

LAW OFFICES OF

**RACINE OLSON NYE BUDGE & BAILEY
CHARTERED**

201 EAST CENTER STREET
POST OFFICE BOX 1391
POCATELLO, IDAHO 83204-1391

TELEPHONE (208) 232-6101
FACSIMILE (208) 232-6109

www.racinelaw.net

SENDER'S E-MAIL ADDRESS: rcb@racinelaw.net

W. MARCUS W. NYE
RANDALL C. BUDGE
JOHN A. BAILEY, JR.
JOHN R. GOODALL
JOHN B. INGELSTROM
DANIEL C. GREEN
BRENT O. ROCHE
KIRK B. HADLEY
FRED J. LEWIS
MITCHELL W. BROWN
ERIC L. OLSEN
CONRAD J. AIKEN
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DAVID E. ALEXANDER
LANE V. ERICKSON
PATRICK N. GEORGE
SCOTT J. SMITH
STEPHEN J. MUHONEN
BRENT L. WHITING
JUSTIN R. ELLIS
JOSHUA D. JOHNSON
JONATHAN S. BYINGTON
DAVE BAGLEY
CAROL TIPPI VOLYN
THOMAS J. BUDGE
CANDICE M. MCHUGH

BOISE OFFICE
101 SOUTH CAPITOL
BOULEVARD, SUITE 208
BOISE, IDAHO 83702
TELEPHONE: (208) 395-0011
FACSIMILE: (208) 433-0167

IDAHO FALLS OFFICE
477 SHOUP AVENUE
SUITE 203A
IDAHO FALLS, ID 83402
TELEPHONE: (208) 528-6101
FACSIMILE: (208) 528-6109

COEUR D'ALENE OFFICE
250 NORTHWEST
BOULEVARD, SUITE 108A
COEUR D'ALENE, ID 83814
TELEPHONE: (208) 765-6888

ALL OFFICES TOLL FREE
(877) 232-6101

LOUIS F. RACINE (1917-2006)
WILLIAM D. OLSON, OF COUNSEL

September 24, 2007

RECEIVED

SEP 25 2007

Department of Water Resources
Eastern Region

Dave Carlson, Eastern Region Manager
Ernie Carlson, Senior Water Right Agent
Eastern Region/IDWR
900 N. Skyline Drive
Idaho Falls, Idaho 83402

Re: 1. Sam's Hollow Water Company Water Right No. 11-7481
2. Canyon Estates Property Owners Association W.R. No. 11-07435

Dear Dave and Ernie:

I have a rather unusual water right transaction between Sam's Hollow Water Company (Sam's Hollow) and Canyon Estates Property Owners Association (Canyon Estates). It arises out of a settlement of various disputes between those parties which have adjacent subdivisions near Fish Haven in Bear Lake County.

I represent Sam's Hollow Water Company which owns Water Right Nos. 11-7481 and 11-7491 which provide water for a subdivision known as The Reserve at Bear Lake. An entity known as the Bear Lake Group, LLC, managed by Doug Johnson, is developing The Reserve at Bear Lake and as such also owns and controls Sam's Hollow.

Doug Johnson was also the original developer of Canyon Estates Subdivision. Canyon Estates is supplied water under Right No. 11-07435 in the name of Doug Johnson. Attached are two plat maps. The first shows the location of Canyon Estate outlined in yellow and The Reserve outlined in green. The second plat map shows the location of the wells ("W") and the places of use for Water Right No. 11-07435 ("35") and 11-7481 ("81") and 11-7491 ("91").

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Eastern Region

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Parcel 2D was originally part of The Reserve with water supplied by 11-7481. The Parcel 2D acreage located within the NE1/4 of Section 15, T. 16 S., R. 43 E., was annexed into Canyon Estates Subdivision. Accordingly, Sam's Hollow is going to transfer 0.28 cfs of domestic water under Right No. 11-7481 to Canyon Estates to supply 14 lots located in the annexed property known as The Pointe at Canyon Estates. Canyon Estates will then pump this additional water from two existing wells to supply Canyon Estates Subdivision, including the lots in The Pointe at Canyon Estates. The balance of 1.07 cfs of the right will be retained by Sam's Hollow. Here is a list of what needs to be accomplished:

1. Doug Johnson needs to transfer ownership of 11-07435 to Canyon Estates. Attached is a proposed Notice of Change in Water Right Ownership and attached Warranty Deed to accomplish this.
2. Water Right No. 11-7481 needs to be split with 0.28 cfs transferred to Canyon Estates. I am assuming this would be identified as 11-07481B. This would provide domestic water to 14 homes. The balance of the 1.07 cfs right would be retained by Sam's Hollow and continue to provide domestic water to The Reserve. I am assuming the retained right would be renumbered as 11-07481A. Enclosed is a proposed Notice in Change of Water Right Ownership and attached Warranty Deed to accomplish this.
3. Application for Transfer of Water Right pertaining to Water Right No. 11-07435. The purpose of this is to change the place of use simply to add the annexed property being The Pointe at Canyon Estates to the place of use.
4. Application for Transfer of Water Right pertaining to Water Right No. 11-7481B. The purpose of this is to change the place of use and add a point of diversion under this right so that the transferred right, 11-7481B, can be pumped from the Canyon Estates wells to provide domestic water to all of Canyon Estates Subdivision including The Pointe.

