

August 25, 2011

Allen Merritt
Idaho Department of Water Resources
Southern Region Office
1341 Fillmore St., Suite 200
Twin Falls, ID 83301-3380

Via email: allen.merritt@idwr.idaho.gov

Re: Transfer Application No. 77459 – Water Right No. 72-4077
Water Right Permit Application No. 72-16873

Dear Mr. Merritt,

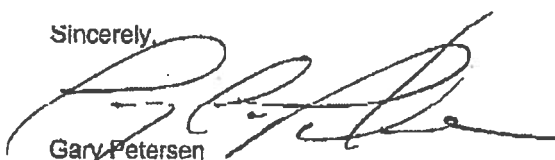
Petersen Ranch Trust is currently working with state and federal agencies on conservation projects intended to increase the flows in Bayhorse Creek. To that end, we have filed an application for permit (72-16873) to develop a new shallow groundwater source as a replacement supply for 20 acres currently irrigated with water from Bayhorse Creek under Water Right No. 72-4077. In addition, we have filed a transfer application to correct the description of one point of diversion and the place of use in Water Right No. 72-4077. Our intention was then to file an additional application for transfer and supply evidence of the hydraulic connection between the Salmon River and the new shallow groundwater well in an effort to show that Water Right No. 72-4077 would be diverted from the well to supply irrigation water to the subject 20 acres.

We now understand that IDWR is willing to forego a second transfer application and accept a portion of Water Right No. 72-4077 as mitigation of water use under Permit No. 72-16873. We accept this approach.

It is our intention to irrigate 20 acres using the new shallow well. The 20-acre site is described on the permit application within the SENW, S07, T12N, R19E. We agree that a 20-acre portion of water right 72-4077 can be used for mitigation of water use under the new permit. We also agree to amend the pending transfer application, if required to do so by IDWR. Our consultants, SPF Water Engineering, will separately provide a memo discussing the hydraulic connection between the new well and the Salmon River.

Please notify SPF (Roxanne Brown) if there are further questions concerning this matter.

Sincerely,



Gary Petersen
Petersen Ranch Trust