

EXHIBIT E

PETITION FOR ESTABLISHMENT OF
SPECIAL IMPROVEMENT DISTRICT NO. 5
OF THE
RIO GRANDE WATER CONSERVATION DISTRICT
(Conceptual Plan of Water Management)

CONCEPTUAL PLAN OF WATER MANAGEMENT
Special Improvement District No. __
of the
Rio Grande Water Conservation District
(Saguache Response Area)

I. BACKGROUND AND BASIS FOR THE PLAN OF WATER MANAGEMENT

The proponents of Special Improvement District No. __ of the Rio Grande Water Conservation District (“Subdistrict”) propose to form a subdistrict of the Rio Grande Water Conservation District (“the District”) to ensure the replacement of injurious depletions to senior water rights resulting from groundwater withdrawals within the Subdistrict and to conserve and stabilize the water supply and groundwater storage for existing irrigation and other beneficial uses within the area generally included within the boundaries of the Saguache Response Area as designated by the Colorado Division of Water Resources. The proponents anticipate that the Subdistrict will be governed by a Board of Managers that will develop, adopt and administer a Plan of Water Management (“Plan”) for the Subdistrict. This document sets forth the conceptual Plan in general terms pursuant to section 37-48-123(2)(g), C.R.S., and will be circulated with the Petition to form the Subdistrict. This conceptual Plan is subject to change, and likely will change, prior to being adopted by the Board of Managers and approved by the Rio Grande Water Conservation District, the Court and the State Engineer as the final Plan of the Subdistrict.

Participation in the Subdistrict is strictly voluntary. The Saguache Response Area Subdistrict will include only those members, who after reviewing this conceptual Plan and other information made available to all interested well users, and otherwise being fully apprised of the ramification of joining the Subdistrict, sign the Petition seeking formation of the Subdistrict.

Land that has been duly petitioned into the Subdistrict will remain a part of the Subdistrict for as long as the Subdistrict is in existence. Information is readily available at the public meetings of the Subdistrict workgroup, online on the Rio Grande Water Conservation District website (www.rgwcd.org), by contacting RGWCD staff, or by contacting the Subdistrict workgroup by

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email at saguachesubdistrict@gmail.com. The Subdistrict Workgroup is comprised of the following individuals:

- Kermit Krantz
- Allen Davey
- George Whitten
- Everett Davey
- Mark Smith
- David Schmittel
- Kit Caldon

II. Subdistrict Territory

Pursuant to section 37-48-123(2)(d), C.R.S., Subdistrict territory will generally include lands serviced in whole or in part by wells decreed for irrigation, commercial, and/or industrial uses located within the Saguache Response Area of the Rio Grande Decision Support System groundwater model (“RGDSS Model”), where the landowners of such lands, or legally authorized representatives of the landowners, sign the Petition seeking formation of the Subdistrict. The terms “Landowners” and “Members” are used interchangeably throughout this Plan and refer to owners of lands and appurtenant wells that are included within the Subdistrict. Subdistrict lands need not be contiguous.

Participation in the Subdistrict is limited to lands served by wells that are located within Water Division No. 3 and can legally withdraw groundwater for a beneficial use. Where a well is used as a source of water for augmentation, substitution or exchange for another water right,

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such other water right must be diverted within Water Division 3 for a beneficial use located within Water Division No. 3.

Where a single well serves multiple landowners, such well shall be included in the Subdistrict only if the owners signing a petition to join the Subdistrict own and petition into the Subdistrict separately-held land that is serviced by the well and agree to assume complete responsibility for all the obligations of the well, including but not limited to all associated Subdistrict fees. Such owners must provide written notification of one-hundred percent designation or the proportionate well impact responsibilities to the District prior to Subdistrict formation.

Given the nature of the formation process, landowners must decide whether to join the Subdistrict before the Subdistrict is established by the order of the Court. Once the Court has defined the territory of the Subdistrict and ordered the Subdistrict formed, each well owner's decision to petition into or opt out of the Subdistrict is final and cannot be changed. It may be possible to negotiate a participation contract with the Subdistrict after formation, as is set forth in Section VII(E), below.

A map of Subdistrict lands is included as Exhibit A. A legal description of the lands included in the Subdistrict is included as Exhibit B. A list of the current Subdistrict Wells, with corresponding Well Identification Numbers ("WDID"), is included as Exhibit C.

