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1. Purpose

1.1. This policy is intended to give guidance and procedures for transferring Horseshoe Irrigation Company Class A water shares into well-use water within the Horseshoe Irrigation Company’s water-use boundaries.

2. Well-Water Policy

2.1. Horseshoe Irrigation Company (HIC) allows Class A water shares to be transferred into Domestic Water Wells through Change Applications made through the Utah Division of Water Rights and under the following conditions:

2.1.1. The Water Well, and it’s place of use is:

2.1.1.1. Within Horseshoe Irrigation Company water use boundary as defined by acreage embodied within geographical sections listed in Table 1 and depicted in Figure 1.

2.1.1.2. Not able to be served by the Spring City culinary water system (i.e. the city had denied providing culinary access).

2.1.1.3. Not served by any other water right(s) other than Horseshoe Irrigation Company water rights.

2.1.1.3.1. If there is another water right associated with the land, then whichever water right is considered the primary water right should be used for filing a Change Application.

2.1.2. A Change Application has been drafted with the assistance of the Utah Division of Water Rights.

2.1.2.1. The Utah Division of Water Rights will use .3 acres and .9 AF of water for each Class A share being transferred into the Well for the well-water use calculations in their evaluation of the change.

2.1.3. The draft Change Application is submitted to Horseshoe Irrigation Company for consideration of approval. All stipulations of HIC policy must be addressed before HIC will approve the Change Application for submittal to the Utah Division of Water Rights.

2.1.4. There may not be more than one (1) domestic residence (single family home) per change application. Each home must have its own Change Application filed and approved.

2.1.4.1. If a Change Application is for other than a single domestic residence, then the shareholder must meet with HIC to establish conditions for the Change Application consistent with the requirements of this policy.

- 2.1.5. A minimum of 2 class A shares must be used in filing the change application to meet Sanpete County minimum water requirements for subdivision lots and dwellings. Surface water and well water may not be combined to meet the county requirements, it must all be accounted for in the change application for the well.
- 2.1.6. Shareholder has turned in applicable share certificate(s) to HIC so a new Class A certificate can be issued to the shareholder for the initiation of a Change Application (the new certificate number will start with a "W" which will indicate it is for well-water use, certificate must be issued prior to change application being initiated).
- 2.1.7. All conditions required by the Utah Division of Water Rights are complied with.
- 2.1.8. A Change Application Agreement Letter, provided by Horseshoe Irrigation Company, is signed by the shareholder and all conditions of the agreement letter can be met.
 - 2.1.8.1. This agreement letter must be referenced in the Change Application, attached to the Change Application when filed with the Utah Division of Water Rights and is a condition of Horseshoe Irrigation Company approval of said Change Application.
 - 2.1.8.2. The agreement letter will specify the acreage to be retired from irrigation (dried up) and will equal a minimum of acres per share transferred for the Well as outlined in this policy.
 - 2.1.8.3. Horseshoe Irrigation Company reserves the rights to withdraw its approval of any Change Application that is found to not meet the conditions of the agreement letter or company policy. HIC will make all reasonable attempts to resolve disputes with shareholders prior to any withdrawal.

3. Drying-Up Acreage Policy

- 3.1. Horseshoe Irrigation Company has mapped all acreage eligible to be watered as part of HIC water rights. All acreage is identified into specific mapped areas and are referenced to as mapped layers which are associated with a defined delivery system and/or historical water use. Each Layer is named for the purpose of identification and policy purposes.
- 3.2. Horseshoe Irrigation Company has specific policy regarding acreage that is eligible to be dried-up as part of the Change Application requirements. Acreage required to be dried-up will be specified in the Change Application Agreement Letter provided by HIC and will be determined as outlined in this subsection:
 - 3.2.1. Acreage as mapped in the following mapped layers are eligible to be dried-up through the change application process and will be dried-up at a rate of .3 acres per share transferred into a Well:

Pressurized Sprinkler Systems

- Flat, Crawford, South Fields, Pete Hansen, Last Change, 1st North, 2nd North, Chimney.

Ditch Systems

- 3rd, 4th, 5th North Ditch, Point Ditch.

- 3.2.2. Acreage as mapped in the following mapped layer is eligible to be dried-up through the Change Application process and will be dried-up at a rate of 1.0 acres per share transferred into a Well:

- 1.0 acres layer (defined as acreage that has 1.2 or less shares per acres).
NOTE: Any field that has less than 1.2 shares per acre (as indicated on the HIC use list) at the time of the filing of the Change Application will be required to have 1.0 acres per share dried-up (even if acreage was mapped in a Pressurized Sprinkler or Ditch Layer at time of filing).
Note: When change applications are being filed for subdivision lots or agricultural lot splits then the 1.2 shares per acre will be calculated based on all lots and all requirements needed for all the subdivided lots.
Note: The 1.2 shares per acre requirement will be calculated after the number of shares being used for the filing of the change application have been removed from the land (i.e. the share have been put into a shares certificate with a “W” prefix to initiate the change application). Any deviation from this stipulation must be requested and approved by the Board of Directors.

