

**Oregon Water Resources Department
Water Rights/Adjudications Division**

Water Rights Application
Number G-12672

Final Order Incorporating Settlement Agreement

Hearing and Appeal Rights

Under the provisions of ORS 537.170 and ORS 537.622, the applicant may request a contested case hearing by submitting the information required for a protest under ORS 537.153(6) or ORS 537.621(7) to the Department within 14 days after the date of mailing of this order as shown below. If a contested case hearing is requested, the Department must schedule one. In the contested case hearing, however, only those issues based on the modifications to the Proposed Final Order may be addressed.

ORS 536.075 allows for additional appeal rights for other than contested case. This is a Final Order in other than contested case. This order is subject to judicial review under ORS 183.484. Any petition for judicial review must be filed within the 60 day time period specified by ORS 183.484(2). Pursuant to ORS 536.075 and OAR 137-004-0080 you may either petition for judicial review or petition the Director for reconsideration of this order. A petition for reconsideration may be granted or denied by the Director, and if no action is taken within 60 days following the date the petition was filed, the petition shall be deemed denied.

This statement of judicial review rights does not create a right to judicial review of this order, if judicial review is otherwise precluded by law. Where no changes have been made to a Proposed Final Order on a water right application and no protests have been filed during the protest period, the Final Order is not subject to judicial review.

Application History

On October 3, 1991, Morse Brothers Inc. submitted an application to the Department for a water use permit. The Department issued a Proposed Final Order on January 9, 1996.

On January 12, 1996, a timely protest was filed by the applicant.

A Settlement Agreement was signed by all parties as of August 18, 2010. The terms of the Settlement Agreement have been incorporated into this Final Order and a copy of the Settlement Agreement is included below.

Findings of Fact

Upon further review, the Department found the application was erroneously reviewed under OAR 690-502-0040(1), which limits the season of use based on classification. Under ORS 536.031, the Department may only apply rules that have been in effect as of the date an application is accepted. Application G-12678 was accepted October 3, 1991, which was prior to the time when OAR 690-502-0040(1) was adopted. Therefore, the

determination that water may only be appropriated September 1 through June 30 is in error. The correct season of use is year-round.

The Protestant and the Department have agreed to permit conditions set forth in the attached permit, including the following standard conditions which modify the Proposed Final Order:

Measurement, recording and reporting conditions:

- A. Before water use may begin under this permit, the permittee shall install a totalizing flow meter or other suitable measuring device as approved by the Director at each point of appropriation. The permittee shall maintain the meter or measuring device in good working order.
- B. The permittee 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.
- C. The permittee shall allow the watermaster access to the meter or measuring device; provided however, where any meter or measuring device is located within a private structure, the watermaster shall request access upon reasonable notice.
- D. The Director may provide an opportunity for the permittee to submit alternative measuring and reporting procedures for review and approval.

Prior to using water from any well listed on this permit, the permittee shall ensure that the well has been assigned an OWRD Well Identification Number (Well ID tag), which shall be permanently attached to the well. The Well ID shall be used as a reference in any correspondence regarding the well, including any reports of water use, water level, or pump test data.

If the number, location, source, or construction of any well deviates from that proposed in the permit application or required by permit conditions, this permit may be subject to cancellation, unless the Department authorizes the change in writing.

If substantial interference with a senior water right occurs due to withdrawal of water from any well listed on this permit, then use of water from the well(s) shall be discontinued or reduced and/or the schedule of withdrawal shall be regulated until or unless the Department approves or implements an alternative administrative action to mitigate the interference. The Department encourages junior and senior appropriators to jointly develop plans to mitigate interferences.

If the riparian area is disturbed in the process of developing a point of appropriation, the permittee shall be responsible for restoration and enhancement of such riparian area in accordance with ODFW's Fish and Wildlife Habitat Mitigation Policy OAR 635-415. For purposes of mitigation, the ODFW Fish and Wildlife Habitat Mitigation Goals and Standards, OAR 635-415, shall be followed.

The use may be restricted if the quality of downstream waters decreases to the point that those waters no longer meet existing state or federal water quality standards due to reduced flows.

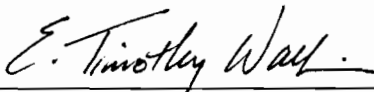
Where two or more water users agree among themselves as to the manner of rotation in the use of water and such agreement is placed in writing and filed by such water users with the watermaster, and such rotation system does not infringe upon such prior rights of any water user not a party to such rotation plan, the watermaster shall distribute the water according to such agreement.