III. OVERALL OBJECTIVE AND PLAN GOALS OF THE SUBDISTRICT

The overall objective of this Plan is to provide a water management alternative to individual plans for augmentation or to state-imposed regulation that would limit the use of wells within the Subdistrict; that is a system of self-regulation that promotes responsible groundwater

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use. The operation of this Plan will comply with the requirements of Senate Bill 04-222, codified at section 37-92-501(4), C.R.S., and any rules and regulations promulgated by the Colorado Division of Water Resources then in effect.

Two central goals must be achieved in order for the Subdistrict to operate without state-imposed limitations on the use of the wells within the Subdistrict. First, the Subdistrict must replace or otherwise remedy injurious depletions to senior surface water rights resulting from groundwater withdrawals from Subdistrict Wells on Subdistrict lands or, by contract, from other groundwater withdrawals. The Subdistrict will calculate and project, on an annual basis, the injurious depletions caused by groundwater withdrawals from Subdistrict Wells. The Subdistrict, through the District, will acquire replacement water supplies in order to offset injurious stream depletions or remedy such depletions by means other than providing water, to the full extent required by law.

Second, the Subdistrict must maintain, or if necessary, recover a sustainable water supply in the confined aquifer system underlying the Saguache Response Area for irrigation and other beneficial uses, with due regard for the daily, seasonal, and long term demands on the aquifers, to the full extent required by law.

The Subdistrict may implement a fee structure that encourages Members to significantly reduce the amount of water being withdrawn from Subdistrict wells on an annual basis. In addition, the Subdistrict may impose annual groundwater withdrawal allocations or limits on Subdistrict wells and/or penalties for groundwater withdrawal from Subdistrict wells that are outside the scope of the Subdistrict's Annual Replacement Plan ("ARP"). By petitioning wells into the Subdistrict, landowners recognize and accept the authority of the Board of Managers to

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impose fees and limit the withdrawal of groundwater from Subdistrict Wells in order to achieve one or more of the Plan goals or to comply with applicable rules and regulations.

Subdistrict Members that divert groundwater from the underlying Confined and Unconfined Aquifer systems for irrigation purposes presently operate pursuant to well permits and/or decrees recognized under Colorado law. If the Subdistrict is unable to achieve its goals as described above, then all Subdistrict Members, including Contract Wells, which divert groundwater will have limitations imposed on the use of their wells for the diversion of groundwater, up to and including complete curtailment of groundwater withdrawals, by and through administrative rules and regulations by the State of Colorado. Stated differently, it is not enough for Landowners to join the Subdistrict and attempt to achieve the above-stated objectives. The Subdistrict must operate in full compliance with the applicable rules and regulations or the State Engineer will act to limit or completely curtail the use of all wells within the Subdistrict.

The operation of this Plan will comply with the requirements of Senate Bill 04-222, codified at C.R.S. § 37-92-501(4), any other requirements under applicable Colorado law, and any terms and conditions that may be imposed by the Water Court in a decree approving this Plan.

IV. EFFECT OF SUBDISTRICT AND PLAN OF WATER MANAGEMENT

Proponents of the Subdistrict anticipate a wide range of benefits to Subdistrict members and the San Luis Valley as a whole, including: prevention of material injury to senior surface water rights that may result from groundwater use; stabilizing and maintaining a sustainable groundwater supply; meeting criteria for a compliance plan under State of Colorado Division of

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Water Resources Ground Water Rules for Division No. 3; providing an alternative for augmentation plans approved by the Water Court as a condition for the continued operation of wells; and preventing interference with Colorado's obligations under the Rio Grande Compact.

Neither the creation of the Subdistrict nor this Plan will alter or affect any vested surface or groundwater rights, nor shall the creation of the Subdistrict or the implementation of this Plan expand any existing beneficial use or allow a water right to be used for a beneficial use not contained in a valid decree or permit.

Water rights acquired or retired by the District on behalf of the Subdistrict will only be used to protect water users, including but without limitation, for replacement of injurious depletions to senior surface water rights resulting from Subdistrict Well withdrawals, to protect and enhance the water supply for the groundwater users within the Subdistrict, and/or as necessary, to further the Plan goals, including replacing or otherwise remedying injurious depletions caused by the withdrawal of groundwater from wells outside of the Subdistrict, including those wells within another subdistrict, as provided by contract and in exchange for some benefit to Members of the Subdistrict. Acquired and/or retired water rights will not be resold or used for purposes inconsistent with the Plan.

