THE STATE OF NEVADA

PERMIT TO CHANGE POINT OF DIVERSION, MANNER OF USE AND PLACE OF USE OF THE PUBLIC WATERS OF THE STATE OF NEVADA HERETOFORE APPROPRIATED

Name of applicant:	**BLUE DIAMOND OIL CORPORATION**
Source:	**UNDERGROUND**
Basin:	**STEPTOE VALLEY**
Manner of Use:	**QUASI-MUNICIPAL**
Period of Use:	**January 1st to December 31st**
Priority Date:	**06/27/2008**

****

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 to change the point of diversion and place of use of the waters of an underground source as heretofore granted under Permit 62354 is issued subject to the terms and conditions imposed in said Permit 62354 and with the understanding that no other rights on the source will be affected by the change proposed herein. The well shall be equipped with a 2-inch opening and 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 the water begins or before the proof of completion of work is filed. If the well is flowing, a valve must be installed and maintained to prevent waste. 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.

The total combined duty of water under Permits 62880, 71190, 71191, 71192, 78740 and 78741 shall not exceed 212.829 acre-feet annually.

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

(Continued on Page 2)

Permit No. 78741

This permit is issued under the provisions of NRS 534.120(2) as a preferred use.

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 0.10 cubic feet per second or 2.24 acre-feet annually.**

Work must be prosecuted with reasonable diligence and proof of completion of work shall be filed on or before:	**January 26 , 2011**
Water must be placed to beneficial use and proof of the application of water to beneficial use shall be filed on or before:	**January 26 , 2015**
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 26th day of **January**, A.D. **2010**

K. Hurl P.E.
for State Engineer

Completion of work filed _____

Proof of beneficial use filed _____

Cultural map filed _____

Certificate No. _____ Issued _____

llb

Application No. 78741

APPLICATION FOR PERMISSION TO CHANGE POINT OF DIVERSION, MANNER OF USE AND PLACE OF USE OF THE PUBLIC WATERS OF THE STATE OF NEVADA HERETOFORE APPROPRIATED

THIS SPACE FOR OFFICE USE ONLY

Date of filing in State Engineer's Office JUL 14 2009

Returned to applicant for correction

Corrected application filed Map filed FEB 27 1997 under 62880

The applicant Blue Diamond Oil Corporation

P.O. Box 150432 of Ely
Street Address or PO Box City or Town

89315 hereby make(s) application for permission to change the
State and ZIP Code

☑ Point of diversion ☑ Place of use ☐ Manner of use ☐ of a portion

of water heretofore appropriated under (Identify existing rights by Permit, Certificate, Proof or Claim Nos. If Decreed, give title of Decree and identify right in Decree.)

Permit 62354

1. The source of water is Underground
Name of stream, lake, underground, spring or other sources.

2. The amount of water to be changed 0.1 cfs not to exceed 0.73 mga
Second feet, acre-feet. One second foot equals 448.83 gallons per minute.

3. The water to be used for Quasi - Municipal
Irrigation, power, mining, commercial, etc. If for stock, state number and kind of animals. Must limit to one major use

4. The water heretofore used for Quasi - Municipal
If for stock, state number and kind of animals.

5. The water is to be diverted at the following point (Describe as being within a 40-acre subdivision of public survey and by course and distance to a found section corner. If on unsurveyed land, it should be stated.)

Within the SW¼ SW¼ of Section 35, T.16N.,R.63E.,M.D.B.&M.,whence the Southwest Corner of said Section 35, bears S 61 degrees 31' 08" West a distance of 114.57 feet. Please refer to the map filed under Permit 62880.

6. The existing point of diversion is located within (If point of diversion is not changed, do not answer.)

Within the SE¼ NE¼ SW¼ of Section 35, T.16N.,R.63E.,M.D.B.&M., whence the West ¼ Corner of said Section 35 bears North 64 degrees 14' 27" West a distance of 2,922.03 feet. Please refer to the map filed under Permit 62350.

78741

7. Proposed place of use (Describe by legal subdivisions. If for irrigation, state number of acres to be irrigated.)

Portions of the S½ SW¼ and SE¼ of Section 35, T.16N.,R.63E.,M.D.B.&M. and portions of the N½ N½ NW¼ of Section 1, T.15N.,R.63E.,M.D.B.&M. See map under 62880

8. Existing place of use (Describe by legal subdivisions. If changing place of use and/or manner of use of irrigation permit, describe acreage to be removed from irrigation.)

Lots 9D and 8C ,Blue Diamond Country Estates, SE¼ SE¼ NE¼ SW¼ and the SW¼ SW¼ NW¼ SE¼ of Section 35, T.16N.,R.63E.,M.D.B.&M.

9. Proposed use will be from January 1st (Month and Day) to December 31st (Month and Day) of each year.

10. Existing use permitted from January 1st (Month and Day) to December 31st (Month and Day) of each year.

11. Description of proposed works. (Under the provision of NRS 535.010 you may be required to submit plans and specifications of your diversion or storage works.) (State manner in which water is to be diverted, i.e., diversion structure, ditches, pipes and flumes or drilled well, pump and motor, etc.)

Existing well drilled under Permit 62880

12. Estimated cost of works $600,000

13. Estimated time required to construct works 2 years

If well completed, describe well.

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

15. Provide a detailed description of the proposed project and its water usage (use attachments if necessary). (Failure to provide a detailed description may cause a delay in processing.)

Blue Diamond Country Estates Subdivision for quasi-municipal use

2009 JUL 14 PM 3:49

STATE ENGINEER'S OFFICE

16. Miscellaneous remarks:

Gary Sprouse
Type or print name clearly

bluediam@mwpower.net
E-mail Address

Signature, applicant or agent

775-289-3849
Phone No.

Company Name

Blue Diamond Oil Corporation
Street Address or PO Box

P.O. Box 150432, Ely, Nevada 89315
City, State, ZIP Code

APPLICATION MUST BE SIGNED BY THE APPLICANT OR AGENT

Revised 07/09 $200 FILING FEE AND SUPPORTING MAP MUST ACCOMPANY APPLICATION