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December 12, 2006

Dr. David R. Tuthill
Administrator
Water Management Division
Idaho Department of Water Resources
322 Front Street
Boise, Idaho 83720-0098

Dear David:

On Monday, December 4, 2006, at the Sun Valley public IDWR meeting I had the pleasure of meeting you and discussing some issues with the water rights I have. The specific area of my concern was the list of small surface water streams in Basin 37 that shall have their water rights administered separately from all other water rights. I was concerned that Dip Creek was not included in the list. We discussed that Dip Creek flows throughout the year and the surface water sinks into the ground before entering the Big Wood River. At no time does the surface water of Dip Creek cross State Highway 75 and enter the Big Wood River.

The water rights that have been issued for Dip Creek are: 37-2473A, 37-2473B, 37-2473C, 37-2473D, 37-2473E, 37-2473F, 37-2473G, 37-2473H, and 37-2473K. I believe these are the only water rights issued on Dip Creek.

Dip Creek lies within the boundaries of T5N, R17E, Section 23 and Section 24

I have enclosed four exhibits to help identify Dip Creek and the current pertinent information.

Exhibit 1 shows the Dip Creek area along Hwy 75 from Eagle Creek to Lake Creek. Also depicted is the approximate watershed boundary for Dip Creek.

Exhibit 2 shows on a USGS computer generated map the USGS location of Dip Creek and a sketch of the current Dip Creek. Please note that the first culvert under Hwy 75 is approximately one mile downhill from the area that Dip Creek normally sinks into the ground.

Exhibit 3 is a greater detail of Exhibit 2. The USGS map shows Dip Creek flowing into the Big Wood River. I believe these maps are based on 1963 data. I have no knowledge of the area at that time. The first time I saw Dip Creek was 1968, and I purchased the property in the early 1970's. By then Hwy 75 had been significantly improved and there were no culverts on Hwy 75 where, or near the location identified on the USGS map. The current approximate surface flow of Dip Creek, on private property, is indicated by a red line on the map. The approximate location of four ponds that Dip Creek flows through is also depicted. The "wetland/groundwater recharge" identified on the map is the area where the surface water of Dip Creek normally sinks into the ground and the surface flow stops. Occasionally during the spring snowmelt period the surface water of Dip Creek will flow south from the wetland area. In April or May I have never witnessed the flow ever reaching the culvert under Hwy 75 (Shown in Exhibit 2).

Exhibit 4 is an IDWR satellite picture of the Dip Creek area. I assume the photograph was taken in the summer of 2005. The picture shows Dip Creek flowing into the picture from the upper right corner. The water flows through the four ponds and is discharged into the wetland area next to Hwy 75. During the summer months water right 37-08855 is used to pump up to 3.0 cfs through the pond system. This water mixes with the Dip Creek water and is discharged at the same location as the Dip Creek water. The additional water is the cause of any water leaving the ground water recharge area and traveling

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parallel to HWY 75. Even with this additional flow the surface water stops/sinks one or two hundred yards south of the recharge area, and does not reach the Big Wood River. I have observed that when the water right 37-08855 is not being used, leaving just the natural flow of Dip Creek, the surface flow does not leave the groundwater recharge area.

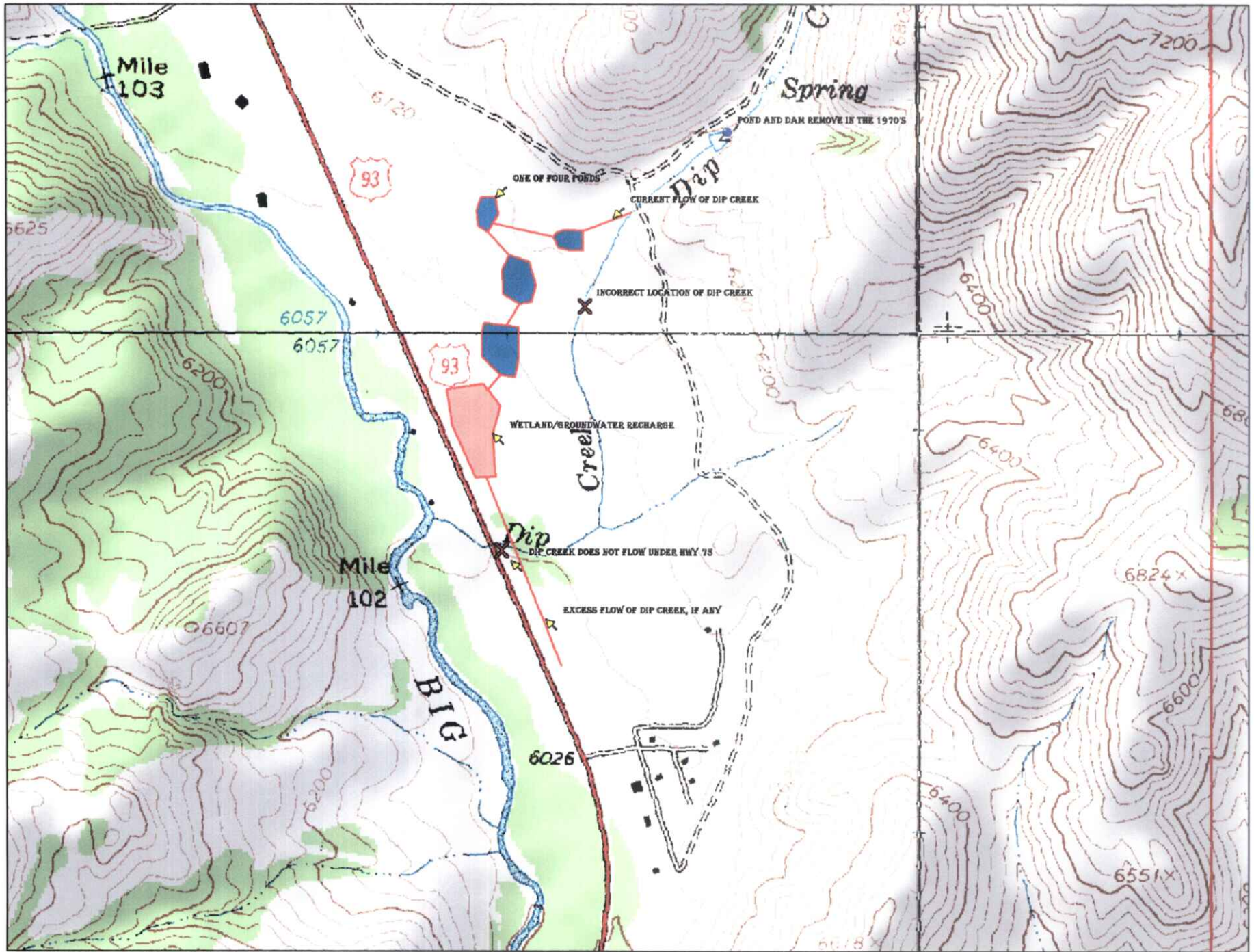
I recall we agreed that the insignificant flow of Dip Creek (normally less than 1 cfs) was the reason for not including Dip Creek in the current list. I believe we also agreed that because IDWR has issued water rights on Dip Creek, it should be included in the list.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles L. Matthiesen".

