

STATE OF NEVADA

**PROOF OF APPROPRIATION OF WATER FOR STOCK WATERING  
OR WILDLIFE PURPOSES**

(1) Name of claimant Blue Diamond Oil Corp  
P.O. Box 150432 of Ely  
Street Address or PO Box City or Town  
Nevada 89315  
State and ZIP Code

(2) Source of water Spring  
Name of natural water source

(3) The water is diverted by:  
Pipe into tank

Dam, ditch, pipe line, natural channel, spring area, etc.

(4) The water is diverted at the following point(s):  
NW/4 NE/4 Section 26, T13N, R63E, M.D.B&M., GPS NAD 83, 38 57.879,8'N, 114 51.554,8'W

Describe as being within a 40-acre subdivision of public survey, and by course and distance to a section corner. If on unsurveyed land it should be stated.  
Diversion over a channel reach must be described by course and distance to a section corner for both the beginning and end of such.

(5) The water is impounded in Tank  
Troughs, tanks, pools, reservoir, natural channel, etc.

(6) The construction of the ditch or other works was begun Prior 1905  
completed Prior 1905  
Date

(7) The nature of the claimant's title to the land upon which the source of water and place of use are located is:  
Deeded Land

Patented, deeded, public domain with grazing permit, etc.

(8) The claimant's water right was not recorded in the office of the County Recorder of  
County, at Page of Book of

NOTE - Failure to record in the county in no way invalidates a water right, but if water right was so recorded, supply full information under (8).

(9) The approximate number of animals watered by the claimant during the first year Prior 1905  
Date  
was 375 cattle 3 horses 527 sheep or wildlife (describe)

The watering was conducted during each of the following months:  
1/1 to 12/31

*129-MIP*

(10) The approximate number of animals watered by the claimant in subsequent years was as follows:  
375 Cattle 3 horses and 527 sheep since 1974, and predecessors going back to Adams McGill Co.

If water was not used, or used in reduced quantity at any time, full information as to causes and duration of non-use should be given.

(11) The amount of water which has been necessary to be diverted for this purpose has been

.0150 cubic feet per second.

448.83 gallons per minute equals 1 cubic foot per second

(12) The works are located at:

NW/4 NE/4 Section 26, T13N, R63E, M.D.B&M.

Describe as being within a 40-acre subdivision, section, township and range of public survey. If on unsurveyed land, it should be stated.

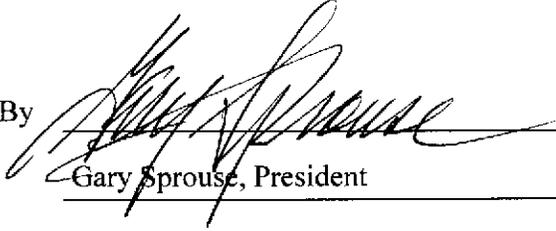
Remarks

The undersigned, being first duly sworn, deposes and says that the facts relative to the appropriation of water by  
Gary Sprouse are full and correct to the best of his/her knowledge and belief.

If proof is not made by claimant, deponent should state on this line by virtue of what authority he/she represents the claimant.