The proposed use would not impair or be detrimental to the public interest.

Order

Application G-12672 is therefore approved pursuant as proposed by the Proposed Final Order further modified by the Settlement Agreement, and Permit G-16787 is issued as limited by the conditions proposed by the Proposed Final Order and Settlement Agreement.

DATED September 16, 2010



for Phillip C. Ward, Director
Water Resources Department

This document was prepared by Kerry Kavanagh. If you have any questions about any of the statements contained in this document I am most likely the best person to answer your questions. You can reach me at 503-986-0816.

If you have questions about how to file a protest or a request for standing, please refer to the section in this Final Order entitled "Hearing and Appeal Rights". If you have previously filed a protest and want to know its status, please contact Patricia McCarty at 503-986-0820.

If you have other questions about the Department or any of its programs please contact our Customer Service Group at 503-986-0801.

Address all other correspondence to: Water Rights Section, Oregon Water Resources Department, 725 Summer St NE Ste A, Salem OR 97301-1266, Fax: 503-986-0901.

**BEFORE THE WATER RESOURCES DEPARTMENT
OF THE STATE OF OREGON**

RECEIVED

In the Matter of Water Right Applications)
G-12672, G-12677 and G-12678 in the name)
of Morse Bros., Inc.)
)
Applicant/ Protestant)
)

SETTLEMENT
AGREEMENT

AUG 19 2010
WATER RESOURCES DEP
SALEM, OREGON

The Oregon Water Resources Department (OWRD) and Morse Bros., Inc.(Applicant) and collectively ("the parties") do hereby stipulate and agree in this "Settlement Agreement" (Agreement) as follows:

A. Background

1. On October 3, 1991, the applicant submitted three applications for permits to use ground water.
2. On December 19, 1995 OWRD issued a Proposed Final Order on G-12677 and G-12678. On January 9, 1996, OWRD issued a Proposed Final Order on G-12672.
3. On January 2, 1996 the applicant filed a protest to the Proposed Final Orders on G-12677 and G-12678. On January 12, 1996, the applicant filed a protest to the Proposed Final Order on G-12672.
4. OWRD and the Applicant agree that all issues related to Applications G-12672, G-12677 and G-12678 are resolved solely on the following terms.

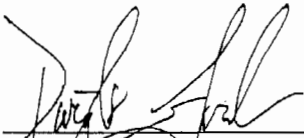
B. Consent

1. The Applicant hereby acknowledges that it has read and understands the terms of this Agreement, and the terms of each draft Final Order Incorporating Settlement Agreement and each draft permit for Application G-12672, G-12677 and G-12678 which are hereby incorporated by reference.
2. The Applicant understands and agrees that this Agreement and all documents incorporated by reference set forth the entire Agreement of the parties.
3. The Applicant understands and agrees that this Agreement and each of the Final Order Incorporating Settlement Agreements and permits issued pursuant to this Agreement constitute the complete and final resolution of the protests on the Proposed Final Order for G-12672, G-12677 and G-12678.
4. Effective upon the issuance by OWRD of the Final Order Incorporating Settlement Agreement and permit the Applicant waives any and all rights to petition for judicial review of this Agreement, waives any and all rights to request reconsideration, petition

for judicial review or appeal each of the Final Orders Incorporating Settlement Agreement and permits for Application G-12672, G-12677 and G-12678.

C. Terms of the Agreement

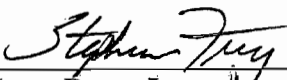
1. Within 60 days of the signing of this Agreement by all parties, the OWRD shall issue a Final Order Incorporating Settlement Agreement and permit consistent with the attached draft permit for each application G-12672, G-12677 and G-12678.
2. Each party to this Settlement Agreement represents, warrants, and agrees that the person who executed this Agreement on its behalf has the full right and authority to enter into this Agreement on behalf of that party and bind that party to the terms of this Settlement Agreement.
3. Each party to this Settlement Agreement certifies that it has had a reasonable opportunity to review and request changes to the Settlement Agreement, and that it has signed this Settlement Agreement of its own free will and accord.
4. Each party to this Settlement Agreement certifies that it has read the entire Settlement Agreement, including the draft Final Order Incorporating Settlement Agreement and draft permit, and understands and agrees with the contents thereof.
5. The parties agree that nothing in this Settlement Agreement establishes factual, legal, or policy precedent.
6. This Settlement Agreement may be signed in counterparts.



