



June 21, 2010

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WATER RESOURCES
WESTERN REGION

Kay Walker
IDWR Western Region Office
2735 Airport Way
Boise, ID 83705

Subject: Application for Transfer No. 75920 – Donald Miller

Dear Kay,

In response to your information request letter dated May 26, 2010, enclosed is an Amended Application for Transfer and transfer authorizations from the property lien holders. The following letter explains the enclosures and other items addressed in your letter.

Item 1. You stated that the Department would normally consider the water from mine tunnels as ground water since water "flows" from the mine shafts and that Section 42-222, Idaho Code, does not allow for a change in surface water to ground water or vice versa.

Response. Water discharging from the old underground mine workings is analogous to a spring source. It is flowing ground water until it reaches the portal of the mine workings, just as spring water is flowing ground water until it reaches the surface. In both cases, at either the portal of the mine or at the spring, the water becomes in contact with atmosphere and becomes surface water. Throughout the state, surface water that discharges from springs is then tributary via overland flow to named and unnamed streams, lakes, or sinks, and in this case to Granite Creek. This scenario is applicable to the proposed Iowa and Sunshine adits, in which water naturally flows from horizontal tunnels. The proposal is not to divert more water than is currently flowing from these workings under gravity drainage.

With regards to the Pioneer Shaft diversion, we acknowledge that this water is ground water because the shaft is vertical and diversion of water would require pumping. This diversion has been removed from the attached amended transfer application. Future pumping from the shaft will be for de-watering purposes only and not used for processing.

Items 2 & 3. You requested an operation plan showing how a greater quantity of water will not be diverted and that there would be no expansion in the historical season of use if the proposal were approved. Also, you asked what will become of Water Right 63-2117 from Confederate Gulch Creek for mining in the same general location as Water Right 63-2338 proposed for transfer.

Response. For the next two years, the Plan of Operation is to remove mine material to be processed off-site. Currently, both water rights 63-2117 and 63-2338 are enrolled in the Idaho Water Supply Bank. Upon approval of transfer No. 75920, applicant will request that a portion of water right 63-2338 be released from the bank for dust control purposes. Once on-site processing resumes, applicant will withdraw both rights from the bank as needed for mining use. Please note that a change in the authorized nature of use or season of use is not being proposed for water right 63-2338. Upon resumption of on-site processing, applicant will continue to operate within the limits his authorized water rights.

Item 4. You requested a notarized statement from the property lien holder(s).

Response. There are two banks that have security interest in the property; Northwest Farm Credit Services and Idaho First Bank. Attached are notarized statements from both banks authorizing transfer No. 75920.

Please note that Don Miller wishes to change the name of the transfer applicant to Quartzburg Holding Company, LLC, c/o Don Miller. Attached to the transfer application is an annual report form for the company that indicates Don has authority to sign for the company.

Thanks Kay. Please let me know if you have any further questions.

Sincerely,



Lori Graves
Water Rights Specialist

Cc: Don Miller

Enclosures

SPF file number: 442.0030

SPF Water Engineering, LLC
Attn: Lori Graves
300 E. Maillard Dr., Suite 350
Boise, ID 83706

Re: Application for Transfer No. 75920 for Don Miller

Dear Lori,

Northwest Farm Credit Services has received a copy of the Application for Transfer No. 75920 for Don Miller.

Northwest Farm Credit Services currently has security interest on the property where the subject water right is appurtenant.

We approve of the transfer that is being proposed on this property.

Sincerely


John R Hall
Relationship Manager / VP

State of ~~Idaho~~ Oregon)
County of Malheur) SS.

Subscribed and sworn (or affirmed) before me this 18th day of June, 2010.


Notary Public

Residing at Ontario

My Commission Expires 12/2/13





SPF Water Engineering, LLC
Attn: Lori Graves
300 E. Mallard Dr., Suite 350
Boise, ID 83706

Re: Application for Transfer No. 75920 for Don Miller

Dear Lori,

Idaho First Bank has received a copy of the Application for Transfer No. 75920 for Don Miller/Quartzburg Holding Company, LLC

Idaho First Bank currently has a security interest on the property where the subject water right is appurtenant.

We approve of the water right transfer that is being proposed on this property.

Sincerely,

Aana Vannoy
Idaho First Bank
475 E Deinhard Lane
McCall, ID 83638
(208)630-2045
avannoy@idahofirstbank.com

STATE OF IDAHO)
)ss
COUNTY OF VALLEY)

On this 16th day of June 2010 before me, Jessica L Kime, a notary public in and for the State of Idaho, personally appeared Aana Vannoy, known or identified to me to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same.

Notary Public for Idaho

Residing at McCall, ID

My commission expires: 7/10/12

JESSICA L.R. KIME
NOTARY PUBLIC
STATE OF IDAHO

No. W 66018 Return to: SECRETARY OF STATE 700 WEST JEFFERSON PO BOX 83720 BOISE, ID 83720-0080 NO FILING FEE IF RECEIVED BY DUE DATE		Due no later than Aug 31, 2009 Annual Report Form 1. Mailing Address: Correct in this box if needed. QUARTZBURG HOLDING COMPANY, LLC 1912 N 17TH ST BOISE ID 83702		2. Registered Agent and Address (NO PO BOX) DONALD E MILLER 1912 N 17TH ST BOISE ID 83702 3. New Registered Agent Signature:*	
4. Limited Liability Companies: Enter Names and Addresses of at least one Member or Manager.					
Office Held	Name	Street or PO Address	City	State	Country
MEMBER	RON GUILL	967 E PARKCENTER BOULEVARD	BOISE	ID	USA
MEMBER	CANDACE MILLER	1912 N 17TH STREET	BOISE	ID	USA
MEMBER	DONALD E MILLER	1912 N 17TH STREET	BOISE	ID	USA
5. Organized Under the Laws of: ID W 66018		6. Annual Report must be signed.* Signature: Donald E. Miller Name (type or print): Donald E. Miller Date: 09/17/2009 Title: Member			
Processed 09/17/2009		* Electronically provided signatures are accepted as original signatures.			