

<p>DISTRICT COURT, WATER DIVISION No. 7, COLORADO Court Address: 1060 East Second Avenue, Durango, CO 81301 Telephone No.: (970) 247-2304</p> <p>CONCERNING THE APPLICATION FOR WATER RIGHTS OF GCC ENERGY, LLC,</p> <p>IN THE LA PLATA RIVER WATERSHED IN LA PLATA COUNTY</p>	<p>▲COURT USE ONLY▲</p>
<p>Attorney for Applicant: Geoffrey M. Craig THE CRAIG LAW FIRM P.C. 813 Main Ave., Suite 206 Durango, CO 81301 Telephone No.: (970) 259-8978 Facsimile No.: (970) 247-3848 E-Mail: gmccraig@mydurango.net Attorney Registration Nos.: 26370</p>	<p>Case No.: 2015CW_____</p> <p>Div.: Ctrm.</p>
<p>APPLICATION FOR CHANGE OF WATER RIGHTS, WATER STORAGE RIGHTS, AND AMENDMENTS TO PLAN FOR AUGMENTATION</p>	

The Applicant, GCC Energy, LLC (“GCC”), by its attorney Geoffrey M. Craig of The Craig Law Firm P.C., hereby files this Application for Change of Water Rights, Water Storage Rights, and Amendments to Plan for Augmentation.

1. Name, address, telephone number of Applicant:

GCC Energy, LLC
c/o Trent Peterson, Vice President
P.O. Box 2827
Durango, CO 81302
(970) 385-4528

Please direct all correspondence to the Applicant’s attorney.

2. Summary of Application. In Case No. 07CW100, GCC changed a portion of Huntington Ranches, LLC’s (“Huntington”) Class A shares in the Hay Gulch Ditch for use in the King Coal II Mine in Hay Gulch. GCC’s water demand has increased since that time. To accommodate

the increased demand and enhance the reliability of its water supply, GCC is changing additional Huntington Class A shares for use in its mining operations.

In Case No. 07CW100, GCC decreed the GCC Reservoir, an underground reservoir located at the mine site to store water from the Huntington Class A shares, the GCC Well Field, and additional water from the La Plata River. GCC has determined that the underground reservoir is not viable. Therefore, GCC is changing the GCC Reservoir rights, and its related water sources, into the Huntington Reservoir, described below. Additionally, GCC is applying for a new water right for the additional capacity of the Huntington Reservoir, and adding the additional Huntington shares changed hereunder as a source for the Huntington Reservoir.

GCC is also amending the GCC Well Field water right to add it as a filling source for the Huntington Reservoir, and to allow the additional Huntington shares changed herein to be diverted through the Well Field. Finally, GCC is amending its plan of augmentation to allow the Huntington shares changed herein to be used for augmentation.

3. Change of Water Rights.

3.1. Hay Gulch Ditch

3.1.1. Previous Decree: Case No. 807, Amended Decree, La Plata County District Court, entered on January 12, 1898.

3.1.2. Decreed point of diversion: The point of diversion for the Hay Gulch Ditch was changed by the court in Case No. 807-B, and is now situated at a point on the west bank of said La Plata River whence the quarter corner on the north line of said Section 23, T35N, R11W, NMPM, bears South 35°55' East 1102.7 ft.

3.1.3. Source: La Plata River.

3.1.4. Appropriation Date: February 8, 1888, Priority No. 3 in the La Plata River Basin.

3.1.5. Decreed Amount: 10.5 cfs. The water right changed herein is attributable to a portion of the share ownership held by Huntington, which owns 63 shares of Class A stock in the Ditch Company ("Class A Shares"), which entitle Huntington to 3.94 cfs of the 1888 Priority