If a Member temporarily reduces the amount of land under groundwater irrigation by participating in a Subdistrict conservation or fallowing program, such reduced irrigation is for conservation purposes and to assist the Subdistrict in achieving the goals of this Plan and will not be considered to be a period of non-use for purposes of abandonment or reductions in the water right, as allowed by law. *See, e.g.,* section 37-92-103, C.R.S.

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V. SUBDISTRICT GOVERNANCE

The Subdistrict is a political subdivision of the Rio Grande Water Conservation District. A Board of Managers will be selected in the manner provided below and will govern the Subdistrict. The Board of Managers may receive compensation comparable to that of the District Board. Managers may also be entitled to their actual traveling and transportation expenses when away from their respective places of residence on Subdistrict Business. The Board of Managers will adopt rules to govern compensation of the Board of Managers.

A. Size and Composition of the Board of Managers

Initially, the Board of Managers will be comprised of five (5) members. The Board of Managers will publish vacancies, seek applicants, and otherwise attempt to fill open seats in a timely manner, but may operate with as few as three (3) members at any given time.

In addition to the five (5) regular members, a representative of the Rio Grande Water Conservation District's Board of Directors will serve as a non-voting *ex officio* member of the Board of Managers. The primary role of the *ex officio* member will be to act as a liaison between the District Board and the Board of Managers. The *ex officio* member will be appointed by, and serve at the pleasure of, the District Board.

B. Eligibility to Serve on the Board of Managers

To be eligible to serve as a regular member of the Board of Managers, an individual must either be a Landowner or a full-time employee of a Landowner charged with the management and operation of farming, ranching or other activities on Subdistrict land that involve the beneficial use of water from Subdistrict Wells. If duly designated by the Landowner, the employee will serve in a representative capacity on the Board in the Landowner's stead. The

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Landowner may revoke the designation at any time by written notice to the Subdistrict. A

Landowner must be current on all assessments and in good standing with the Subdistrict to serve on the Board of Managers or to designate an employee to serve as his/her/its representative.

There are no restrictions on who may serve as the *ex officio* member. The District Board may appoint anyone of its choosing to serve in the role.

C. Procedure for Appointing the Board of Managers

Regular members of the Board of Managers will be appointed by the District Board of Directors. Any individual interested in serving on the Board of Managers may submit an application to the District Board within thirty (30) days of the date the vacancy is published. Applications must be in writing and clearly document the applicant's eligibility to serve on the Board of Managers. The District Board will appoint individuals from the pool of eligible applicants who, in its judgment, will adequately and fairly represent the interests of the Subdistrict and its members. Following formation, the inaugural Board of Managers may elect to develop a list of aspirational qualifications to guide future appointments to the Board of Managers.

D. Terms of Service

Terms of the regular members serving on the inaugural Board of Managers will be staggered so as to ensure that the Subdistrict is governed by knowledgeable and experienced members at all times. The District Board will appoint one member to an initial term of four (4) years, two (2) members to initial terms of three (3) years, and the final two (2) members to initial terms of two (2) years. After the inaugural terms, all members of the Board of Managers will be appointed to serve four (4) year terms.

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The *ex officio* member will be appointed to a term of indeterminate length, but as part of the ongoing supervisory obligations of the District the appointment must be confirmed by the District Board at least every second year. The District Board may remove or replace the *ex officio* member at any time, with or without cause.

There is no limit to the number of terms an individual may serve as a regular or *ex officio* member of the Board of Managers.

E. Election of the President of the Board of Managers

At the first regular meeting of each calendar year, the Board of Managers will elect from amongst its members one person to serve as President of the Board.

F. Quorum

At all meetings of the Board of Managers, the presence of at least sixty percent (60%) of the voting members of the Board of Managers shall be necessary and sufficient to constitute a quorum for the transaction of business.

G. Adoption of Rules and Regulations

Pursuant to section 37-48-112(2), C.R.S., the Board of Managers will adopt rules, regulations, and/or guidelines promptly following formation to facilitate the operation of the Subdistrict.

H. Attendance and Participation Policy

The Board of Managers will adopt an attendance and participation policy to ensure that members of the Board of Managers are actively engaged in the workings of the Subdistrict, attending meetings on a regular basis, and otherwise fulfilling their responsibilities as board members. This will be done as soon as practicable after formation of the Subdistrict.