Dwight French, Administrator,
Water Rights and Adjudications Division
for
Phillip C. Ward, Director
Oregon Water Resources Department

6-10-10

Date



Morse Bros., Inc. AS A KNIFE RIVER

8/18/2010

Date

**Oregon Water Resources Department
Water Rights/Adjudications Division**

Water Rights Application
Number G-12672

Draft Final Order Incorporating Settlement Agreement

Hearing and Appeal Rights

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The Protestant and the Department have agreed to permit conditions set forth in the attached draft permit, including the following standard conditions which modify the Proposed Final Order:

Measurement, recording and reporting conditions:

- A. Before water use may begin under this permit, the permittee shall install a totalizing flow meter or other suitable measuring device as approved by the Director at each point of appropriation. The permittee shall maintain the meter or measuring device in good working order.
- B. The permittee 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.
- C. The permittee shall allow the watermaster access to the meter or measuring device; provided however, where any meter or measuring device is located within a private structure, the watermaster shall request access upon reasonable notice.
- D. The Director may provide an opportunity for the permittee to submit alternative measuring and reporting procedures for review and approval.

Prior to using water from any well listed on this permit, the permittee shall ensure that the well has been assigned an OWRD Well Identification Number (Well ID tag), which shall be permanently attached to the well. The Well ID shall be used as a reference in any correspondence regarding the well, including any reports of water use, water level, or pump test data.

If the number, location, source, or construction of any well deviates from that proposed in the permit application or required by permit conditions, this permit may be subject to cancellation, unless the Department authorizes the change in writing.

If substantial interference with a senior water right occurs due to withdrawal of water from any well listed on this permit, then use of water from the well(s) shall be discontinued or reduced and/or the schedule of withdrawal shall be regulated until or unless the Department approves or implements an alternative administrative action to mitigate the interference. The Department encourages junior and senior appropriators to jointly develop plans to mitigate interferences.

If the riparian area is disturbed in the process of developing a point of appropriation, the permittee shall be responsible for restoration and enhancement of such riparian area in accordance with ODFW's Fish and Wildlife Habitat Mitigation Policy OAR 635-415. For purposes of mitigation, the ODFW Fish and Wildlife Habitat Mitigation Goals and Standards, OAR 635-415, shall be followed.

The use may be restricted if the quality of downstream waters decreases to the point that those waters no longer meet existing state or federal water quality standards due to reduced flows.

Where two or more water users agree among themselves as to the manner of rotation in the use of water and such agreement is placed in writing and filed by such water users with the watermaster, and such rotation system does not infringe upon such prior rights of any water user not a party to such rotation plan, the watermaster shall distribute the water according to such agreement.

The proposed use would not impair or be detrimental to the public interest.

Order

Application G-12672 is therefore approved with these modifications to the Proposed Final Order. Upon meeting the "Terms of Agreement" as described in the attached Settlement Agreement, a permit shall be issued authorizing the proposed water use.

Failure to meet this requirement within 60 days from the date of this Final Order may result in the proposed rejection of the application.

If you need to request additional time, your written request should be received in the Salem office of the Department within 60 days of this Final Order. The Department will evaluate the request and determine whether or not the request may be approved.

DATED

-- DRAFT ---

for Phillip C. Ward, Director
Water Resources Department

This document was prepared by Kerry Kavanagh. If you have any questions about any of the statements contained in this document I am most likely the best person to answer your questions. You can reach me at 503-986-0816.

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If you have other questions about the Department or any of its programs please contact our Customer Service Group at 503-986-0801.

Address all other correspondence to: Water Rights Section, Oregon Water Resources Department, 725 Summer St NE Ste A, Salem OR 97301-1266, Fax: 503-986-0901.

DRAFT

This is not a permit.
STATE OF OREGON

DRAFT

COUNTY OF MARION

DRAFT PERMIT TO APPROPRIATE THE PUBLIC WATERS

THIS DRAFT PERMIT IS HEREBY ISSUED TO

MORSE BROTHERS, INC.
32260 HWY 34
TANGENT, OREGON 97389

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

APPLICATION FILE NUMBER: G-12672

SOURCE OF WATER: THREE SUMPS, POOLED IN ONE POND, TRIBUTARY OF FINNEY AND EGAN LAKE DRAINAGE WITHIN THE WILLAMETTE BASIN

PURPOSE OR USE: INDUSTRIAL USE

RATE OF USE: NOT TO EXCEED 9.81 CUBIC FEET PER SECOND (CFS), FURTHER LIMITED TO 2.23 CFS FROM SUMP #1, 2.23 CFS FROM SUMP #2, AND 5.35 CFS FROM SUMP #3

