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

FILED
DEC 23 2008
STATE ENGINEER'S OFFICE

IN THE MATTER OF APPLICATION NUMBER. 77526

FILED BY. KOBEH VALLEY RANCH LLC (C/O GENERAL MOLY, INC.)

ON OCTOBER 23, 2008, TO APPROPRIATE THE

WATERS OF UNDERGROUND (EUREKA COUNTY)

**PROTEST**

Comes now EUREKA COUNTY
Printed or typed name of protestant

whose post office address is P.O. BOX 677, EUREKA, NEVADA 89316
Street No. Or P.O. Box, City, State and Zip Code.

whose occupation is POLITICAL SUBDIVISION and protests the granting

of Application Number 77526 filed on OCTOBER 23, 2008

by KOBEH VALLEY RANCH LLC (c/o General Moly, Inc.) to appropriate the

waters of UNDERGROUND situated in EUREKA
Underground or name of stream, lake, spring or other source

County, State of Nevada, for the following reasons and on the following grounds, to wit:

SEE EXHIBIT "A" ATTACHED

THEREFORE the Protestant requests that the application be DENIED
Denied, issued subject to prior rights, etc., as the case may be

and that an order be entered for such relief as the State Engineer deems just and proper.

Signed .....
Agent or protestant

J.P. "JIM" ITHURRALDE, CHAIRMAN, CO. COMMISSIONERS
Printed or typed name, if agent

Address P.O. Box 677
Street No. or P.O. Box No.

EUREKA, NEVADA 89316
City, State and Zip Code No.

2008 DEC 23 PM 3:32
STATE ENGINEER'S OFFICE

Subscribed and sworn to before me this 19th day of DECEMBER, 2008

JACKIE J. BERG
NOTARY PUBLIC, STATE OF NEVADA
EUREKA COUNTY• NEVADA
CERTIFICATE # 05-100599-8
APPT. EXP. OCT. 6, 2009

Notary Public

State of NEVADA

County of EUREKA

**$25 FILING FEE MUST ACCOMPANY PROTEST. PROTEST MUST BE FILED IN DUPLICATE.**
**ALL COPIES MUST CONTAIN ORIGINAL SIGNATURE.**

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Exhibit "A"
Eureka County Protests to Kobeh Valley Ranch LLC
Application Nos. 77171, 77174, 77175, 77525, 77526 and 77527

1. These change applications were filed to change the point of diversion of change applications previously filed by this applicant for use by General Moly, Inc. for a mining project. Eureka County protested the previous change applications. Eureka County refers to and incorporates by reference its protest and the evidence on file with the State Engineer's office for the protest hearing held October 13-October 17, 2008 with regard to the change applications.

2. Kobeh Valley is a designated basin. Ground water in the basin is fully or nearly fully appropriated by permits and certificates which total approximately 18,000 acre-feet per year. The perennial yield of the basin is approximately 16,000 acre-feet per year, which assumes that the natural groundwater discharge (phreatophyte evapotranspiration) from the basin can be captured over the long term per a study prepared for General Moly. In Kobeh Valley, most naturally recharged groundwater is discharged by phreatophytic vegetation on the valley floor, with a reconnaissance-level evapotranspiration estimate by the USGS of 15,000 acre-feet per year. The proposed use will not be capturing phreatophytic discharge. The valley floor phreatophytic vegetation will continue to occur notwithstanding the mine's pumping. The groundwater discharged in the Kobeh Valley hydrographic basin by phreatophytic vegetation and applicant's pumping will total approximately 26,300 acre-feet per year. In addition, General Moly's model simulates 1,900 acre-feet per year inflow from Kobeh Valley to Diamond Valley. These total amounts are in excess of the perennial yield of the basin and result in an overdraft situation for the basin. Granting the change applications will cause the basin to be over pumped to the detriment of the basin and prior existing water rights holders.

3. Existing USGS reports suggests that Kobeh Valley may provide underground flow to Diamond Valley. The applicant's groundwater model simulates such an underflow also. Sustained over pumping in Kobeh Valley is likely to reduce that amount and affect prior existing municipal water rights held by Eureka County and Devils Gate GID that supply the majority of the population in Diamond Valley.