Charles L. Matthiesen

Exhibit 3

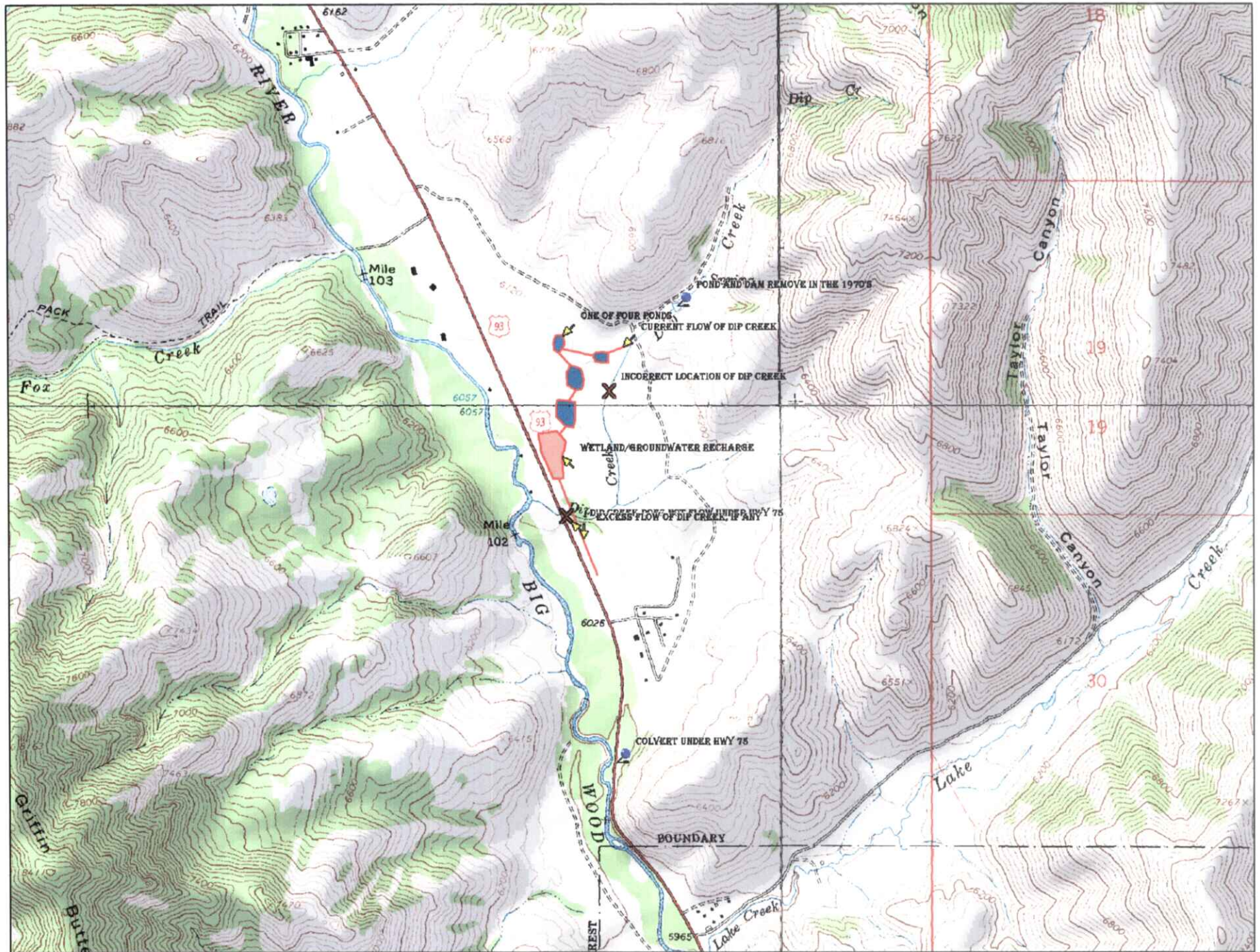


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Scale: 1 : 12,800 Zoom Level: 14-0 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 15.2°E

1,000 ft

Exhibit 2



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Scale: 1 : 25,000 Zoom Level: 13-0 Datum: WGS84 Map Rotation: 0° Magnetic Declination: 15.2°E

2,000 ft

Exhibit 1