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I. Appeal Procedures

In order to insure that all Subdistrict Members receive fair and equal treatment, the Board of Managers will consider appeals by such Members if the Subdistrict fees are considered inaccurate or in error. The Board of Managers may institute reasonable requirements regarding time limitation of appeals and other reasonable limitations. The Board of Managers may hear any such appeal or may choose to appoint a hearing officer to hear any such appeal and make a recommendation to the Board. If it is determined that an error was made an adjustment will be made in computing the subsequent year's Subdistrict Fees or refunded. The Board of Managers may adopt regulations to govern any appeal process. In the absence of such regulations the provisions of the Colorado Administrative Procedures act will apply.

VI. DEVELOPMENT OF PLAN OF WATER MANAGEMENT

After the formation of the Subdistrict, the Board of Managers will work from this conceptual Plan to develop a detailed Plan. Following a public hearing, the detailed Plan will be submitted to the RGWCD Board of Directors for consideration and adoption as the official Plan of the Subdistrict pursuant to the terms of section 37-48-126(2), C.R.S. Upon approval by the District, the Plan will be presented to the State Engineer for review and approval, pursuant to the terms of section 37-92-501(4)(c), C.R.S.

The Plan will be implemented in the first year of Subdistrict operation and every year thereafter.

VII. ANNUAL REPLACEMENT PLANS ("ARP")

The Plan will be implemented each year, in perpetuity, through ARPs. *See*, section 37-48-108(4), C.R.S. The purpose of the ARP is to set forth in detail how the Subdistrict will meet

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the Plan objectives and goals and otherwise comply with applicable administrative rules and regulations during the 12 month period covered by the ARP. Each ARP will be developed by the Board of Managers in conjunction with the annual budget for the Subdistrict, and submitted to the District Board and the State Engineer for review and approval. Subdistrict operations will be conducted in conformity with the Plan and the current ARP.

VIII. FINANCING THE SUBDISTRICT

The Plan will require that Subdistrict members contribute financially to the Subdistrict to ensure success of the Plan. The Plan must generate sufficient revenues to fund the operations of the Subdistrict which may include, without limitation, the replacement or remedying of any injurious depletions calculated to occur to senior surface water rights as the result of Subdistrict and contract well groundwater withdrawals, and, if necessary, the retirement or temporary fallowing of sufficient acres within the Subdistrict to reach a sustainable water supply in the confined aquifer system underlying the Saguache Response Area in compliance with duly enacted and approved rules and regulations.

The Subdistrict may utilize any combination of one or more of the financing methods that are available to a Subdistrict under section 37-48-123(2)(e), C.R.S., and may do so without an election. The Subdistrict may utilize a water activity enterprise.

The Subdistrict shall set fees based on the detailed annual budget developed by the Subdistrict Board of Managers concerning the operation of an Annual Replacement Plan (“ARP”) of the next calendar year. The budget shall specifically describe the revenues required to pay for each of the planned expenditures, and the nature and amount of each of the specific fees or assessments proposed to generate such revenues. The Subdistrict shall be limited to

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expenditures in the amounts and for the purposes specified in the budget, including the establishment of a reasonable reserve fund, unless an amended budget is adopted, after proper notice, in accordance with the provisions of Colorado law.

At the present time, the Subdistrict expects to rely primarily upon an annual Administrative Fee and an annual Groundwater Withdrawal Fee to finance the operation of the Subdistrict and its Plan, although the Subdistrict may need to utilize other methods to allow the District, on the Subdistrict's behalf, to acquire water rights, construct improvements or finance other large investments. The Subdistrict will assess an Administrative Fee and a Groundwater Withdrawal Fee that will be evaluated, and if appropriate, adjusted by the Board of Managers annually in response to the demands of the Plan. The method used to calculate the Groundwater Withdrawal Fee will ensure that landowners who withdraw the least amount of groundwater from Subdistrict Wells will pay the lowest Groundwater Withdrawal Fees.

Only Subdistrict lands and associated water use will be subject to assessment by the Subdistrict. Wells that are operating within a court approved plan for augmentation, prior to or after Subdistrict formation, or operated as a decreed alternate point of diversion for surface water, will not be subject to assessment to the extent the impacts from the groundwater withdrawals are fully replaced under the plan for augmentation. Groundwater withdrawals from Subdistrict wells outside of an approved plan for augmentation will be subject to assessment.

