

**APPLICATION FOR PERMIT TO CHANGE AN EXISTING WATER RIGHT  
CYPRESS, INC.  
EXHIBIT B**

On March 21, 2003, the State Engineer approved Permit No. E-7871 et als. to appropriate 68 acre-feet of water for irrigation, domestic, livestock and ranch related purposes. There are three permitted points of diversion for the permit: E-7871, E-7871-S2, and E-7871-S. E-7871 is out of service indefinitely due to a stuck pump and E-7871-S is undrilled, reducing the number of operating wells under Permit No. E-7871 to one. The applicant is also permitted to divert 12.5 acre-feet of water for the irrigation of 5 acres of land under Permit No. E-6478 et al. from three points of diversion, all of which are drilled and operating, including E-6478-S2. This application proposes to use E-6478-S2 as a supplemental well for Permit No. E-7871 et al., so that the applicant can divert from more than one point of diversion. This will leave wells E-6478 and E-6478-S as the only points of diversion under Permit No. E-6478 et al.

Well E-7871-S was approved to be drilled within the Mancos Shale formation. On March 9, the State Engineer approved a change location of well for E-7871-S. In the conditions of approval for that change dated March 9, 2012, the source of water is noted as groundwater from the aquifer within the Mancos Shale formation and the Dakota Sandstone formation as identified under the points of diversion. Permit No. E-7871 et al allows the applicant to draw from both the Dakota Sandstone and Mancos shale formations. Wells E-7871-S and E-6478-S2 are permitted in the same aquifer.

The applicant will benefit from approval of the application by realizing cost savings in utilizing a well that is already drilled and operable. There is no guarantee that well E-7871-S would produce a sufficient amount or water or an acceptable quality of water if drilled. Well E-6478-S2 is already producing good quality water, and approval of the application will obviate the need for applicant to use its reverse osmosis system for this water. In addition, better quality water will save wear and tear on the applicant's meters.

Permit No. E-7871 et al. allows for multiples uses of the water. Exhibit A to the application designates potential places of use for irrigation, which will be confirmed when applicant submits its proof of beneficial use. The applicant is permitted to use water for the remaining purposes of use on the entire ranch property and, for this reason, has not limited the places of use for those purposes.