3.1.6. Decreed uses: Irrigation.

3.1.7. Portion of HDG Water Right to be Changed: The water rights in HGD are owned by Hay Gulch Ditch, Inc. ("the Ditch Company"), which allocates water to its shareholders on the basis of 1/16 cfs per share. Huntington Ranches, LLC ("Huntington") owns 63 shares of Class A stock in the Ditch Company, which entitled Huntington to 3.94 cfs of the

1888 Priority decreed to the Hay Gulch Ditch. In this Application, GCC seeks to change that portion of the Hay Gulch Ditch water right owned by Huntington that has historically been used on the 44 acres to be dried up pursuant to this application ("the 44 Acres"). GCC will lease from Huntington the amount of its shares attributable to the 44 Acres for the life of the mine. ("the Second Lease Shares").

3.1.8. Description of Requested Changes:

a. POD: The Second Lease Shares shall continue to be diverted at the headgate of the Hay Gulch Ditch, except when they are diverted through the GCC Well Field as described below.

b. Alternate place of use: GCC's mining facility, located in Sections 19, 20, 30 and 31 in T35N, R11W; Sections 22, 23, 24, 25, 26, 27, 34, 35, and 36 in T35N, R12W; and Sections 2 and 3 in T34N, R12W, NMPM.

c. Additional uses: Commercial, industrial, domestic, augmentation, exchange, and storage. The Second Lease Shares retain their existing decreed use and place of use so that when the Applicant's lease with Huntington is terminated, Huntington may irrigate the historically irrigated land using the Second Lease Shares.

d. Administration of Consumptive Use for Leased Shares:

The Second Lease Shares historically irrigated the 44 Acres, shown on Figure 1. Using a modified Blaney-Criddle formula, with adjustments for high altitude and local climate data, it has been determined, that with a full water supply, the annual crop consumptive use ("CCU") on the 44 Acres is 1.56 acre-feet per acre. See Table 2. With a full water supply, the 44 acres will therefore generate 68.79 acre-feet of consumptive use water on an average annual basis. Table 3, attached hereto shows the CCU attributable to the 44 acres assuming a full water supply ("Full Supply CCU").

Huntington's ownership of 63 Class A shares in the Ditch Company entitles it to 3.94 cfs of the 10.5 cfs decreed to the HGD, or 37.5% of the diversions at the HGD POD. Huntington historically used its 37.5% of the headgate diversions to irrigate 237 acres. Through the Second Lease Shares, Huntington will devote 18.6% of his water to the 44 acres (or a higher percentage if necessary to provide a full water supply) pursuant to this change of water right, which equates to 7% of the total diversions made at the POD of the HGD (or a higher percentage if necessary to provide a full water supply). The full supply amounts, ditch losses, on-farm losses, and net CCU amounts are shown on Table 3 for the 44 Acres.

Administration of the CCU for the 44 Acres is not based on historic monthly CCU, but is based on the actual daily CCU available for the 44 Acres based on water availability

at the HGD POD. The volume delivered to GCC each day from the 44 acres will be the full supply CCU, as shown on Table 3, or the actual CCU available to the 44 acres based on diversion into the HGD, whichever is less. Column 6 of Table 3 shows the amount of water which must be diverted from the La Plata River to provide a full irrigation supply to the 44 acres. If 7% of the total HGD diversion each day is equal to or more than Column 6, then the amount in Column 2 (full supply CCU) will be delivered to Applicant; and the amounts in Columns 3 (on farm loss) will be released to Hay Gulch. 50% of the on-farm loss is surface return flow, which will be released to Hay Gulch in the same manner set forth in the 07CW100 decree. The other 50% of on-farm loss attributable to subsurface return flows will be released to an underground infiltration gallery at the edge of the 44 Acre field to mimic historic return flows.

If the HGD diversion each month made available to the 44 Acres is less than the amount shown in Column 6, then the amount delivered to GCC will be reduced proportionally based on the actual HGD diversion made available to the 44 acres; and the amounts released to Hay Gulch will be reduced by the same proportion.