The total annual Administrative and Groundwater Withdrawal Fee will be submitted to the District Board for approval and then certified to each County with Subdistrict lands for addition to the tax rolls for collection in accordance with Colorado law. In the event of non-payment, these financing methods may result in a lien on a constituent's property.

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A. Administrative Fee

The Subdistrict will assess an Administrative Fee. The expected range of the Administrative Fee (in 2016 dollars) is \$300 to \$800 per Subdistrict Well WDID. The Administrative Fee will be set by the Board of Managers on an annual basis at a level which, in the discretion of the board, will fund the operations of the Subdistrict, including, cost of providing staff, engineering, legal and office space; a reasonable reserve fund; and, to repay the District the sum agreed upon by the Subdistrict and the District for expenses paid up front by the District which are incurred after the Subdistrict is formed but before there is a revenue stream. Where multiple wells are combined through a single meter, providing a single total groundwater withdrawal amount, the Subdistrict may consider such a combined system to be a single WDID for purposes of assessing the Administrative Fee. Pursuant to rules and regulations duly adopted and approved by the Board of Managers of the Subdistrict and the Board of Directors of the District, the Subdistrict may allow reduced or eliminated Administrative Fees for wells that are inactive or abandoned pursuant to a Subdistrict conservation plan.

B. Groundwater Withdrawal Fee

Costs of acts and improvements under the Plan will be funded by a Groundwater Withdrawal Fee assessed on the withdrawal of groundwater by Subdistrict wells. The expected range of the Groundwater Withdrawal Fee (in 2016 dollars) is \$5 to \$25 per acre-foot of groundwater withdrawn. Well withdrawals will be determined by using official records of the State of Colorado where these are available. If a well is operating under a decreed plan for augmentation, administratively approved Substitute Water Supply Plan or similar plan, it will not be assessed a Groundwater Withdrawal Fee with the exception of any amount of groundwater

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withdrawn that is protected by the Plan rather than by the plan for augmentation. The Subdistrict will assess the Groundwater Withdrawal Fee one year in arrears.

The Groundwater Withdrawal Fee may be a two-part fee, based on impact to the sustainability of the confined aquifer and broad classes of wells net impacts on surface streams and senior surface water rights. If a two-part fee is adopted, the Subdistrict may adopt rules which allow Landowners to elect to pay the portion of the Groundwater Withdrawal Fee designated to address impacts to sustainability, accept Subdistrict-imposed groundwater withdrawal allocations or limits on their Subdistrict wells that are tailored to help the Subdistrict achieve aquifer pressure head goals, or some combination thereof. The intent of this provision is to provide a mechanism by which a Landowner can eliminate or reduce sustainability fees paid to the Subdistrict by choosing instead to limit the amount of water withdrawn from his/her/its Subdistrict well(s). Nothing in this provision is intended to diminish the Subdistrict's authority to impose groundwater allocations or limits on all Subdistrict wells in the event the Board of Managers determines such allocations or limits are necessary or desirable to achieve Plan goals and/or comply with applicable rules or regulations.

The Groundwater Withdrawal Fee will be determined by the Board of Managers on an annual basis, in an amount necessary to fund the Subdistrict's acts and improvements (as summarized in Section IV below). The total Groundwater Withdrawal Fee for a given year shall be limited to the amount shown by specific items in the budget, as required, to provide sufficient revenue for that year for the Subdistrict acts and improvements specified in the budget, including, but not limited to: protection of senior surface water rights; funds to support a portfolio of water and/or funds to cover post-plan depletions; permanent retirement and/or annual

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fallowing of lands; establishment of a reasonable reserve fund; and, any necessary infrastructure improvements.

Pursuant to rules and regulations duly adopted and approved by the Board of Managers of the Subdistrict and the Board of Directors of the District, the Subdistrict may allow reduced or eliminated Groundwater Withdrawal Fees for a Subdistrict Well owner who provides replacement water, land or facilities for the benefit of the Subdistrict.

C. Post-Plan Depletions

The current version of the RGDSS model shows that depletions from wells in the Saguache Response Area can take as long as 19 years from the date of withdrawal to fully accrue to the surrounding rivers and streams. The Subdistrict will be required to establish a portfolio consisting of water, cash, line of credit, guarantor, forbearance or other financial mechanism to guarantee remedy of these post-plan depletions attributable to groundwater withdrawals from Subdistrict Wells in the event the Subdistrict Wells are no longer allowed to make withdrawals. The Division of Water Resources has indicated that Subdistricts will have to demonstrate that they have such a portfolio in place as a condition of the Division of Water Resources' approving any ARP.

