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May 1, 1986

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Mr. L. Glen Saxton
Chief, Operations Bureau
Department of Water Resources
State of Idaho
450 West State Street
Boise, Idaho 83702

Department of Water Resources

RE: Idaho Water Permit Nos. 47-7700,
47-7702, and 47-7705

Dear Mr. Saxton:

We represent Zions Leasing Company, the owner of the Mud Creek hydroelectric facility where water acquired pursuant to the above-referenced permits is utilized. The permits originally were issued to S & S Limited Partnership and/or its partners, Dan C. Skeem and/or Wayne B. Skeem. Copies of the permits are enclosed for your convenience. S & S Limited Partnership leased the hydroelectric facility and related equipment from Zions. On or about November 25, 1981, the partnership entered into an Assignment for Security and an Addendum with Zions (copies attached). The Assignment and Addendum were intended to provide Zions with additional security for its leasing the hydroelectric facility and related equipment to the partnership.

Pursuant to the Assignment for Security and Addendum, upon default of S & S Limited Partnership's obligations to Zions or failure to perform terms and conditions contained in the equipment lease agreements, Zions acquired the right and an irrevocable license and easement to enter into and upon the Mud Creek hydroelectric facility to operate the facility. Unfortunately, S & S Limited Partnership defaulted in its obligations to Zions, and Zions was compelled to enter into and upon the

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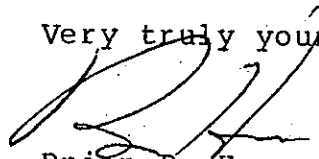
Mr. L. Glen Saxton
May 1, 1986
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facility. Since the default, Zions has utilized the water acquired under the above-referenced permits and operated the Mud Creek hydroelectric facility.

Since the water acquired under the above-referenced permits is essential to operation of the facility, Zions hereby requests that the Department of Water Resources recognize and approve the assignment of the above-referenced water permits by S & S Limited Partnership to Zions.

If we can answer any questions or provide additional information, please do not hesitate to call.

Very truly yours,



Brian R. Hanson

for HOLLAND & HART,
LANGROISE, SULLIVAN

BRH/cd

Enclosures

MICROFILMED

AUG 01 1988