

**NEW CASTLE RESERVOIR COMPANY AND SANTA CLARA
WATER RIGHT SETTLEMENT AGREEMENT**

This Agreement (the "Agreement") is made and entered into by and among the Lower Gunlock Reservoir Corporation; the New Santa Clara Field Canal Company; the City of St. George, Utah; the St. George Clara Field Canal Company; the Bloomington Canal Company; Edward Bowler; Lower Gunlock Irrigation Company; Ivins Irrigation Company; the Washington County Water Conservancy District (the "Santa Clara Water Users"); and the New Castle Reservoir Company ("New Castle") and the Utah Board of Water Resources ("Water Resources") sometimes referred to herein as the Parties.

RECITALS

A. On July 21, 1980, the State of Utah, pursuant to Title 73, Chapter 4, Utah Code as amended, initiated a statutory adjudication of water rights in the Fifth Judicial District Court of the State of Utah in and for Washington County, Civil No. 800507596, which encompasses the rights to the use of water, both surface and underground, within the drainage area of the Virgin River and its tributaries in Utah ("Virgin River Adjudication"), including the Santa Clara Drainage System ("Santa Clara System").

B. The United States of America was joined as a party in the Virgin River Adjudication pursuant to 43 USC § 666. On February 17, 1987, the United States filed a Statement of Water Users Claim asserting water rights based on state law and a federal reserved water rights claim for the benefit of the Shivwits Band.

C. Pursuant to Title 73, Chapter 4, Utah Code as amended, the State Engineer prepared and served upon the water users of the Santa Clara River System the Proposed Determination of Water Rights in March of 1988 (the "Santa Clara River Proposed Determination").

D. In September 1999, the State Engineer issued an Addendum to the Santa Clara River Proposed Determination setting forth certain additional water rights and disallowed claims.

E. To assist in stabilizing the water supply from the Santa Clara System, the Santa Clara Water Users entered into the Santa Clara Project Agreement (the "SCPA") that provided for pooling the water rights of certain Parties, the construction of a pressurized pipeline from the Gunlock Reservoir to the lower Santa Clara River along with main lateral pipelines resulting in the delivery of water, improved the efficiency of water delivery, conserved water and provided for additional instream flow in the Santa Clara River below Gunlock Reservoir, and helped alleviate water shortages in the Santa Clara System.

F. The SCPA also recognized the water right of the Shivwits Band from the Santa Clara System. The water right of the Shivwits Band was set forth in the 2001 Shivwits Band "Water Right Settlement Agreement" among the Shivwits Band, the United State of America, the State of Utah and the Santa Clara Water Users ("Shivwits Agreement"). In June 2002, based upon the Shivwits Agreement, the State Engineer prepared an Addendum entitled "Shivwits Subdivision Santa Clara Proposed Determination" which incorporated the Shivwits Band water right. The Shivwits Agreement was confirmed by the District Court on May 2, 2003.

G. It is the understanding and belief of the Parties that this Agreement will not impact the Shivwits Agreement. It remains the intent of the Parties to comply with the terms of the Shivwits Agreement.

H. It was the understanding and belief of the Parties that in entering into the Shivwits Agreement the United States, on behalf of the Shivwits Band, waived any objection to other water right claims on the Santa Clara system. It was the expectation of the Parties that entering

into the Shivwits Agreement would resolve all of the Shivwits Band claims regarding water rights on the Santa Clara system.

I. The Parties agree that they were motivated, in part, to enter into the Shivwits Agreement based upon the understanding that the United States would not object to other water right filings on the Santa Clara system.

J. Despite entering into the Shivwits Agreement, on December 2, 2005, after several years of extending the protest period to accommodate the negotiation and approval of the Shivwits Agreement, the United States filed the United States' Protests and Objections to Proposed Determination and Addendum ("United States' Protest") challenging the Water User Claims of New Castle and Water Resources on behalf of the Shivwits Band.