- 3.2.3. Acreage as mapped in the following mapped layers **are NOT eligible** to be used for drying-up acreage through the Change Application process:
- High water mapped acreage layer,
 - Cox mapped acreage layer,
 - City system, which is defined as acreage that is served by HIC pressurized sprinkler systems and is also served by the Spring City culinary water system.

- 3.2.4. HIC may update mapping layers as needed to keep in line with company policy and historical water use.

- 3.3. If the Change Application indicates that the place of use for the Well will be on land currently watered by the shares being transferred, and land is defined in eligible acreage layers listed above, then:

- 3.3.1. The dried-up land can be evidenced by new buildings, new roadways and other applicable dried-up areas as a result of a change applications place of use.
- 3.3.2. A plot map must be submitted to Horseshoe Irrigation Company depicting the applicable dried-up area(s) at time of proofing of the change application, and the land dried-up must meet the .3 or 1.0 requirement listed above as applicable.

- 3.4. If the Change Application stipulates that the place of use will be on land **not currently** watered or is not on an eligible use map layer above but is within HIC use boundary as depicted in Figure 1, then the following applies:

- 3.4.1. The landowner that is drying-up eligible ground for the Change Applications place of use will be required to sign an agreement document stipulating the drying up of the eligible ground to transfer to the new location place of use. This agreement document will be drafted by HIC using information provided by the landowner agreeing to dry-up the eligible land. The agreement document will indicate by surveyed land coordinates the ground being dried-up, the county tax ID number and a plot map depicting the land to be dried-up, and;
 - 3.4.1.1. Land stipulated to be dried-up cannot be land previously dried-up by existing buildings, roads, or other areas already not being watered.
 - 3.4.1.2. Land stipulated to be dried-up cannot be land previously dried-up as part of subdivision development project(s).
 - 3.4.1.3. Land stipulated to be dried-up cannot be land within Spring City city blocks, as defined by Sanpete County plat maps.

3.4.1.4. Land stipulated to be dried-up must be in one (1) plot, with a single description, i.e. multiple pieces may not be used.

3.4.1.4.1. Any deviation from using one (1) plot must be submitted to the HIC President for consideration of deviating from above, only special circumstances will be considered.

3.4.1.5. Once the Change Application is approved the dried-up ground will be removed from the eligible layer and must cease from being watered using HIC shares from a HIC distribution system.

4. Well use for Accessory Dwelling Units (ADU)

4.1. A change application may include additional water use for an ADU under the following conditions:

4.1.1. All provisions, as applicable, to this policy are met.

4.1.2. The ADU may be included in the change application for the main dwelling, or

4.1.3. If the main dwelling change application has already been filed, then an additional change application must be applied for and approved.

4.1.4. The same well will be used to provide water for both the main dwelling and the ADU.

4.1.5. A minimum of 1 (one) additional share must be used for the new or additional change application for the ADU water use.

4.1.6. Applicable ground must be dried up for the addition share per this policy.

5. Administration Fees and Share Certificates

5.1. The shareholder pays to Horseshoe Irrigation Company an administration fee of \$300.00, plus \$25.00 for each share transferred by each Change Application. If the change application requires an additional agreement to be initiated by subparagraph 3.4 above, to dry up ground, to accommodate the Change Application then an additional \$150 fee for this document preparation is required.

5.1.1. Shareholder must continue to pay annual assessment on water share(s) transferred into a Well.

5.1.2. A new Class A water share certificate has been issued per this policy for well-water shares; new certificate fee is not included in the fee listed above.

5.2. No Change Application, amendment to a Change Application or time extension request may be filed with the Utah Division of Water Rights without first being evaluated by the President of HIC or authorized individual by the President.

5.3. If a Change Application is withdrawn, cancelled, or a Well is condemned by the Utah Division of Water Rights, the Class A water share(s) may be transferred back into above ground water use if:

