



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 • Fax: (208) 287-6700 • Web Site: www.idwr.idaho.gov

August 17, 2011

C. L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Interim Director

PANHANDLE STATE BANK
C/O DAN JONES
5211 E SPRAGUE AVE
SPOKANE WA 99212

RE: Permit No. 96-9317

Dear Mr. Jones:

The Department of Water Resources issued the above referenced water right permit on June 18, 2007, in the name of Damon Arnett. The Department received your Statement of Completion for filing proof of beneficial use ("proof") for the above referenced water appropriation permit on May 25, 2011. It is the understanding of the Department that Panhandle State Bank foreclosed on the property owned by Damon Arnett.

Your filing presents a dilemma for the Department because water appropriation permits are personal property, not real property. Consequently, the Department contacted Damon Arnett on June 6, 2011, at the phone number he has on record with the Department. During that phone conversation, Mr. Arnett requested the Department resend him our letter to you of May 26, 2011, along with an Assignment of Permit form. The Department has not received a response from Mr. Arnett.

I recommend Panhandle State Bank attempt to contact Mr. Arnett to ask him to assign this permit over to Panhandle State Bank by filing with the Department an assignment of permit form along with the \$25.00 fee. If Mr. Arnett chooses not to assign the permit, the Department might be able to process your proof of beneficial use if you show your interest in the land described as the place of use for the permit by submitting a copy of the foreclosure decree. A commitment for the title insurance is not sufficient evidence of land ownership.

If the Department is able to process your proof statement, a field exam will be conducted to verify the beneficial use of water, and a water right license will be issued to Mr. Arnett. The licensed water right would be considered real property. At that point, Panhandle State Bank could file an Ownership Change form and the \$25.00 fee to have the water right put in its name.

I will hold this matter for (30) days from the date of this letter to wait for a response. If the Department has not received direction from Mr. Arnett or from you within that time, your statement of completion will be returned, and the permit will lapse.

If you have any questions, please feel free to contact me at 208-287-4945.

Sincerely,

Darla Block
Technical Records Specialist

cc: DAMON ARNETT
217 CEDAR ST #174
SANDPOINT ID 83864