PERIOD OF ALLOWED USE: YEAR-ROUND

DATE OF PRIORITY: OCTOBER 3, 1991

POINTS OF APPROPRIATION LOCATIONS:

SUMP #1 - SW 1/4 SW 1/4, T 6 S, R 3 W, W.M.; 760 FEET NORTH & 570 FEET EAST FROM SW CORNER, SECTION 12

SUMP #2 - SW 1/4 SW 1/4, T 6 S, R 3 W, W.M.; 770 FEET NORTH & 740 FEET EAST FROM SW CORNER, SECTION 12

SUMP #3 - SW 1/4 SW 1/4, T 6 S, R 3 W, W.M.; 930 FEET NORTH & 890 FEET EAST FROM SW CORNER, SECTION 12

THE PLACE OF USE IS LOCATED AS FOLLOWS:

NE 1/4 SE 1/4
SE 1/4 SE 1/4
SECTION 11

THE PLACE OF USE IS LOCATED AS FOLLOWS (continued):

NE 1/4 SW 1/4
NW 1/4 SW 1/4
SW 1/4 SW 1/4
SE 1/4 SW 1/4
SECTION 12

NE 1/4 NW 1/4
NW 1/4 NW 1/4
SECTION 13

TOWNSHIP 6 SOUTH, RANGE 3 WEST, W.M.

Measurement, recording and reporting conditions:

- A. Before water use may begin under this permit, the permittee shall install a totalizing flow meter or other suitable measuring device as approved by the Director at each point of appropriation. The permittee shall maintain the meter or measuring device in good working order.
- B. The permittee 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.
- C. The permittee shall allow the watermaster access to the meter or measuring device; provided however, where any meter or measuring device is located within a private structure, the watermaster shall request access upon reasonable notice.
- D. The Director may provide an opportunity for the permittee to submit alternative measuring and reporting procedures for review and approval.

The water user shall install and maintain adequate treatment facilities meeting current DEQ requirements to remove sediment before returning the water to the stream.

Prior to using water from any well listed on this permit, the permittee shall ensure that the well has been assigned an OWRD Well Identification Number (Well ID tag), which shall be permanently attached to the well. The Well ID shall be used as a reference in any correspondence regarding the well, including any reports of water use, water level, or pump test data.

STANDARD CONDITIONS

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.

If the number, location, source, or construction of any well deviates from that proposed in the permit application or required by permit conditions, this permit may be subject to cancellation, unless the Department authorizes the change in writing.

If substantial interference with a senior water right occurs due to withdrawal of water from any well listed on this permit, then use of water from the well(s) shall be discontinued or reduced and/or the schedule of withdrawal shall be regulated until or unless the Department approves or implements an alternative administrative action to mitigate the interference. The Department encourages junior and senior appropriators to jointly develop plans to mitigate interferences.

The well(s) shall be constructed in accordance with the General Standards for the Construction and Maintenance of Water Wells in Oregon. The works shall be equipped with a usable access port, and may also include an air line and pressure gauge adequate to determine water level elevation in the well at all times.

If the riparian area is disturbed in the process of developing a point of appropriation, the permittee shall be responsible for restoration and enhancement of such riparian area in accordance with ODFW's Fish and Wildlife Habitat Mitigation Policy OAR 635-415. For purposes of mitigation, the ODFW Fish and Wildlife Habitat Mitigation Goals and Standards, OAR 635-415, shall be followed.

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Prior to receiving a certificate of water right, the permit holder shall submit to the Water Resources Department the results of a pump test meeting the Department's standards for each point of appropriation (well), unless an exemption has been obtained in writing under OAR 690-217. The Director may require water-level or pump-test data every ten years thereafter.

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.

Actual construction of the well shall begin within one year of permit issuance. Completion application of the water shall be made within five years of the date of permit issuance. If beneficial use of permitted water has not been made before this date, the permittee may submit an application for extension of time, which may be approved based upon the merit of the application.

Within one year after making beneficial use of water, the permittee shall submit a claim of beneficial use, which includes a map and report, prepared by a Certified Water Rights Examiner.

Issued

DRAFT - THIS IS NOT A PERMIT

for Phillip C. Ward, Director
Water Resources Department