

STATE OF OREGON

COUNTY OF YAMHILL

PERMIT TO CONSTRUCT A RESERVOIR AND STORE THE PUBLIC WATERS

THIS PERMIT IS HEREBY ISSUED TO

CARLTON HILLS VINEYARD LLC
5 FINANCIAL PLAZA SUITE 102
NAPA, CA 94558

The specific limits and conditions of the use are listed below.

APPLICATION FILE NUMBER: R-85994

SOURCE OF WATER: AN UNNAMED DITCH AND AN UNNAMED STREAM, TRIBUTARIES OF
PANTHER CREEK

STORAGE FACILITY: POND G

PURPOSE OR USE OF THE STORED WATER: TO BE APPROPRIATED UNDER PERMIT
S-54233 FOR IRRIGATION, COMMERCIAL, AGRICULTURE, AND RECREATION USES

MAXIMUM VOLUME: 80.0 ACRE FEET EACH YEAR

PERIOD OF USE: NOVEMBER 1 THROUGH APRIL 30

DATE OF PRIORITY: MAY 5, 2004

POINT OF DIVERSION LOCATIONS:

POD #1 (UNNAMED STREAM): SW 1/4 NE 1/4 SECTION 24, T3S, R5W, W.M.;
1388 FEET SOUTH & 2218 FEET WEST FROM THE
NE CORNER OF SECTION 24

POD #2 (UNNAMED DITCH): NE 1/4 SW 1/4 SECTION 24, T3S, R5W, W.M.;
2265 FEET NORTH & 2650 FEET EAST FROM THE
SW CORNER OF SECTION 24

DAM LOCATION: SW 1/4 SE 1/4 SECTION 24, T3S, R5W, W.M.; 1234 FEET NORTH
& 1913 FEET WEST FROM THE SE CORNER OF SECTION 24

THE AREA TO BE SUBMERGED BY THE RESERVOIR IS LOCATED AS FOLLOWS:

NW 1/4 SE 1/4
SW 1/4 SE 1/4
SECTION 24
TOWNSHIP 3 SOUTH, RANGE 5 WEST, W.M.

Measurement, recording and reporting conditions:

- A. Before water use may begin under this permit, the permittee shall install a meter or other suitable measuring device as approved by the Director. The permittee shall maintain the meter or measuring device in good working order, shall keep a complete record of the amount of water used each month and shall submit a report which includes the recorded water use measurements to the Department annually or more frequently as may be required by the Director. Further, the Director may require the permittee to report general water use information, including the place and nature of use of water under the permit.
- B. The permittee shall allow the watermaster access to the meter or measuring device; provided however, where the meter or measuring device is located within a private structure, the watermaster shall request access upon reasonable notice.

All construction shall be performed under the supervision of a registered professional engineer licensed in Oregon.

No embankment fill shall be placed until preparation of the underlying foundation is complete. No fill materials shall be placed in the core trench until the excavation has been examined in entirety by the engineer of record, or by the Water Resources Dam Safety Engineer, or both.

The constructed works shall conform to the approved plans and specifications on file with the Water Resources Dam Safety program. The engineer of record shall notify the Water Resources Dam Safety program before making any significant change to the approved design prior to or during construction.

No water shall be stored until the Water Resources Department receives written certification from the engineer of record that construction has been completed in accordance with the approved plans and specifications. If final construction deviates from the approved design a set of reproducible as-constructed drawings, including a revised reservoir area/ capacity graph or table, must accompany the engineer's letter of completion.

Routine maintenance or repair of the dam, its spillway and all appurtenant structures shall be performed to include, but not limited to, the removal of woody vegetation or debris, prompt restoration of areas of erosion or to replace defective equipment necessary for the continued safe operation of the project works.

Except for routine repair and maintenance, design plans and specifications must be prepared by an Oregon licensed professional engineer and approved by the Water Resources Dam Safety program prior to any enlargement, modification, or alteration of the dam, its spillway or any appurtenant structure.

An operations and maintenance (O&M) manual meeting the approval of the Water Resources Dam Safety program shall be prepared prior to initial filling of the reservoir.

STANDARD CONDITIONS

Use under this permit is limited to the reservoir area. This permit does not provide for the appropriation of water for maintaining the water level or maintaining a suitable fresh water condition.

The storage of water allowed herein is subject to the installation and maintenance of a fully functional conduit/gate assembly having a minimum diameter of 8 inches.

Failure to comply with any of the provisions of this permit may result in action including, but not limited to, restrictions on the use, civil penalties, or cancellation of the permit.

This permit is for the beneficial use of water without waste. The water user is advised that new regulations may require the use of best practical technologies or conservation practices to achieve this end.

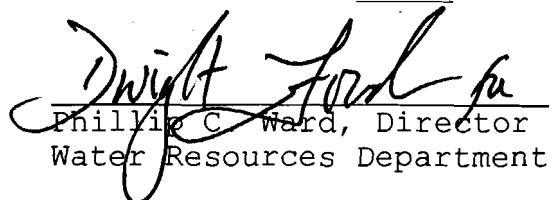
By law, the land use associated with this water use must be in compliance with statewide land-use goals and any local acknowledged land-use plan.

The use of water allowed herein may be made only at times when sufficient water is available to satisfy all prior rights, including prior rights for maintaining instream flows.

The reservoir shall be filled and complete application of the water to the use shall be made on or before October 1, 2010. If the water is not completely applied before this date, and the permittee wishes to continue development under the permit, the permittee must submit an application for extension of time, which may be approved based upon the merit of the application.

Within one year after complete application of water to the proposed use, the permittee shall submit a claim of beneficial use, which includes a map and report, prepared by a Certified Water Rights Examiner (CWRE).

Issued November 17, 2005


Phillip C. Ward, Director
Water Resources Department