

**THE STATE OF NEVADA  
PERMIT TO APPROPRIATE WATER**

**Name of applicant:** ZEPHYR MINERALS, INC.  
**Source:** UNDERGROUND  
**Basin:** CARSON DESERT-PACKARD VALLEY  
**Manner of Use:** MINING AND MILLING  
**Period of Use:** January 1st to December 31st  
**Priority Date:** 03/30/2007

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**APPROVAL OF STATE ENGINEER**

This is to certify that I have examined the foregoing application, and do hereby grant the same, subject to the following limitations and conditions:

This permit is issued subject to existing rights. It is understood that the amount of water herein granted is only a temporary allowance and that the final water right obtained under this permit will be dependent upon the amount of water actually placed to beneficial use. It is also understood that this right must allow for a reasonable lowering of the static water level. This well shall be equipped with a two (2) inch opening for measuring depth to water. If the well is flowing, a valve must be installed and maintained to prevent waste. A totalizing meter must be installed and maintained in the discharge pipeline near the point of diversion and accurate measurements must be kept of water placed to beneficial use. The totalizing meter must be installed before any use of water begins, or before the Proof of Completion of Work is filed. This source is located within an area designated by the State Engineer, pursuant to NRS 534.030. The State retains the right to regulate the use of the water herein granted at any and all times.

This permit does not extend the permittee the right of ingress and egress on public, private or corporate lands.

This permit is issued under the preferred use provisions of NRS Chapter 534. The manner of use of water under this permit is by nature of its activity a temporary use and any application to change the manner of use granted under this permit will be subject to additional determination and evaluation with respect to the permanent effects on existing rights and the resource within the ground water basin.

The issuance of this permit does not waive the requirements that the permit holder obtain other permits from State, Federal and local agencies.

This permit authorizes the pumping of a well for mining, milling and domestic purposes. Water pumped under this permit will be used first by Zephyr Minerals, Inc. for mining, milling, heap leaching, drilling, road watering and other related mining and milling purposes (hereafter referred to as mining and milling uses within the described place of use). Additional information filed in support of this application indicates that some of the water may be for removed for dewatering purposes. Any water produced from this dewatering operation at this point of diversion, and not used for mining and milling purposes, must be injected or infiltrated back to the Carson Desert-Packard Valley Hydrographic Basin. Any Injection or Infiltration of water must have the necessary permits issued by the Nevada Division of Environmental Protection.

The State Engineer may require additional monitoring of underground and surface sources, should conditions warrant such modification.

Monthly records shall be kept of the following and reported within 15 days after the end of each quarter:

- A. The total volume of water pumped from each diversion in acre-feet.
- B. The maximum flow rate from each diversion in cubic feet per second.
- C. The pumping water level from each well in feet above mean sea level.
- D. The volume of water consumptively used for mining and milling in acre-feet.
- E. The amount of water diverted to the infiltration sites in acre-feet.
- F. The amount of water diverted to other consumptive uses, if any, in acre-feet.
- G. The amount of water lost through evaporation or other system losses project wide.

The point of diversion and place of use are as described on the submitted application to support this permit.

The amount of water to be appropriated shall be limited to the amount which can be applied to beneficial use, **and not to exceed 1.0 cubic feet per second or 120.0 acre-feet annually.**

Work must be prosecuted with reasonable diligence and proof of completion of work shall be filed on or before:

January 25, 2009

Water must be placed to beneficial use and proof of the application of water to beneficial use shall be filed on or before:

January 25, 2011

Map in support of proof of beneficial use shall be filed on or before:

N/A

IN TESTIMONY WHEREOF, I, TRACY TAYLOR, P.E.,

State Engineer of Nevada, have hereunto set my hand and the seal of my office, this 25th day of January, A.D. 2008

Tracy T. Taylor, P.E.  
State Engineer

Completion of work filed \_\_\_\_\_

Proof of beneficial use filed \_\_\_\_\_

Cultural map filed \_\_\_\_\_

Certificate No. \_\_\_\_\_ Issued \_\_\_\_\_

llb

AMENDED

APPLICATION FOR PERMIT TO APPROPRIATE THE PUBLIC WATERS OF THE STATE OF NEVADA

THIS SPACE FOR OFFICE USE ONLY
Date of filing in State Engineer's Office .....MAR 30 2007.....
Returned to applicant for correction .....APR 05 2007.....
Corrected application filed .....MAY 31 2007..... Map filed .....MAY 31 2007.....

The applicant .....Zephyr Minerals, Inc. a Nevada Corporation.....

.....c/o John Welch, P.E., 8600 Technology Way, Ste. 102.....of.....Reno.....
Street and No. Or P.O. Box No City and Town

.....NV 89521.....hereby makes.....application for permission to appropriate
State and Zip code No.

the public waters of the State of Nevada, as hereinafter stated. (If applicant is a corporation, give date and place of
incorporation; if a copartnership or association give names of members.).....Dec. 06, 2005.....(Nevada).....

Is applicant a U.S. citizen? [X] Yes [ ] No

Is applicant 21 years of age or older? Yes [X] No [ ]

NRS 533.325 requires that applicant be a citizen of the United State or have legally declared their intention to
become a citizen, and that they be 21 years of age or older.