K. Notwithstanding the United States' Protest, the Parties believe it is in their best interests to enter into this Agreement to clarify the New Castle water right from the Santa Clara System and provide additional detail regarding the use of water on the lower Santa Clara system. In particular, this Agreement is intended to resolve any uncertainty regarding the quantity of water New Castle is entitled to receive through its trans basin diversion tunnel which has been a matter of contention between the Santa Clara Water Users and New Castle. The Parties each understand that the resolution of the United States' Protest could modify the understanding of the Parties and require modification of this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties agree as follows:

1. **The New Castle Water Right.** The Parties agree the "New Castle Water Right" from the Santa Clara River System shall be quantified as follows:

a. New Castle's Water Right from the Santa Clara River System will be limited to 45 cfs from the Santa Clara System until the New Castle Reservoir fills. New Castle's Water Right from this system will then be reduced to 30 cfs subject to a maximum annual diversion of 5,000 acre feet.

b. The period of storage for the New Castle Water Right shall be from January 1 to December 31, inclusive.

c. The New Castle Water Right shall have a priority equal to the primary water rights on the Santa Clara River, but will be subject only to the prior rights in the Grass Valley drainage of the Santa Clara System as provided for in the prior Court Decrees.

d. The New Castle Water Right from the Santa Clara River System as provided for herein will be in addition and supplemental to New Castle's Pinto Creek storage rights.

e. The New Castle Water Right shall constitute Newcastle's sole trans-basin water right from the Santa Clara System, including New Castle's claim to surplus water. New Castle shall modify its water user claims to Water Right Nos. 81-6, 81-8, and 81-10 accordingly.

2. Water Right Distribution. The Parties agree the New Castle Water Right shall be diverted at the Grass Valley Gate under the supervision of the State Engineer and the Santa Clara River Commissioner.

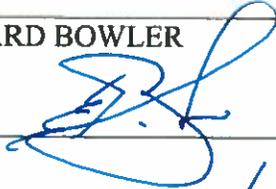
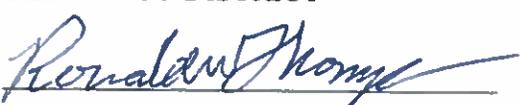
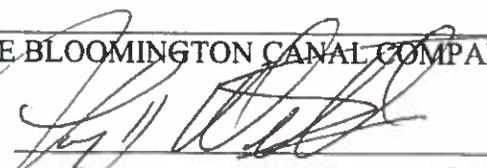
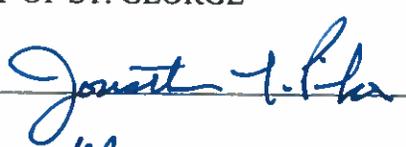
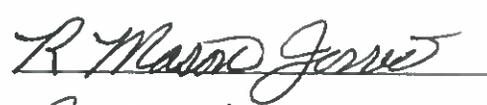
3. Necessary Acts and Cooperation. The Parties shall do any act or thing and execute any and all instruments required by this Agreement and which are necessary and proper to make effective the provisions of this Agreement.

4. Signature Authority. The undersigned representative of each party to the Agreement certifies that he or she is fully authorized to enter into the terms and conditions of this Agreement, to execute it and to bind the party each person represents to this Agreement.

5. Execution of Agreement. This Agreement may be executed in counterparts, each of which shall be deemed original, but of which all together shall constitute one and the same Agreement.

IN WITNESS THEREOF, the parties have executed this Agreement on the day and year written below.

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| NEW SANTA CLARA FIELD CANAL COMPANY By: <u>[Signature]</u> Its: <u>President</u> Date: <u>3/21/16</u> | ST. GEORGE CLARA FIELD CANAL COMPANY By: <u>[Signature]</u> Its: <u>Pres.</u> Date: <u>4/17/17</u> |
| IVINS IRRIGATION COMPANY By: <u>[Signature]</u> Its: <u>President</u> Date: <u>4/7/16</u> | LOWER GUNLOCK RESERVOIR CORPORATION By: <u>[Signature]</u> Its: <u>Pres</u> Date: <u>4/7/17</u> |

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| <p>EDWARD BOWLER</p> <p>By: <u></u></p> <p>Date: <u>3/1/17</u></p> | <p>WASHINGTON COUNTY WATER CONSERVANCY DISTRICT</p> <p>By: <u></u></p> <p>Its: <u>General Manager</u></p> <p>Date: <u>March 1, 2017</u></p> |
| <p>THE BLOOMINGTON CANAL COMPANY</p> <p>By: <u></u></p> <p>Its: <u>Golf Course Supt</u></p> <p>Date: <u>10-11-17</u></p> | <p>CITY OF ST. GEORGE</p> <p>By: <u></u></p> <p>Its: <u>Mayor</u></p> <p>Date: <u>4/20/17</u></p> |
| <p>NEW CASTLE RESERVOIR COMPANY</p> <p>By: <u></u></p> <p>Its: <u>President</u></p> <p>Date: <u>Feb 29, 2016</u></p> | <p>UTAH BOARD OF WATER RESOURCES</p> <p>By: <u></u></p> <p>Its: <u>Director</u></p> <p>Date: <u>March 17, 2016</u></p> |