Applicant will divert, on a daily basis, the amount of daily CCU calculated as described above. On a daily basis, Applicant will account for the HGD headgate diversion, the CCU attributable to the 44 Acres, and Applicant's return flow obligation for the 44 Acres.

e. Season of Use. Applicant will divert the CCU associated with the 44 acres from May 1st through September 30 of each year, and will use the water for direct use during that period, or will store it for later use.

f. Dry-Up: Huntington will dry-up the 44 Acres, or that portion of it associated with the CCU to be used by GCC in a particular year. At the conclusion of Applicant's lease with Huntington, irrigation from the HGD may be resumed for the 44 Acres.

g. Dominion and Control. GCC intends to retain dominion and control over all fully consumable water attributable to the change of water right described herein. GCC's primary use of the water right changed herein (i.e., dust control) is fully consumable. However, the domestic use is not fully consumptive and there may be other permitted uses that are not 100% consumptive. To the extent that GCC's fully consumable changed HGD shares or water hauled to the Mine are used for purpose that are not fully consumptive, GCC may calculate and take credit for the fully consumable water that it returns to the stream. Said fully consumable return flows may be applied as part of GCC's return flow obligations under the change of water right, or may be exchanged to GCC's mining facility or used for augmentation.

3.2. GCC Well Field.

3.2.1. The GCC Well Field is described in Section 7 of the Case No. 07CW100 Decree.

3.2.2. Description of Requested Changes:

a. The GCC Well Field was decreed for direct use or for storage in the GCC Reservoir, and related 100,000 storage tank. GCC requests an amendment to allow the GCC Well Field water right to be stored in the new Huntington Reservoir, described below.

b. The GCC Well Field can be used to divert water attributable to the Leased Shares. GCC requests an amendment to allow the GCC Well Field to also divert the water attributable to the Second Lease Shares, under the same conditions set forth in the 07CW100 Decree.

3.3. GCC Reservoir

3.3.1. The GCC Reservoir is described in Section 8 of the Case No. 07CW100 Decree.

3.3.2. Description of Requested Changes:

a. GCC requests that the location of the GCC Reservoir water right be changed to the Huntington Reservoir as an alternate point of storage.

b. GCC requests that the water attributable to the Second Lease Shares be added as a source for the GCC Reservoir.

3.4. Augmentation Plan

3.4.1 The GCC augmentation plan is described in Section 9 of the 07CW100 Decree.

3.4.2 Description of Requested Changes:

a. GCC requests that the augmentation plan be amended to allow the Huntington Reservoir to be used to replace depletions from the GCC Well Field.

b. GCC requests that the water attributable to the Second Lease Shares also be used as a source of augmentation water under the augmentation plan.

4. New Water Storage Right - Huntington Reservoir.

4.1. Location of Reservoir: The reservoir will be constructed in the NE1/4SE1/4 and the SE1/4NE1/4 of Section 31, T35N, R11W, NMPM, La Plata County, Colorado, as described in

Figure 1. This location is a proposed location and may change to conform to the as-built location. GCC will provide an as-built location with distances from section lines when it files an application to make the Huntington Reservoir right absolute.

4.2. Sources:

4.2.1. All sources decreed to the GCC Reservoir, as described in Section 8 of the 07CW100 Decree.

4.2.2. La Plata River flows and GCC Well Field flows in volumes above the volume limits set forth in the 07CW100 Decree, to allow these sources to fill the Huntington Reservoir to the volumes set forth in Section 4.3 below.

4.2.3 The CCU water attributable to the Second Lease Shares.

4.3. Amount: 50 acre-feet conditional, with the right to fill and refill in priority.

4.4. Uses: Industrial, commercial, domestic, and augmentation, with the right to use, reuse, and successively use to extinction all water stored for such purposes.

