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JUN 20 1997

June 19, 1997

Department of Water Resources
Southern Region

Mr. Allen D. Merritt, P.E.
Southern Region Manager
Idaho Department of Water Resources
1341 Fillmore Street, Suite 200
Twin Falls, Idaho 83301-3380

RE: APPLICATION FOR PERMIT NO. 37-08859 (SMR DEVELOPMENT LLC)

Dear Allen,

Upon the gracious invitation of Mr. Bill Carter, member of SMR Development LLC, we made a site visit and took a short tour of the ponds included in Application 37-08859. The visit was done on Saturday, June 7, 1997

The area is even more beautiful than usual this spring due in large part to higher than average snow pack, and we came away from the tour somewhat less concerned than we had been before it. The wetlands being created are lovely and are obvious additions to wildlife, especially bird, habitat.

However, at least three concerns remain:

- * Interestingly, the ponds being applied for are accomplished fact. SMR Development appears to be seeking permission for two, existing, man made, in-stream ponds.

- * No matter how positive the additional wetlands are, the fact remains that spring snow melt will feed them before it flows downstream to provide water to the Big Wood Canal System irrigators. Those of us who have lived all of our lives in Idaho *know* that relatively dry winters, and therefore dry growing years, are inevitable, and in dry years we think irrigators should have precedence over esthetic, golf course ponds.

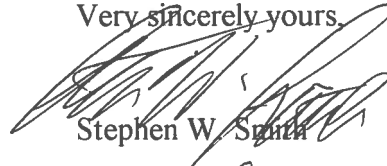
- * In addition to Big Wood Canal System irrigation water, we fear for water flowing south all along Three Mile Creek. There are other places of bird habitat, and in the instance of our land just south of the golf course, willows and large animal habitat which should not be jeopardized in extremely low water years in order to fill small esthetic ponds.

During our tour we asked Mr. Carter how the ponds would change if IDWR approval was granted. Mr. Carter assured us that there would be no change to the two small ponds. We did not take measurements, but it seemed clear that far fewer than 5.000 CFS (2.50 AF) are needed to maintain the existing ponds.

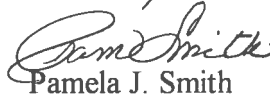
Considering the points mentioned above, we offer the following remedy to our protest of the project. We would not object nor proceed with our protest if we had a firm assurance that IDWR would grant SMR Development additional water rights to provide *only* that amount of water actually being currently used in the ponds (estimated at 1.500 to 2.000 CFS). We do not want to see the existing ponds expanded or additional ponds added in the future.

We are providing a copy of this letter and proposal to Mr. Carter. We look forward to hearing from you regarding the next step in the process. Thank you.

Very sincerely yours,

A handwritten signature in black ink, appearing to read "Stephen W. Smith", written over the typed name.

Stephen W. Smith

A handwritten signature in black ink, appearing to read "Pamela J. Smith", written over the typed name.

Pamela J. Smith

cc: Bill Carter, SMR Development LLC