5.3.1. The well water certificate is surrendered, and a new Class A water certificate is issued (\$35.00 fee).

5.3.2. No refunds will be given for fees listed in paragraph 5.1. above.

Company Policy
Policy 004
Well Permit Policy

Table 1

HIC Water Use Area Boundary as Defined By Quarter Sections

NW NE SW SE					NW NE SW SE					NW NE SW SE				
T15S-R4E					T16S-R4E					T15S-R3E				
Section 18			X	X	Section 2	X	X			Section 23			X	X
Section 19	X	X	X	X	Section 3	X	X	X		Section 24	X	X	X	X
Section 20	X	X	X	X	Section 4	X	X	X	X	Section 25	X	X	X	X
Section 21	X	X	X	X	Section 5	X	X	X	X	Section 26	X	X	X	X
Section 26	X		X		Section 6	X	X	X	X	Section 36	X	X	X	X
Section 27	X	X	X	X	Section 7	X	X	X	X					
Section 28	X	X	X	X	Section 8	X	X	X	X					
Section 29	X	X	X	X	Section 9	X	X	X	X					
Section 30	X	X	X	X	Section 10	X		X						
Section 31	X	X	X	X	Section 16	X	X	X	X					
Section 32	X	X	X	X	Section 17	X	X	X	X					
Section 33	X	X	X	X	Section 18	X	X	X	X					
Section 34	X	X	X	X	T16S-R3E									
Section 35	X	X	X	X	Section 1	X	X	X	X					

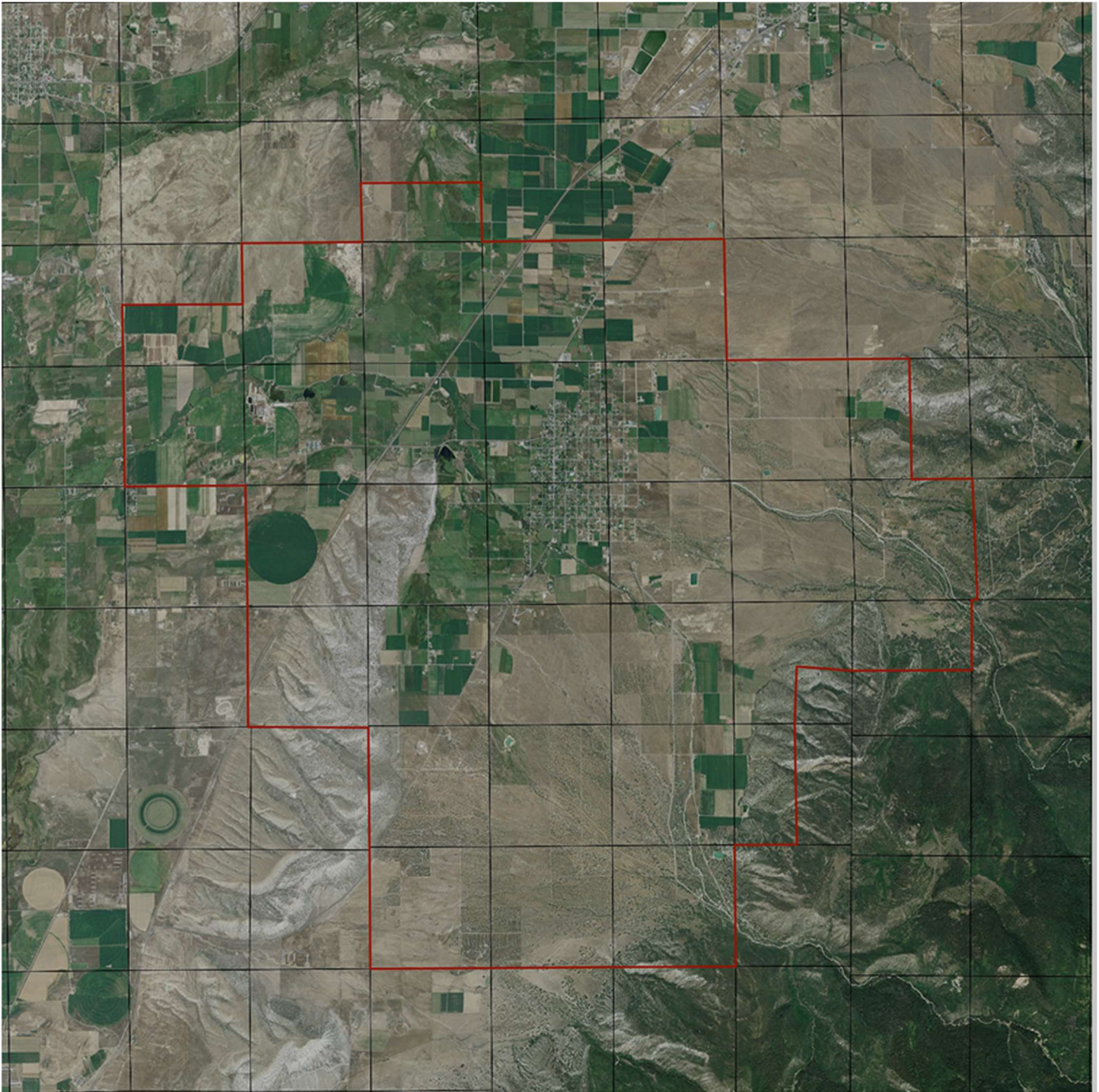


Figure 1

Water use Area Boundary