = 7 acres x 2 af/acre), of which approximately 12 acre feet will be consumed. Accordingly, Applicant will commit to the Approved Augmentation Plan as amended a minimum of 17 acre feet of water from its existing allotment contract from Stagecoach Reservoir. Stagecoach Reservoir is decreed for 33,500 acre feet for a multitude of uses directly or by augmentation and exchange, and is located on the Yampa River in Section 36, T. 4 N., R. 85 W. and in Sections 28-32, T. 4 N., R. 84 W., and in Sections 1 and 2, T. 3 N., R. 85 W., 6th P.M.

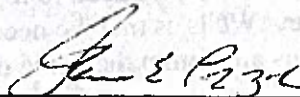
5. Remarks. The Approved Augmentation Plan was decreed to Priest Creek Ranch, LLC and the Priest Creek Well is owned by Priest Creek Ranch, LLC. Applicant owns 100% of the stock of Priest Creek Ranch, LLC. The lands upon which the New Wells will be located are owned by Priest Creek Ranch, LLC and/or the Applicant. Stagecoach Reservoir is owned by the Upper Yampa Water Conservancy District.

WHEREFORE, Applicant requests that this Court enter a decree which:

- (i) Grants the change of water right described in paragraph 3 above;
- (ii) Approves the changes to the plan for augmentation described in paragraph 4 above; and
- (iii) Finds that there will be no injury to any owner of or persons entitled to use water under a vested water right or decreed conditional right as a result of such changes or amendments.

Dated this 30th day of March, 2006.

PORZAK BROWNING & BUSHONG LLP



Glenn E. Porzak (#2739)
929 Pearl Street, Suite 300
Boulder, Colorado 80302
(303) 443-6800

Attorneys for Steamboat Alpine Development, LLC

STATE OF TEXAS

COUNTY OF [illegible]

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