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June 10, 2008

RECEIVED

JUN 12 2008

DEPARTMENT OF
WATER RESOURCES

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Boise, Idaho 83720-0098

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Special Counsel
Shoshone-Bannock Tribes
202 N Arthur
Pocatello, ID 83202

Peter C. Monson
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HKM Engineering
Granite Tower 222 N 32nd Str. Suite 100
PO Box 31318
Billings, MT 53107-1318

Re: Snake River Basin Adjudication
Dennis Lake/Subcase 27-2075
B & H Matter No. 5354

Dear Ladies and Gentlemen:

I have now completed the recording of the Water Right Agreement pertaining to the referenced water right. I enclose a copy for your files; you will note that it has been recorded in Caribou County as Instrument No. 180662 on May 21, 2008.

In an effort to reorient myself regarding the matter, I have reviewed the emails and other correspondence which led up to the drafting, execution, and recording of the Water Right Agreement.

In the meantime, it is my understanding the Shoshone Bannock Tribes has filed an objection to this water right based on the July 1st issue and quantity issue.

June 10, 2008

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I believe that we are all in basic agreement that resolution of the volumetric question will be deferred until the Shoshone Bannock Tribes and IDWR, and perhaps other parties, are able to prepare a proposal for consideration by all Blackfoot River affected water right holders. We continue to approach the volume issue accordingly.

With respect to the time of year issue, I urge Ms. Wolfley to carefully consider what evidence she may have regarding the historical use of this particular water right. As I understand the matter, there is virtually no diversion work in place for this water right, and the springs generally rise and fall on the claimant's property, and as such may be a "private" water right. However, to the extent the water source does not rise and fall on private property, we are hopeful the enclosed Water Right Agreement would essentially put to rest any potential competing claims regarding the water right, and looking ahead, would have the effect of both preventing any third parties from attempting to divert the water, while at the same time restricting Mr. Lake or his successors in interest from diverting the water to any property other than that specifically identified in the Agreement. I would hope that the Shoshone Bannock Tribes would be able to enter into an acceptable SR-5 Agreement to totally resolve all issues regarding this claim, excepting the volume question, which I understand Ms. Bilyeu has indicated she would approve.

In summary, I would greatly appreciate some input as to whether we are, or are not, in a position to consider a SR-5 Settlement Agreement.

If we are, I would like to impose on Ms. Courtney to prepare the agreement; I do not have a good understanding as to some of the concerns IDWR had with respect to the documentation of this water right, or agreements regarding the water right, and therefore would ask that she prepare the agreement.

I look forward to your response.

Very truly yours,

BAKER & HARRIS



Dwight E. Baker

DEB/ls

cc: Dennis Lake
Garrick Baxter (garrickbaxter@idwr.id.gov)

WATER RIGHT AGREEMENT

This Agreement to be effective the 18th day of April, 2008, by and between Dennis M. Lake, the "Claimant", the United States Department of Justice, The Shoshone Bannock Tribes, the Idaho Department of Water Resources, and the State of Idaho.

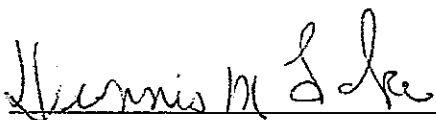
WITNESSETH:

1. Lake is the owner of the NW $\frac{1}{4}$ SW $\frac{1}{4}$; SW $\frac{1}{4}$ SW $\frac{1}{4}$; and the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 9, Township 6 South, Range 42 East, Caribou County, Idaho; and
2. Lake is the owner of water right 27-2075 which is appurtenant to a portion of the above described property; and
3. Certain issues have been raised in the Snake River Basin Adjudication between the parties pertaining to said water right; and
4. The parties have reached an agreement with respect to said issues.

IT IS THEREFORE Stipulated as follows:

1. The parties acknowledge the current source of water right 27-2075 is from three (3) springs which arise on the Claimant's property, and sink back into the ground before ever reaching a waterway as such.
2. The parties agree this water right, from these sources, may never be conveyed, sold, transferred or used other than in the place of use described in this water right.

CLAIMANT


Dennis M. Lake

SHOSHONE-BANNOCK TRIBES

By: _____
Jeanette Wolfley

IDAHO DEPARTMENT OF WATER RESOURCES

By: _____
Andrea Courtney

STATE OF IDAHO

By: _____
David Barber,
Deputy Attorney General

UNITED STATES OF AMERICA

By: _____
Peter C. Monson

Instrument # 180662

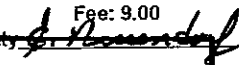
CARIBOU COUNTY

5-21-2008 10:54:52 No. of Pages: 3

Recorded for : DWIGHT E. BAKER

VEDA MASCARENAS

Fee: 9.00

Ex-Officio Recorder Deputy 

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COPY

STATE OF IDAHO

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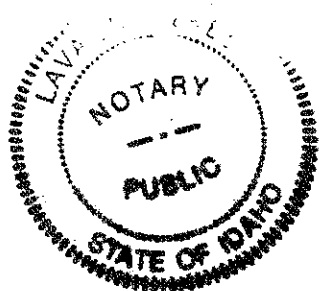
) ss:

County of Bingham

)

On this 18th day of April, 2008, before me, the undersigned, a Notary Public in and for the State of Idaho, personally appeared Dennis M. Lake, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year first above written.



Lavan Sykes
Notary Public for Idaho

Residing at Blackfoot

My Commission Expires 5-17-08

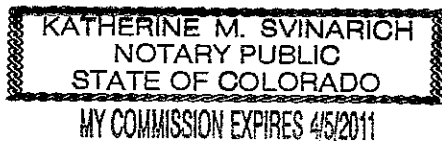
UNITED STATES OF AMERICA

By: Peter C. Monson
Peter C. Monson

STATE OF COLORADO)
) ss:
County of DENVER)

On this 28th day of April, 2008, before me, the undersigned, a Notary Public in and for the said State, personally appeared Peters C. Monson, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same as the attorney for United States of America.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year first above written.



Katherine M. Svinarich
Notary Public
Residing at: DENVER, CO
My Commission Expires 4/5/2011