The obligation to fund a portfolio to cover post-plan depletions will continue until the Subdistrict has acquired sufficient permanent replacement supplies to fully remedy depletions attributable to Subdistrict wells that have yet to accrue to the surface system or a subsequent version of the RGDSS model shows that no such injurious post-plan depletions exist.

Should wells not be allowed to continue to withdraw groundwater because Subdistrict Objectives and Goals are not being met, the Subdistrict may continue to assess fees until all

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injurious depletions caused by past groundwater withdrawals from Subdistrict wells have been remedied. Further, if the Board of Managers does not submit an ARP that provides a remedy for injury caused by post-plan depletions, the Board of Directors of the District may develop an ARP to remedy those post-plan depletions and set Administrative and Groundwater Withdrawal Fees in such amounts as are necessary. In such circumstances, the Board of Managers or Board of Directors may base the Groundwater Withdrawal fee on some previous time-period of groundwater withdrawals per Subdistrict or Contract Well.

Landowners who own wells that have been removed from the Subdistrict's ARP for noncompliance, as provided for in the "Acts and Improvements" section below, will be required to replace or otherwise remedy any injurious post-plan depletions attributable to those wells that have yet to accrue to the surrounding rivers and streams.

D. Water Decreed for Aquifer Recharge

Credit to offset the gross withdrawal of ground water by Subdistrict wells located on lands on which Rio Grande Canal shares are designated will be provided on an annual acre-foot basis in accordance with the decree in Case No. W-3979 and further described in Case Nos. 06CV64 and 07CW52.

E. Contracting

To the extent permitted by law, the Subdistrict may contract or enter into cooperative agreements with other well owners, water users, mutual ditch or reservoir companies, water user's associations, subdistricts, governmental entities and other persons or entities within or without the boundaries of the Subdistrict to advance the Plan Goals and Overall Objective.

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To the extent permitted by law, in accordance with rules to be adopted by the Subdistrict and approved by the District, the Subdistrict may recommend and request that the Board of Directors of the District contract with well owners that are not members, within or outside of the Saguache Response Area, of the Subdistrict to further the Subdistrict Goals and Objectives. Such contracts may be subject to inclusion fees, different Administrative and Groundwater Withdrawal Fees than those charged to Subdistrict Landowners, and/or additional terms and conditions as the Board of Managers may deem necessary to meet the goals of the Subdistrict. Rules adopted for this purpose must provide that the Subdistrict Board of Managers may only contract with well owners to include wells in the Plan if the impacts from the wells can be determined using the methodology the Subdistrict will use to calculate injurious depletions from Subdistrict wells, or otherwise have an approved alternate method of calculating injurious depletions.

The Subdistrict may recommend and request that the Board of Directors of the District contract with willing surface water rights holders to purchase or lease water for recharge, storage, or other means of augmentation or replacement to address stream depletions from the operation of Subdistrict wells, and to purchase or lease lands associated with such water. The Subdistrict may also recommend and request that the Board of Directors of the District contract with surface water right holders to purchase or lease any available surplus augmentation credits from qualifying court approved plans for augmentation.

IV. ACTS AND IMPROVEMENTS OF THE SUBDISTRICT

In order to further Plan goals, the Subdistrict may implement some or all of the following actions:

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1. Calculation and replacement or remedy of injurious stream depletions;
2. Annual groundwater withdrawal allocations and limits on Subdistrict wells;
3. Economic disincentives or penalties for groundwater withdrawals from Subdistrict wells that is outside of the scope of what is permitted under the ARP;
4. Penalties for violating Subdistrict rules or regulations, up to and including subjecting non-complying Subdistrict wells to administrative rules and regulations by removing the wells from one or more of the Subdistrict's ARPs;
5. Purchase or lease and retirement of irrigated lands;
6. Purchase or lease of water rights and/or reservoir storage, either within or without the exterior boundaries of the Subdistrict;
7. A program of temporary fallowing, including providing economic incentives for temporary fallowing, potentially in cooperation with federal programs, to remove acreage from production to achieve reduction in groundwater consumption necessary to achieve the objectives of the Plan;