4.5. Priority Dates are as follows:

4.5.1. December 31, 2007 when filled from the junior La Plata River flows or the GCC Well Field decreed in 07CW100.

4.5.2. September 30, 2015 when filled from the junior La Plata River flows or the GCC Well Field in volumes which exceed the volume limits of the 07CW100 Decree.

4.5.3. The priority of the Leased Shares described in the 07CW100 Decree, and the Second Lease Shares described herein, and when filled under these water rights.

5. Names and addresses of owners of the land upon which any new diversion or storage structure, or modification to any existing diversion or storage structure is or will be constructed or upon which water is or will be stored, including any modification to the existing storage pool.

Huntington Ranches, LLC, a Colorado Partnership, c/o Dan Huntington, 8796 CR 120, Hesperus, CO 81326.

Respectfully submitted this 30th day of September, 2015

THE CRAIG LAW FIRM P.C.

By: /s/ Geoffrey M. Craig
Geoffrey M. Craig
Attorney for GCC Energy, LLC

Pursuant to Rule 121, the original is on file in the offices of The Craig Law Firm, P.C.

**VERIFICATION AND ACKNOWLEDGMENT OF PERSON HAVING KNOWLEDGE
OF THE FACTS STATED IN THIS APPLICATION**

Being first duly sworn, I hereby state that I have read this Application, that I have personal knowledge of the facts stated and verify its contents to the best of my knowledge, information, and belief.

Geoffrey M. Craig
Geoffrey M. Craig
Attorney for Applicant

Date

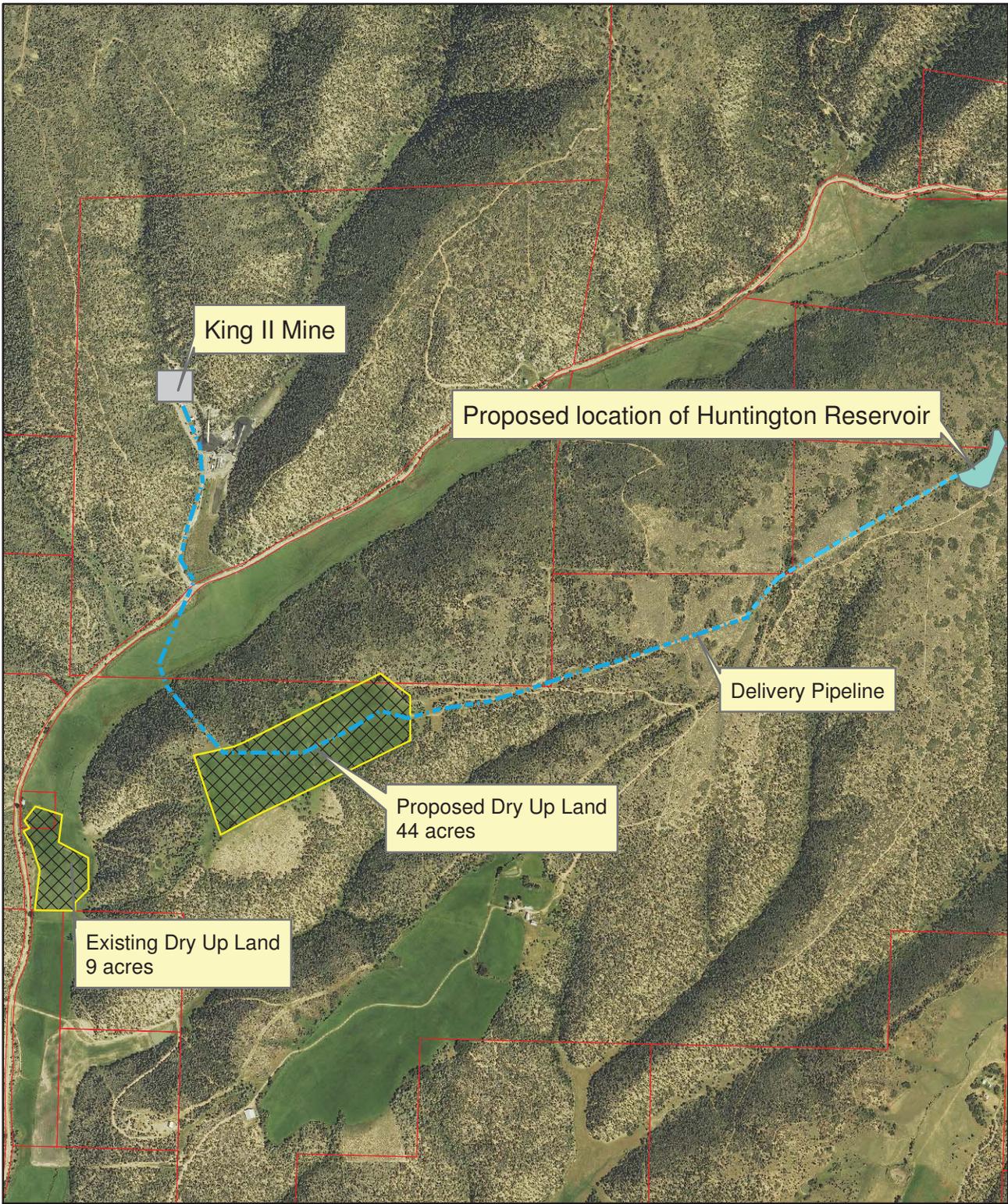
The foregoing instrument was acknowledged before me in the County of La Plata, State of Colorado, this 30th day of September 2015, by the person whose signature appears above.