Blue Diamond Oil Corporation

Name of Claimant

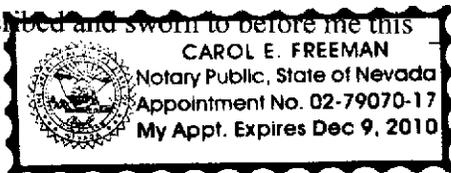
By 

Gary Sprouse, President

Telephone No. (775) 289-3849

Telephone No. (775) 289-3849

Subscribed and sworn to before me this 27 day of January, 20 10



Notary Public in and for the County of White Pine

My commission expires 12-09-10

**Blue Diamond Oil Corp**  
**Division of Water Resources**  
**Vested Claim Filings**

Date	Water Source	Sec	Legal Description		Tsp	Rge	GPS	Impounded In	Claimants Title	Diversio Rate	Livestock		Filing Fee		
			1/4	1/4							Cattle	Sheep			
<b>Allotment: Chimney Rock 0914</b>															
1/28/2010	Lone Pine Spring	16	SE/4	SW/4	12N	63E	NAD 83, 38 53 738.7'N, 114 53 997.6'W	Tank and pond	Alotment	0.0223	568	3	722	50.00	
1/28/2010	Fourth Sawmill Spring	21	NE/4	SE/4	12N	63E	NAD 83, 38 53 068.7'N, 114 53 997.3'W	Tank and pond	Deeded Land	0.0223	568	3	722	50.00	
1/28/2010	Second Sawmill Spring	28	SW/4	NE/4	12N	63E	NAD 83, 38 52 557.7'N, 114 53 984.3'W	Tank and pond	Deeded Land	0.0223	568	3	722	50.00	
1/28/2010	First Sawmill Spring	28	NW/4	SE/4	12N	63E	NAD 83, 38 52 355.1'N, 114 54 018.3'W	Tank and pond	Alotment	0.0223	568	3	722	50.00	
<b>Allotment: Little White Rock 0913</b>															
1/28/2010	White Rock Spring	14	SW/4	SE/4	13N	63E	NAD 83, 38 59 041.7'N, 114 51 716.8'W	Pond, Creek Pipeline, tanks	Deeded Land	0.03488	1008	3	527	50.00	
1/28/2010	Spring	26	NW/4	NE/4	13N	63E	NAD 83, 38 57 879.8'N, 114 51 564.8'W	Tank	Deeded Land	0.0151	375	3	527	50.00	
1/28/2010	Quaky Spring	36	NW/4	NW/4	13N	63E	NAD 83, 38 57 088.9'N, 114 51 255.0'W	Tank and pipeline	Alotment	0.0079	252	0	0	50.00	
1/28/2010	Summit Spring	34	SE/4	NW/4	13N	63E	NAD 83, 38 56 902.3'N, 114 53 068.3'W	Tank and Pond	Deeded Land	0.00329	375	3	527	50.00	
1/28/2010	Spring	35	NE/4	SW/4	13N	63E	NAD 83, 38 56 688.3'N, 114 51 857.9'W	Creek	Deeded Land	0.00329	375	3	527	50.00	
1/28/2010	Millard Spring	27	NW/4	SW/4	13N	63E	NAD 83, 38 57 421.4'N, 114 53 221.7'W	Troughs & Pond	Alotment	0.00329	375	3	527	50.00	
1/28/2010	Spring	1	SW/4	NW/4	12N	63E	NAD 83, 38 55 835.3'N, 114 51 187.3'W	Creek	Deeded Land	0.00329	375	3	527	50.00	
1/28/2010	South White Rock Spring	2	SE/4	SW/4	12N	63E	NAD 83, 38 55 430.2'N, 114 51 860.5'W	Troughs & Pond	Deeded Land	0.00329	375	3	527	50.00	
1/28/2010	White Rock Spring	2	SE/4	NE/4	12N	63E	NAD 83, 38 55 927.4'N, 114 51 471.5'W	Tank and Pond	Deeded Land	0.05225	1669	5	527	50.00	
<b>TOTAL</b>														<b>450.00</b>	<b>650.00</b>

2010 FEB -1 PM 2:35  
STATE OF TEXAS

**ACCEPTANCE OF TERMS & CONDITIONS**  
and  
**REQUEST FOR GRAZING PERMIT**

I, Gary Sprouse, authorized representative for Blue Diamond Oil Corporation, agree to accept the Terms & Conditions listed below and request that I be offered a Grazing Permit to graze the allotments in which I have a grazing preference.

