

BAKER & HARRIS

Dwight E. Baker
Jared M. Harris *
Jonathan W. Harris
* Also Admitted in Utah

266 W. BRIDGE STREET
BLACKFOOT, ID 83221
Telephone (208) 785-2310
Facsimile (208) 785-6749
E-Mail -- debaker@bakerharrislaw.com

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Ralph Saunders
HKM Engineering
222 N 32nd St. Suite 700
P.O. Box 31318
Billings, MT 59107-1318

Ernie Carlson
Idaho Department of Water Resources
900 N Skyline Dr. Suite A
Idaho Falls, ID 83402-1718

Peter C. Monson
Managing Attorney Denver Field Office
U.S. Department of Justice
Rogers Federal Building
1961 Stout Street - 8th Floor
Denver, CO 80294

RECEIVED
AUG 29 2007
Department of Water Resources
Eastern Region

Re: Snake River Basin Adjudication
Subcase Nos. 27-2069 and 27-2075

Gentlemen:

Mr. Saunders, his associate, and I discussed a possible resolution of the pending litigation regarding the above referenced water rights.

I do not specifically understand how we might implement the proposals we discussed; I have generally explained to Mr. Lake that I thought we could reach an agreement if he would agree that the water rights in question would not be moved or otherwise altered from what now exists. He conceptually agrees the plan appears to have merit. Whether we do this through an acknowledgment that all or a portion of the existing water rights are private water rights not subject to administration, or whether we recognize the waters with a condition that the water rights can not be moved are both possibilities insofar as I am concerned. I believe we would be most comfortable with recognizing the water rights as such, but with the necessary conditions. I believe this approach will provide a higher level of protection for all parties in the future.

I have briefly discussed the proposal with Mr. Carlson; I frankly do not have a good enough understanding of specifically what the Idaho Department of Water Resources will require either in terms of the definition of the right, or the limitations on the right. However, I am generally comfortable that we can proceed along the outlines that we discussed.

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I would propose that Mr. Saunders and/or Mr. Monson, make a proposal as to a stipulation that they would find acceptable, and then to forward it to Mr. Carlson and to us for review.

As we are all aware, the court has set this matter for review on September 13, 2007; hopefully we can all expedite a resolution of the matter. In the meantime, if there are any questions or concerns about our position, I would be happy to attempt to respond.

Very truly yours,

BAKER & HARRIS



Dwight E. Baker

DEB/lb

cc: Dennis Lake