My Commission Expires: 5/16/2018

Nancy Agro
Notary Public

NANCY AGRO
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID # 20024016217
MY COMMISSION EXPIRES MAY 16, 2018

Figure 1



Harris Water Engineering, Inc.
954 E. 2nd Ave, Suite #202
Durango, Colorado 81301
(970) 259-5322

GCC Energy, LLC
Location Map
September 2015

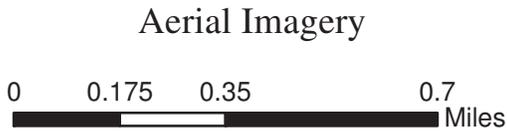


TABLE 1. CROP CONSUMPTIVE USE

May	3.16	inches
June	5.04	inches
July	4.62	inches
August	3.45	inches
September	2.49	inches
Average	18.76	inches/year
Average	1.56	feet/year

TABLE 1. MAXIMUM DRY UP LAND CONSUMPTIVE USE AND LOSSES

	Bl-Cr Crop CU Dry Up 44 Acres (AF/Month)	Sprinkler On- Field Loss 30% (AF/Month)	Huntington Lateral Loss 3% (AF/Month)	La Plata HGD Loss 7% (AF/Month)	Full Supply La Plata Div. for Dry Up (AF/Month)
(1)	(2)	(3)	(4)	(5)	(6)
May	11.59	4.97	0.51	1.29	18.36
June	18.48	7.93	0.82	2.05	29.29
July	16.94	7.27	0.75	1.88	26.85
August	12.65	5.43	0.56	1.40	20.05
September	9.13	3.92	0.40	1.01	14.47
Totals	68.79	29.50	3.04	7.63	109.01
	Bl-Cr Crop CU Dry Up 44 Acres (AF/Day)	Sprinkler On- Field Loss 30% (AF/Day)	Huntington Lateral Loss 3% (AF/Day)	La Plata HGD Loss 7% (AF/Day)	Full Supply La Plata Div. for Dry Up (AF/Day)
(1)	(2)	(3)	(4)	(5)	(6)
May	0.374	0.160	0.017	0.041	0.592
June	0.616	0.264	0.027	0.068	0.976
July	0.546	0.234	0.024	0.061	0.866
August	0.408	0.175	0.018	0.045	0.646
September	0.304	0.131	0.013	0.034	0.482