Allotment Number	Allotment Name	Livestock		Grazing Period		% PL	Type Use	AUMs
		Number & Kind		Begin	End			
00427	Copper Flat	2,000	Sheep	04/15	07/10	99	A	1,133
		2,088	Sheep	09/15	11/01	99	A	652
		249	Cattle	06/01	11/01	99	A	1,248
0433	West Schell Bench	1,141	Sheep	05/01	11/01	100	A	1,388
0701	Duckwater	2,111	Sheep	11/01	04/01	100	A	2,124
0822	Preston/Lund Trail	5,000	Sheep	11/01	11/10	100	A	329
		5,100	Sheep	04/01	04/12	100	A	402
0826	Giroux Wash	2,198	Sheep	04/01	11/01	100	A	3,107
		260	Cattle	04/01	12/15	100	A	2,214
0827	Dark Peak	761	Sheep	04/01	11/01	99	A	1,065
		109	Cattle	04/01	11/01	99	A	763
0910	Lake Area	1,610	Sheep	05/01	11/01	89	A	1,743
		228	Cattle	05/01	11/01	89	A	1,234
0914	Chimney Rock	625	Sheep	05/01	11/01	95	A	722
		88	Cattle	05/01	11/01	95	A	508
01004	Timber Mountain	40	Cattle	03/01	04/10	100	A	54
		40	Cattle	11/01	02/28	100	A	158
		2,036	Sheep	03/01	04/10	100	A	549
		2,036	Sheep	11/01	02/28	100	A	1,606

Stipulations Common To All Allotments:

1. Livestock numbers identified in the term grazing permit are a function of seasons of use and permitted use for each allotment. Deviations from those livestock numbers and seasons of use may be authorized on an annual basis where such deviations would not prevent attainment of the Multiple-Use Objectives for the allotment.
2. Deviations from specified grazing use dates will be allowed when consistent with Multiple-Use Objectives. Such deviations will require an application and written authorization from the authorized officer prior to grazing use.
3. Pursuant to 43 CFR 10.4 (G) the holder of this authorization must notify the authorized officer by telephone, with written confirmation, immediately upon discovery of human remains, funerary objects, sacred objects, or objects of cultural patrimony (as defined at 43 CFR 10.2). Further, pursuant to 43 CFR 10.4 (C) and (D), you must stop activities in the immediate vicinity of the discovery and protect it from your activities for 30 days or until notified to proceed by the authorized officer.
4. The authorized officer is requiring that an actual use report (Form 4130-5) be submitted within 15 days after completing your annual grazing use.
5. The payment of your grazing fees is due on or before the date specified in the grazing bill. This date is generally the opening date of your allotment. If payment is not received within 15 days of the due date, you will be charged a late fee assessment of \$25 or 10 percent of the grazing bill, whichever is greater, not to exceed \$250. Payment with Visa, MasterCard or American Express is accepted. Failure to make payment within 30 days of the due date may result in trespass action.
6. Grazing use in White Pine County will be in accordance with the Northeastern Great Basin Area Standards and Guidelines for Grazing Administration. Grazing use in Lincoln and Nye Counties will be in accordance with the Mojave-Southern Great Basin Area Standards and Guidelines for Grazing Administration. The Standards and Guidelines have been developed by the respective Resource Advisory Council and approved by the Secretary of the Interior on February 12, 1997. Grazing use will also be in accordance with 43 CFR Sub-part 4180 - Fundamentals of Rangeland Health and Standards and Guidelines for Grazing Administration.
7. If future monitoring data indicates that Standards and Guidelines for Grazing Administration are not being met, the permit will be reissued subject to revised terms and conditions.
8. In accordance with Sec. 325, Title III, H.R. 2691, Department of the Interior and Related Agencies Appropriations Act, 2004 (P.L. 108-108), which was enacted on November 10, 2003, this grazing permit or lease is renewed under Section 402 of the Federal Land Policy and Management Act of 1976, as amended (43 U.S.C. 1752), title III of the Bankhead-Jones Farm Tenant Act (7 U.S.C. 1010 et seq.), or, if applicable, section 510 of the California Desert Protection Act (16 U.S.C. 410aaa-50). In accordance with Public Law 108-108 the

terms and conditions contained in the expired or transferred permit or lease have been incorporated into this permit or lease and shall continue in effect under the renewed permit or lease until such time as the Secretary of the Interior completes processing of this permit or lease in compliance with all applicable laws and regulations, at which time this permit or lease may be canceled, suspended, or modified, in whole or in part, to meet the requirements of such applicable laws and regulations.