As indicated in the remarks under both Transfer Applications, the purpose is to combine all of Water Right No. 11-7435 and to transfer 0.28 cfs of 11-7481B to provide a common place of use and common points of diversion for both rights to provide domestic water for all of Canyon Estates Subdivision. Canyon Estates water is pumped from two wells. The first well was originally drilled when Right No. 11-7435 was obtained. When The Pointe was annexed onto Canyon Estates, because of the additional lots, DEQ required that Canyon Estates have a second well. The second new well was drilled earlier this year, both being located within the NW NW, Section 15, T. 16 S., R. 43 E.

My clients, Sam's Hollow and The Bear Lake Group, LLC, are handling the work and associated costs of completing the above-described water right transfers. I didn't want to go to the

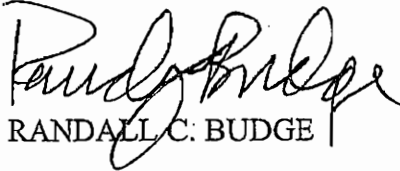
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trouble of having all of the documents signed and filed and then run into questions or problems requiring amendment. For this reason I am providing everything to you for advance review. I'd be happy to discuss these with you by phone or to run up to Idaho Falls and meet with you for this purpose. Please advise which you prefer and we'll schedule a convenient time.

Thank you for your cooperation and assistance.

Sincerely,



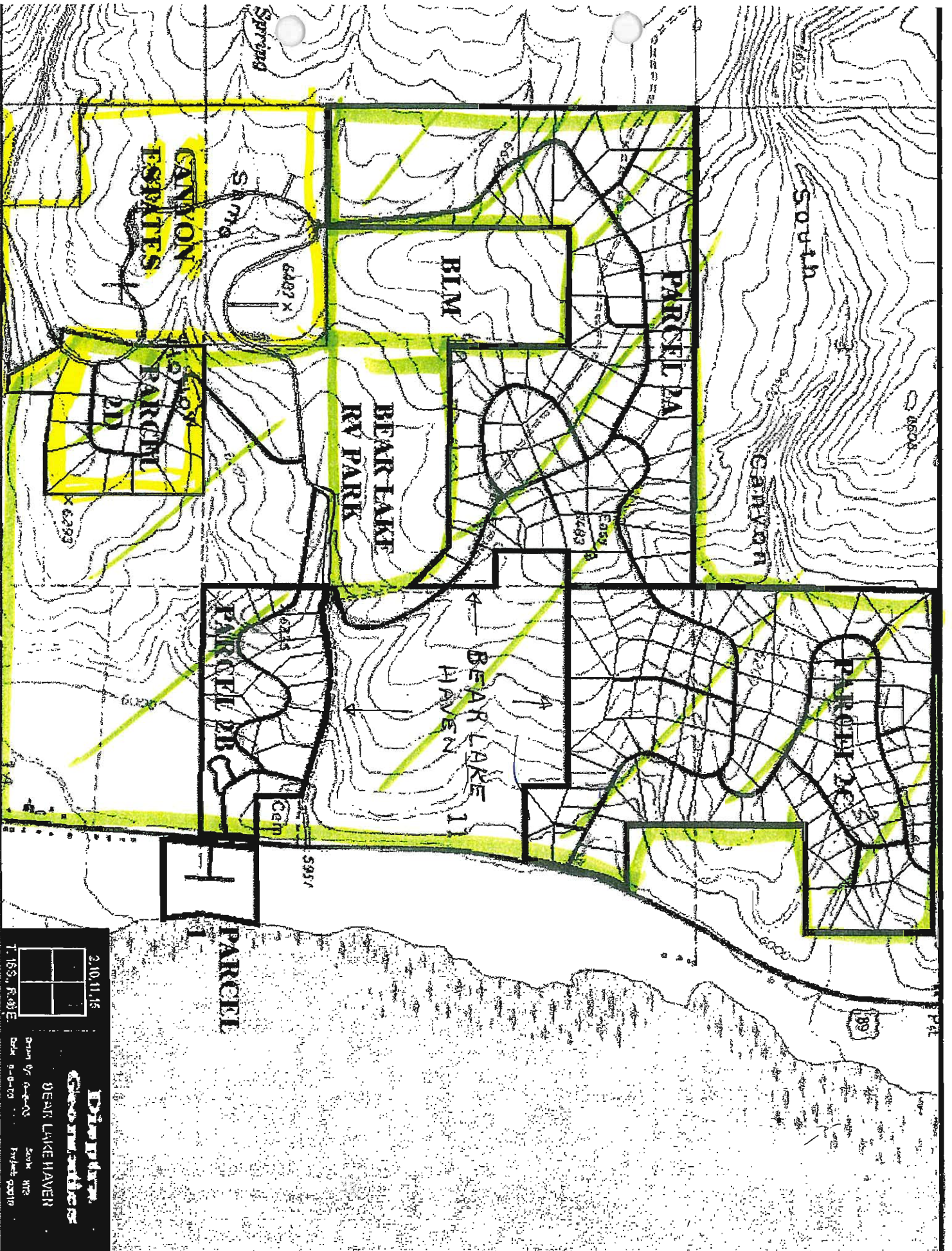
RANDALL C. BUDGE

RCB:rr

Attachments

cc: Doug Johnson

Exh. 67 A



South

Canyon

PAID IT ZA

RTM

10

BEAL LAKE
RV PARK

35
5 am
35

CAUTION

35

35-POD

15

35

35



91

16

Protest

POD

21

91



161

100

11



81

PARCE

PARCUM

14



2,10,11,15

T. 188. R. 3E

Diaper
Geo matress
BEAR LAKE HAVEN
Room 17 6-6-03
Date 6-6-03
Fishes 2019