



STATE OF IDAHO
OFFICE OF THE ATTORNEY GENERAL
LAWRENCE G. WASDEN
August 20, 2010

Mr. Jerome Shulkin
Shulkin, Hutton Inc., P.S.
7525 SE 24th Street Suite 330
Mercer Island, Washington 98040

Re: Status of Water Right Permit nos. 37-7426 and 37-8165 and Related Ownership Issues

Dear Mr. Shulkin:

This letter responds to your letter dated August 12, 2010. As stated in my June 29, 2010 letter to Allen Ellis, the Idaho Department of Water Resources ("IDWR") will commence actions to void Water Right Permit 37-7426 and to license Water Right 37-8165 based on information before the agency. IDWR also intends to process the Notice of Change in Water Right Ownership for several water rights provided to IDWR by Bliss Valley Properties LLC in March of 2004. Once the change in ownership is processed, IDWR will list Bliss Valley Properties LLC or Magic MFG, Inc. as the current owner for water rights previously owned by Robert and Bernadine Erkins.

IDWR is taking these actions based upon its understanding that all appurtenant water rights and water permits to the real property involved passed to the new owners at the time of the Marshall's sale in 2002 and title to the same was quieted in the name of Pana-Tek, Inc. in Case no. CV-02-142-S-BLW before the US District Court for the District of Idaho in 2003.

IDWR does not quiet title to water right ownership, only a court is able to perform that function. IDWR is undertaking its statutory duties to process licenses and process ownership changes in accordance with the information before the agency and contemporaneous court decisions. Should a different court ruling be issued in the future that reverses previous rulings or otherwise establishes that Erkins is the owner of these water rights, IDWR will change its records accordingly.

Please feel free to call me at 287-4812 should you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Homan", is written over the typed name and title.

John W. Homan
Deputy Attorney General
Natural Resources Division

c. Allen Ellis