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September 15, 1998

Mr. Ernest Carlsen
Water Rights Supervisor, Adjudication
Department of Water Resources
900 N. Skyline Drive
Idaho Falls, Idaho 83402-1718

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SEP 17 1998

Department of Water Resources
Eastern Region

Matter: Notices of Claims to Water Rights A22-13111 & A22-13112
Our File: 1697-3

Dear Mr. Carlsen:

Last week we spoke by telephone about the three Notices of Claims filed by Carola Holdings Inc. for its domestic right and two stock water rights in Teton County. During that conversation, you confirmed that the Department had received Carola Holdings three Notices of Claim in a timely manner but had inadvertently excluded the Notices of Claim for the two stock water rights from this round of Director's Reports and Recommendations ("Director's Reports"). A copy of the Department's profile report for each of the two excluded stock water claims is attached. As a result of this omission, the Department issued a Director's Report only for Carola Holdings' domestic claim and not for the two stock water claims. You also confirmed in our contestation that:

1. Even though the Department did not issue a Director's Report for the two stock water rights, your review of those rights indicates that the Department would recommend them for confirmation in the SRBA.
2. The Department's inadvertent omission of the two stock water claims from this round of Director's Reports has not waived Carola Holdings' right to have Director's Reports issued for those claims or to have those claims adjudicated in the SRBA.
3. The two stock water claims remain viable claims for which the Department will issue Director's Reports when it next evaluates domestic and stock water claims in Teton County, approximately three years from now.

September 14, 1998

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As Carola Holdings timely filed its stock water claims with the Department, and as they were inadvertently omitted by the Department from this round of Director's Reports, is there any way that the you could expedite consideration of Carola Holdings' stock water claims? Those stock water claims seek confirmation of valuable property rights, and their current uncertain status could adversely affect Carola Holdings' ability to sell its property to which the rights are appurtenant. It is incumbent upon the Department to rectify its error in excluding Carola Holdings' two stock water claims, and it should immediately review those excluded claims and issue Director's Reports for them.

If the Department cannot acquiesce in this request, then we ask, in the alternative and in order to lend certainty to the status of Carola Holdings two stock water claims, that you state in writing (1) your assessment of the essential elements of Carola Holdings' stock water claims with regard to priority date, quantity, purpose, place and period of use, etc., and (2) an explanation of why the Department did not issue Director's Reports for the stock water rights and why it cannot issue Director's Reports at this time.

We appreciate your assistance in this matter. Please call me if you have any questions.

Sincerely,



Karl T. Klein

KTK:klh
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cc: Lea Kuvinka, Esq.