IN THE OFFICE OF THE STATE ENGINEER OF THE STATE OF NEVADA

In the Matter of Application No. 67205
Filed By Nevada Land & Resource
Company, LLC on February 8, 2001,
To Appropriate The Waters of an
Underground Source in Pershing County

PROTEST

FILED
MAY 18 2001
STATE ENGINEER'S OFFICE

COMES NOW SILVER HILL ENERGY ASSOCIATES, LLC, and protests the granting of Application Number 67205 filed on February 8, 2001 by Nevada Land & Resource Company, LLC to appropriate the waters of an underground source situated in Pershing County, State of Nevada, for the following reasons and on the following grounds, to-wit:

The applicant has filed the above application for speculation purposes. The applicant has no capacity or intention of placing the water to a beneficial use. Speculation of water is contrary to public policy, as set forth in NRS 533.370(1)(c). That statute reads in part as follows: "The applicant provides proof satisfactory to the state engineer of: (i) his intention and good faith to construct any work necessary to apply the water to the intended beneficial use with reasonable diligence; and (ii) his financial ability and reasonable expectation actually to construct the work and apply the water to the intended beneficial use with reasonable diligence."

The applicant is not in the power production business, but wishes to appropriate water to sell (Applications 67152, 67195, 67243) to a power producer. The applicant does not have a reasonable expectation to apply the water for its intended beneficial use and does not have the financial ability to contract and operate a power plant. It is well known that under current market and pricing conditions, the placing of undeveloped real property under cultivation, with ground water being the sole source of supply, is unprofitable and not in the public interest. Stated differently, there is no profit in what is commonly known as pump water farms. This is especially true in that the initial drilling, casing and equipping of wells, the brushing, leveling and initial planting of farm property far exceeds the value of the finished product, assuming it is even sellable.

Further, the rate of diversion sought by this application is unreasonably high, amounting to speculation.

THEREFORE the protestant requests that the application be denied and that an order be entered for such relief as the State Engineer deems just and proper.

SILVER HILL ENERGY ASSOCIATES, LLC

By _____
Ross E. de Lipkau, Agent
P. O. Box 2790, Reno, NV 89505-2790

Subscribed and Sworn to before me
this 17th day of May, 2001.

_____
Notary Public

LINDA B. ELLER
Notary Public - State of Nevada
Appointment Recorded in Washoe County
No: 94-0690-2 - EXPIRES FEB. 9, 2002