9. The permittee is required to perform normal maintenance on the range improvements that have been issued through approved cooperative agreements or section 4 permits.

**Additional Terms and Conditions:**

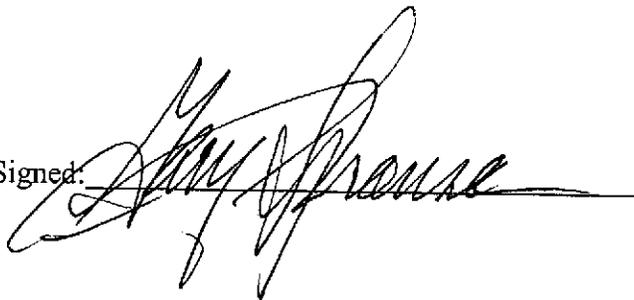
In accordance with 43 CFR 4130.3-2, additional terms and conditions will be included in the grazing permit for Blue Diamond Oil Corporation. These additional terms and conditions are both general and allotment specific. Except for the newly acquired White rock Allotment, reference is made to the existing grazing permit signed 02/26/03 for terms and conditions on the other 15 allotments and 2 trails mentioned above. These additional terms and conditions will be specified in the new grazing permit.

***White Rock Allotment***

There are no specific terms and conditions listed on the current term grazing permit held by Quarter Circle Five Ranches. Through a signed grazing agreement, Quarter Circle Five Ranches has been practicing livestock management through a holistic resource management approach. An annual biological plan has been submitted to BLM for each grazing year. Season of use is year-long.

BLM will continue to work with Blue Diamond Oil Corporation on an annual basis to identify livestock management practices to be implemented for each year in the White rock Allotment. Blue Diamond Oil will graze according to a grazing plan for the entire livestock operation, as identified in the recent ten year grazing agreement reached between BLM and Blue Diamond Oil Corporation.

Signed:



Date:

1/24/06

01201	Wilson Creek/ Deadman	1,391	Sheep	03/01	04/10	100	A	375
		1,391	Sheep	11/01	02/28	100	A	1,098
		106	Cattle	03/01	03/31	100	A	108
		106	Cattle	01/01	02/28	100	A	206
11001	Fox Mountain/East	3,525	Sheep	03/01	04/10	100	A	950
		3,525	Sheep	11/01	02/28	100	A	2,781
11001	Fox Mountain/West	2,065	Sheep	03/01	04/10	100	A	557
		2,065	Sheep	11/01	02/28	100	A	1,629
		76	Cattle	03/01	04/10	100	A	102
		76	Cattle	11/01	02/28	100	A	300
10108	Coal Valley Lake	373	Sheep	03/01	04/10	100	A	101
		373	Sheep	11/01	02/28	100	A	294
11002	Narrows	904	Sheep	12/01	02/28	100	A	535
11005	White River Trail	626	Sheep	03/01	04/10	100	A	169
		626	Sheep	11/01	02/28	100	A	494
00913	Little White Rock	471	Sheep	05/01	11/01	92	A	527
		67	Cattle	05/01	11/01	92	A	375
00902	White Rock*							
	Williams Creek							
	Native	**	Cattle	03/01	02/28	100	A	633
	South Steptoe Sdng		Cattle	03/01	02/28	100	A	846
	Cabin Sdng		Cattle	03/01	02/28	100	A	90
	North Horse Camp Sdng		Cattle	03/01	02/28	100	A	659
	White Rock Total							2,228

\* Cattle grazing privileges are being transferred from the Quarter Circle Five Grazing permit (Jeff Gardner) to the Blue Diamond Oil Corp. Grazing Permit (Gary Sprouse) for four pastures in the White rock Allotment

\*\* Cattle numbers will vary according to annual climatic conditions and the season of use.

#### Terms and Conditions:

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