1. The source of the proposed appropriation is .....Underground.....
Name of stream, lake, spring, underground or other source

2. The amount of water applied for is .....1.0 cfs.....second feet.
One second foot equals 448.83 gallons per minute.

(a) If stored in reservoir give number of acre-feet .....

3. The water to be used for .....Mining, Milling and Domestic.....
Irrigation, power, mining, commercial, domestic or other use. Must limit to one major use.

4. If use is for:

(a) Irrigation, state number of acres to be irrigated .....

(b) Stockwater, state number and kind of animals.....

(c) Other use (describe fully "No. 12. Remarks").....

(d) Power:

(1) Horse Power developed .....

(2) Point of return of water to stream.....

REL

REL per phone call

5. The water is to be diverted from its source at the following point.. within the SW 1/4 SW 1/4 Section 29, T26N, R34E, Describe as being within a 40-acre subdivision of public M.D.B. & M. at a point from which the SW corner of said section 29 bears S63° 26 mins 05.82 sec <sup>W</sup>, a distance of 223.61 ft.

6. Place of use .....S 1/2 S 1/2 Section 29, T26N, R34E, M.D.B. & M. Describe by legal subdivision. If on unsurveyed land, it should be so stated.

REL per phone call

7. Use will begin about .....January 1..... and end about .....December 31.....of each year. Month and Day Month and Day

8. Description of proposed works (Under the provisions of NRS 535.010 you may be required to submit plans and specifications of your diversion or storage works.) .....Drilled and cased well, submersible motor, .... State manner in which water is to be diverted, i.e. diversion structure, ... storage tank and distribution system. ditches and flumes, drilled well with pump and motor, etc.

9. Estimated cost of works .....\$75,000.00

10. Estimated time required to construct works .....3 years. If well completed, describe works.

11. Estimated time required to complete the application of water to beneficial use .....5 years.

12. Remarks: For use other than irrigation or stock watering, state number and type of units to be served or annual consumptive use.

.....Water will be utilized for mining, milling and/or processing. Mine consists of what is known as "Thomas Mine" which was mine from approximately 1942-1967. Annual use estimated to be 150 acre feet annually. Also, ....see answers to questionnaire prepared by John Welsh.

TELEPHONE NUMBER

(775....) .....323-1601

By *Rose E de Lapierre* Signature, applicant or agent

.....50 W. Liberty, Ste. 750..... Street and No., or P.O. Box No.

APPLICATION MUST BE SIGNED BY THE APPLICANT OR AGENT

.....Reno, NV 89501..... City, State, Zip code No.

STATE ENGINEERS OFFICE  
2007 MAY 31 PM 1:54

**\$250 FILING FEE MUST ACCOMPANY APPLICATION**

**Information in support of Water Rights Applications 75494 and 75495**

**1. Mine Information:**

Mine Name: Thomas Mine

Mine Owner/Operator: Zephyr Minerals, Inc.  
8600 Technology Way, Suite 102  
Reno, NV 89521

Corporate Status: Nevada Corporation

**2. Responsible Party: Zephyr Minerals, Inc.**

Attn: Mr. John D. Welsh, President

**3. Operation: 8 hours/day, 260 days/year – crushing and screening**

**4. Products: Aggregate and Heavy Media (granulated iron)**

Estimated production: 1250 tpd

**5. Water Usage: Plant – 140 gal/ton**

Mine – 60 gal/ton

Office/Domestic – 20 gal/ton

**6. Operating Components/Water Usage:**

Component	Gal/ton	Tons/day	Gal/day	Gal/hour	Flow Rate (gpm)
Primary Crusher	20	1250	25000	3125	52
Secondary Crusher	20	1250	25000	3125	52
Tertiary Crusher	30	1000	30000	3750	63
Conveyors	20	1000	20000	2500	42
Screen	20	1000	20000	2500	42
Scrubber	60	600	36000	4500	75
Sand Screw	20	400	8000	1000	17
Magnetic Separator	10	200	2000	250	4
Rod Mill	90	100	9000	1125	19
					0
Plant Total			175000	21875	365

7. **Plant Minimum** – 175,000 gal/day
8. **Recycle**- 0 to 25% from Sediment Ponds
9. **Proposed Annual Consumptive Use** – 200 acre-feet/yr
10. **Proposed Startup Date:** September 1, 2007
11. **Estimated Project Life** – 15 years
12. **Dewatering** -- Will be Required (intermittently)
13. Dewater will be consumed in operation. Estimated volume of dewater is 30 acre-feet/yr.
14. If excess dewater is encountered, it will be discharged to Rapid Infiltration Basins (RIBs) that exist on site. The RIBs are each 150 feet long, 40 feet wide and 30 feet deep. Each RIB is anticipated to handle 25 acre-feet/year. Evaporative losses from the RIBs are estimated to be 1.2 acre-feet/year.
15. The proposed aggregate operation will be exempt from NDEP regulations. When the production of Heavy Media is projected to exceed 36,500 tons/yr, an application will be filed with NDEP.