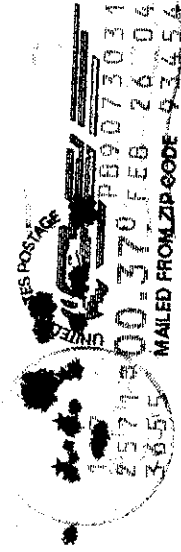
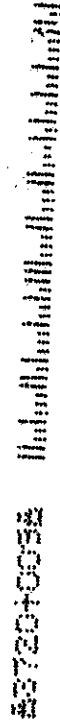


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Nick Spencer
Deputy Attorney General
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RECEIVED

FEB 27 2004

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February 26, 2004

Nick Spencer
Deputy Attorney General
Idaho Department of Water Resources
P.O. Box 83720
Boise, Idaho 83720-0098

Re: Hubsmith Water Right Nos. 37-7268, 37-7454, 37-7602 and 37-8679

Dear Mr. Spencer:

This letter will serve to summarize the outcome of our meeting on February 23, 2004 regarding the above-referenced water rights. Present at the meeting in addition to you and me were Leon Hubsmith, Jeff Peppersack and Steve Clelland.

Mr. Peppersack requested certain clarifications to the September 29, 2003 report prepared by Brockway Engineering. He requested clarification as to why an efficiency of 82%, rather than the "standard" efficiency of 70%, was utilized in the analysis. Additionally, he requested correction of the report concerning replacement of the pump in 1989, since Mr. Hubsmith indicated that the same pump has been utilized in the well from installation in 1976 to the present. With the submission of these two clarifications, Mr. Peppersack indicated that he will have sufficient information to address the combined quantity limitation for Water Right No. 37-8679.

With respect to correction of Water Right Nos. 37-7268, 37-7454 and 37-7602 to address combined quantity issues and other matters relating to the incorrect Proof of Beneficial Use submitted in 1978, Mr. Peppersack requested a letter detailing the requested corrections. Further, he indicated that more information regarding the capacity of the

Nick Spencer
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irrigation system in use in the early 1980's would be necessary. Accordingly, Mr. Peppersack indicated that another analysis prepared by Chuck Brockway, Jr. concerning the system capacity in the early 1980's would be appropriate in this regard.

As Mr. Hubsmith and I explained at the meeting, we anticipate that we will be able to provide the information concerning Water Right No. 37-8679 and the two clarifications to the September 29, 2003 Brockway report shortly. However, with regard to Water Right Nos. 37-7268, 37-7454 and 37-7602, we anticipate that a somewhat longer period of time will be necessary to collect information regarding the irrigation system in place in the early 1980's and to have a new report prepared concerning this matter.

Please let me know if you, Jeff Peppersack or Steve Clelland have any further questions or comments regarding the matters discussed in this letter.

Sincerely,

HOFSTETTER LAW OFFICE, LLC

A handwritten signature in black ink, appearing to read "Dana Hofstetter", with a long horizontal flourish extending to the right.

Dana L. Hofstetter

cc: Chuck Brockway, Jr.
Leon Hubsmith
E:/4018.1/5763