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8. Economic incentives for the permanent removal of lands from irrigation, including incentive payments and if applicable providing the local cost-share as required by potential federal programs;
9. Economic incentives for Members or non-members to provide replacement water, land, or facilities for the benefit of the Subdistrict;
10. Calculation of increases and decreases in groundwater recharge;
11. Infrastructure improvements to maximize the diversion and recharge of water available to Colorado under its Compact allocation;
12. Education and research into water conservation, water use efficiency, improved water management, and public education on agricultural water use;
13. Improvement and operation of ditches, headgates, and recharge facilities to make the best use of available water and to improve groundwater recharge;
14. Data collection and analysis programs designed to verify and improve RGDSS Model predictions, further refine the calculation of stream depletions caused by groundwater withdrawals, or otherwise help the Subdistrict achieve Plan objectives;

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15. Installation of stream gauges or construction of monitoring wells to directly measure stream depletions, verify RGDSS groundwater model predictions, and/or further the Plan objectives; and
16. Work in cooperation with USDA-NRCS to develop annual water supply forecasts based on SNOTEL and snow course data. Determine historical stream flow volumes based on paleo dendrochronology or other methods to correlate precipitation to rim inflows.

This is a non-exclusive list of acts and improvements. The Subdistrict may elect to implement any other act or improvement that, in the discretion of the Board of Managers, furthers Plan goals.

By voluntarily petitioning land into the Subdistrict, Landowners explicitly authorize, and agree to abide by, any groundwater allocations or limits imposed by the Board of Managers either by individual well or by farm plan. Landowners further understand and agree that the Board of Managers may impose economic disincentives or penalties, up to exclusion from the ARP, reasonably necessary to further the objectives and goals of the Plan or to comply with Colorado law. These covenants, as specifically set forth in the Individual Petition, will run with the land petitioned into the Subdistrict and bind current and future owners of Subdistrict lands.

Once approved, the Plan will operate for an indefinite period to insure that the aquifer systems are in a sustainable condition and to achieve replacement of injurious depletions to senior surface water rights resulting from groundwater withdrawals. At such time as the groundwater supply in the Confined and Unconfined Aquifer within the Subdistrict is

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sustainable, with due regard to the daily, seasonal and long-term demands on the ground water supply, and the operation of groundwater wells in the Subdistrict is not causing injurious stream depletions and all other purposes for which the Subdistrict has been organized are permanently accomplished and all obligations of the Subdistrict have been satisfied, the Subdistrict can be dissolved.

A. Calculation and Replacement of Injurious Impacts to Senior Surface Water Rights Resulting from Subdistrict Well Groundwater Withdrawal

The Subdistrict will comply with the current and future requirements of the Rules Governing the Withdrawal of Ground Water in Water Division No. 3 to calculate depletions to surface streams caused by the withdrawal of groundwater through Subdistrict wells. The Subdistrict will similarly comply with the current and future requirements of the Rules Governing the Withdrawal of Ground Water in Water Division No. 3 to predict the time, location and amount of replacement water to surface water streams. The Subdistrict may utilize other appropriate methodologies to aid in the calculation of stream depletions resulting from Subdistrict well withdrawals and the calculation of benefits from recharge or other operations.

B. Restoration of Ground Water Levels and Ground Water Storage

In order to monitor and measure the artesian pressure in the confined aquifer to comply with the requirements of section 37-92-501(4), C.R.S., and any duly adopted rules and regulations, the Subdistrict may identify or assist in the identification of one or more confined aquifer monitoring wells and, where appropriate, identify other features useful to monitor the hydrostatic pressure in the confined aquifer in areas where the aquifer is affected by the groundwater withdrawals of Subdistrict wells. The Subdistrict may also develop and implement

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a monitoring program for measuring the changes in the artesian pressure in the confined aquifer system within areas affected by the groundwater withdrawals of Subdistrict wells or take such other measures to develop data and information to monitor the hydrostatic pressure. The Subdistrict may cooperate with other Subdistricts or entities in the San Luis Valley to monitor, recover and/or maintain artesian pressure in the confined aquifer throughout the San Luis Valley as this Subdistrict alone cannot regulate and/or maintain artesian pressure in the entire confined aquifer.

C. Accounting Mechanism to the State Engineer

The Board of Managers of Special Improvement District No. __of the Rio Grande Water Conservation District will submit to the Division Engineer all information required by Rules Governing the Withdrawal of Ground Water in Water Division No. 3.

V. Current Data Regarding Subdistrict Impacts

Exhibit G - Response area summary attached hereto.

Exhibit H – Rule 8.1.5 and 8.1.6 Annual groundwater withdrawal memo attached hereto.