4. Sustained over-pumping in Kobeh Valley is likely to impact irrigation and stockwatering water right holders in Kobeh Valley and impact domestic well owners. Sustained over-pumping in Kobeh Valley may impact irrigation and stockwatering water rights and impact domestic well owners in Diamond Valley and Pine Valley. The owners of these rights contribute to the long-term economic viability of the greater Eureka community; therefore, unless adequately mitigated, such impacts may prove detrimental to the health and welfare of Eureka County.

5. General Moly's model simulates impacts to springs, creeks, streams and existing water rights from the mine's proposed pumping for its consumption use mining activities and its pit pumping. General Moly acknowledges that cessation of pumping is not a mitigation measure available to the State Engineer if the subject applications are granted. Therefore, an effective monitoring and mitigation plan is essential, along with the development of a reasonably accurate model, prior to the development or pumping of any water for this

project. General Moly has acknowledged that Eureka County should be involved in this additional study and modeling and the development of an effective monitoring and mitigation plan.

6. Hydrologic properties of the proposed points of diversion are currently being determined and analyzed; therefore, impacts associated with sustained pumping of substantial water rights at the proposed points of diversion are not known. General Moly's model report acknowledges that on a regional scale there will be impacts to existing surface water and underground water rights from the proposed plan of pumping. The pit dewatering requires pumping of additional water from Diamond Valley, currently over appropriated and over pumped. Propagation of the cone of depression from the proposed points of diversion must be adequately determined prior to granting the applications. The applicant acknowledges that Eureka County should be involved in the review of all hydrologic data offered in support of the applications. General Moly has acknowledged that Eureka County should be involved in this additional study and modeling and the development of an effective monitoring and mitigation plan.

7. The proposed points of diversion for these applications lie in Basin 139, while the proposed place of use may ultimately include portions of Basin 153 (Diamond Valley) and Basin 53 (Pine Valley); therefore the applications may call for a transfer of ground water out of the source basin for use in another basin. Compliance with the requirements of NRS 533.370(6) must be met.

8. The works necessary to achieve beneficial use of the subject water rights are substantial and costly. The applicant has not shown the State Engineer proof satisfactory of its financial ability and reasonable expectation actually to construct the work and apply the water to the intended beneficial use with reasonably diligence. In a newspaper article dated November 7, 2008, General Moly's chief executive officer indicated that the project might be put on hold in early 2009. As of December 22, 2008, General Moly's stock price was $0.78 per share, down from a 52 week high of $12.58 per share. General Moly's financial filings and press releases indicate its current cash balance is anticipated to fund the Company through the first quarter of 2009. Additional financing is not in place. There is no reasonable probability that the financing necessary for the project (estimated costs of over $1billion) is available to General Moly to go forward with the project or is forthcoming.

9. As noted in Item 15 of the Applications, the applications are intended to be utilized in conjunction with other applications previously filed by Idaho General Mines, Inc. and Kobeh Valley Ranch LLC for the Mt. Hope Mine project. All of the applications filed by the applicant cannot be granted because the amount of water applied for over 40,000 afa greatly exceeds the 11,300 afa the applicant states is necessary for its mining project.

10. Eureka County recognizes that the custom and culture of mining is part of its history and appreciates the role mining plays in its local and regional economy. Eureka County welcomes new opportunity for mining in its communities as long as mine development is

not detrimental to existing economic or cultural activity. This protest is aimed at ensuring that any development of water resources in Kobeh Valley is conducted in full accordance with Nevada law, the Eureka County Master Plan and related ordinances, and does not unduly threaten the health and welfare of Eureka County citizens. The State Engineer must ensure that these ground water resources are not effectively depleted for further use after General Moly ceases its mining activities and limit the use of the water to use in Eureka County.

11. The manner of use of water under the subject applications is by nature of its activity a temporary use. Because it is a temporary use, any permits granted should be subject to a restriction that at the end of the mining use, the water will revert back to the source. As of June 16, 2008, General Moly's consultant's report indicated that a majority of the water sought to be pumped would come from groundwater storage. The State Engineer has previously recognized that water sought to be appropriated from groundwater storage is not a permanent water right.

12. The State Engineer should consider the consumptive use of the water rights sought to be changed and the consumptive use of the proposed beneficial use of water in determining whether the proposed change in the place of diversion, manner of use and place of use complies with the provisions of NRS 533.3703. The subject change applications seek to change previously filed changed applications. The original change applications sought a change in the manner of use from agricultural to mining and milling purposes.

13. Should these protests result in hearings before the State Engineer, Eureka County requests that such hearings be held in Eureka to facilitate access by protestants.