



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

May 27, 2011

C. L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Interim Director

Warm Springs Creek Ranch
Attn: Jim Gregory
5306 Zollinger Road
Machay, ID 83251

COPY

RE: Water Supply Bank Leases for water rights 34-467, 34-468, 34-469, 34-471, and 34-2041

Dear Mr. Gregory;

I have been asked to review the Water Supply Bank leases you submitted on October 9, 2009 for water rights 34-467, 34-468, 34-469, 34-471, and 34-2041. Before I can move forward with further processing of these applications, I will need to have some clarification on the Water Supply Bank leases for water rights 34-469 and 34-471.

On the Water Supply Bank application form, your organization listed that it wanted to place 176 of the 213 acres into the Water Supply Bank. However, the applications for these two water rights show that you want all of the diversion rate and all of the volume for these two water rights placed into the Water Supply Bank. The map supplied with the two applications also shows that all of the lands are to be placed into the Water Supply Bank.

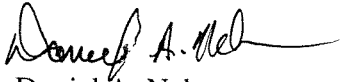
Therefore, I will need confirmation from you which avenue you wish us to take concerning these Water Supply Bank leases. If you choose to go with the 176 acres, you will need to send an updated map showing the 176 acres to be placed into the bank. If you choose to go with the full 213 acres, I will just need a written confirmation from you informing me that this is the path you wish to take.

On a separate issue, your organization also sent an application to place water right 34-2401 into the Water Supply Bank. Unfortunately, we are unable to do this at this time. This water right was not claimed in the Snake River Basin Adjudication (SRBA). We are unable to take any action on a water right was required to file in the SRBA, but no filing was received. A formal letter will be sent to you in the next few weeks concerning this matter. This will not affect the other water bank leases we have on file for this property.

I will need to receive a formal decision on the Water Supply Bank leases for water rights 34-469 and 34-471 by no later than June 10, 2011 or I will be forced to return these applications unprocessed. The Water Supply Bank leases for water right 34-467 and 34-468 seem to be in order, and I will continue processing these applications once I have a clear direction on the other two water rights.

If you have any questions, please don't hesitate to contact me.

Respectfully,

A handwritten signature in black ink, appearing to read "Daniel A. Nelson", with a long, sweeping horizontal line extending to the right.

Daniel A. Nelson
Staff Hydrologist
Planning Bureau
Idaho Department of Water Resources
Telephone # (208) 287-4856

Cc Mark T. Gates – Managing Member