STATE OF OREGON

COUNTY OF YAMHILL

PERMIT TO APPROPRIATE THE PUBLIC WATERS

THIS PERMIT IS HEREBY ISSUED TO

KNUDSEN VINEYARDS 17000 N.E. KNUDSEN LANE DUNDEE, OREGON 97115

503-538-3318

to use the waters of KUNDSEN RESERVOIR # 2, CONSTRUCTED UNDER APPLICATION R-71763, PERMIT R-11455, tributary of HESS CREEK, for SUPPLEMENTAL IRRIGATION OF 134.2 ACRES.

This permit is issued approving Application 71764. The date of priority is JULY 19, 1991. The use is limited to not more than 11.5 ACRE-FEET OF STORED WATER ONLY, or its equivalent in case of rotation, measured at the point of diversion from the source.

The point of diversion is located as follows:

NW 1/4 NE 1/4, SECTION 33, T 3 S, R 3 W, W.M.; 175 FEET SOUTH AND 1660 FEET WEST FROM NE CORNER, SECTION 33.

The amount of water used for irrigation under this right, together with the amount secured under any other right existing for the same lands, is limited to a diversion of ONE-EIGHTIETH of one cubic foot per second (or its equivalent) and 2.5 acre-feet for each acre irrigated during the irrigation season of each year from direct flow and storage. This right is limited to any deficiency in the available supply of any prior right existing for the same land.

Diversion screening shall be designed, installed, and operated to Oregon Department of Fish & Wildlife specifications.

The use shall conform to such reasonable rotation system as may be ordered by the proper state officer.

A description of the proposed place of use under this permit is as follows:

SW 1/4 NE 1/4 30.9 ACRES SW 1/4 NW 1/4 3.4 ACRES SE 1/4 NW 1/4 31.7 ACRES NE 1/4 SW 1/4 18.8 ACRES SE 1/4 SW 1/4 3.0 ACRES

NW 1/4 SE 1/4 21.5 ACRES SW 1/4 SE 1/4 24.9 ACRES

SECTION 28

TOWNSHIP 3 SOUTH, RANGE 3 WEST, W.M.

Actual construction work shall begin on or before May 26, 1993, and shall be completed on or before October 1, 1995. Complete application of the water to the use shall be made on or before October 1, 1996.

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.

Application 71764

Water Resources Department

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

Issued this date, MAY 26, 1992.

Water Resources Department Martha O. Pagel Director