

Moffatt Thomas

MOFFATT THOMAS BARRETT ROCK & FIELDS, CHTD.

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Andrew J. Waldera
Dylan B. Lawrence
Benjamin C. Ritchie
Rebecca A. Rainey
Matthew J. McGee

Robert E. Bakes, *of counsel*

Willis C. Moffatt, 1907-1980
Kirk R. Helvie, 1956-2003

DEPARTMENT OF
WATER RESOURCES

July 21, 2009
via Hand Delivery

US Bank Plaza Building
101 S Capitol Blvd 10th Fl
PO Box 829
Boise Idaho 83701 0829

208 345 2000
800 422 2889
208 385 5384 Fax
www.moffatt.com

Aaron Marshall
Idaho Department of Water Resources
322 E. Front Street, 6th Floor
P.O. Box 83720
Boise, ID 83720-0098

Re: Water Supply Bank Rental Application
Sinclair Oil Corporation d/b/a Sun Valley Company
MTBR&F File No. 16845.0016

Dear Aaron:

I am enclosing for your review an original Application to Rent Water From the Water Supply Bank, on behalf of my firm's client Sinclair Oil Corporation, d/b/a Sun Valley Company. This application includes three aerial photos/maps depicting the areas to be irrigated through this proposed rental.

By way of background, Sun Valley Company has entered into a private water right rental agreement with Douglas J. Bradshaw, Trustee under the Will of Eleanor Reinheimer (the "Reinheimer Trust"), whereby Sun Valley Company has agreed to rent water rights 37-457A and 37-457B from the Reinheimer Trust. A copy of that Agreement to Rent Water is enclosed with this letter. It is my understanding that an Application to Sell or Lease a Water Right to the Water Supply Bank submitted by the Reinheimer Trust on April 1, 2009 with respect to water rights 37-457A and 37-457B is currently pending before IDWR. Upon approval of that lease application and the enclosed rental application, please use the rental rates specified in the Agreement to Rent Water as the basis for the Water Supply Bank rental rates.

In total, Sun Valley Company seeks to irrigate 48.0 total acres that are not currently being irrigated. The primary purposes of this proposed irrigation are to help re-establish disturbed and reseeded native vegetation and, in the southern portion of the resort, to resume irrigating an idled horse pasture. Please note that the acres proposed for new irrigation are designated by colorful cross-hatching in the enclosed application maps. These are the only areas actually affected by this application. For informational purposes, we have also depicted the areas affected by the existing Water Supply Bank lease and rental agreements for water right 37-415.

Aaron Marshall
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In particular, the solid colored areas are acres that are already authorized for irrigation under the existing Water Supply Bank agreements, and areas depicted in black diagonal hatching are areas that are currently idled under those agreements.

I have tried to include as much helpful information as possible, in order to expedite IDWR's review process. Please do not hesitate to contact me if you have any questions. As you will recall, you and I are currently scheduled to meet at your offices to discuss this application on Wednesday, July 29, 2009, at 3:00 p.m. Sun Valley Company would like to begin irrigating these areas as soon as possible, so please consider this a request for expedited consideration by IDWR.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Dylan B. Lawrence', with a long, sweeping horizontal line extending to the right.

Dylan B. Lawrence

DBL/llw

Enclosures

cc: Wallace Huffman
Kevin Lakey
Scott Mayeda
Allen D. Merritt
John Rosholt
Gary Spackman, Interim Director, IDWR
Scott L. Campbell

Agreement to Rent Water

This Agreement made and entered this 9th day of July, 2009, by and between Douglas J. Bradshaw, Trustee under the Will of Eleanor Reinheimer, hereinafter "Lessor", and Sinclair Oil Corporation, dba Sun Valley Co., hereinafter "Lessee".

WITNESSETH:

WHEREAS, Lessor owns natural flow water rights 37-457A and 37-457B from Trail Creek in Blaine County, Idaho, appurtenant to certain lands for irrigation; and

WHEREAS, Lessor proposes a private lease of said water rights through the Water Supply Bank of the Idaho Water Resource Board ("IWRB") for 2009 and 2010; and

WHEREAS, the parties wish to reduce their Agreement to writing;

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein contained, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Lease of Water. Lessor herein enters this "private lease" and agrees to lease, and Lessee agrees to rent from Lessor natural flow water rights 37-457A and 37-457B from Trail Creek in Blaine County, Idaho, presently decreed appurtenant to certain lands for irrigation purposes, the yield of said water rights to be beneficially used by Lessee for whatever purposes and at whatever places of use proposed by Lessee, all as approved through the Water Supply Bank of the IWRB and the Idaho Department of Water Resources ("IDWR"). Lessor hereby agrees to prepare and submit a lease application to the Water Supply Bank, and Lessee hereby agrees to prepare and submit a rental application to the Water Supply Bank, to effectuate this transaction. To the extent

either application is denied, or is approved with conditions that are unacceptable to either party, this agreement shall be null and void.

2. Term This Agreement shall be for a Two (2) year term beginning on the date hereof and shall remain in full force and effect until December 31st, 2010. Lessor agrees to take all reasonable measures to ensure water rights 37-457A and 37-457B remain leased to the Water Supply Bank, and available to be rented by Lessee, during this term.

3. Procedure. Lessor and Lessee shall submit their lease and rental applications to the Water Supply Bank of IDWR requesting the issuance of the lease and the rental agreements. If approved by IDWR, the agreements shall be signed by the respective parties and shall be timely returned to IDWR, with the Lessee submitting payment with the signed rental agreement, payable to the Water Supply Bank. The parties understand the Water Supply Bank will then deduct its ten percent (10%) administrative fee, and will then remit payment to the Lessor for the remaining ninety percent (90%).

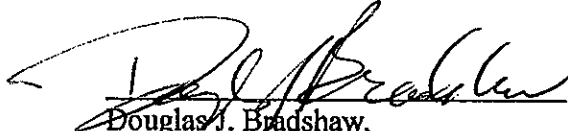
4. Rental. The rental rate shall be Seventeen Thousand and no/00 (\$17,000.00) for the 2009 rental and Twenty Thousand and no/00 (\$20,000.00) for the 2010 rental, less applicable ten percent (10%) administrative fee payable to the IDWR/IWRB as above set out. Payments shall be made as set out in the Water Supply Bank Rules.

5. No Guarantee on Yield Lessor makes no guarantee as to the yield of the water rights or as to preferred points of diversion, places of use, or purposes of use as may be proposed by the Lessee, it being acknowledged that such changes require the consent of IWRB, IDWR, and Water District 37. Any reduction in yield which results in a reduction of administrative costs and surcharges shall accrue to the benefit of the Lessor.

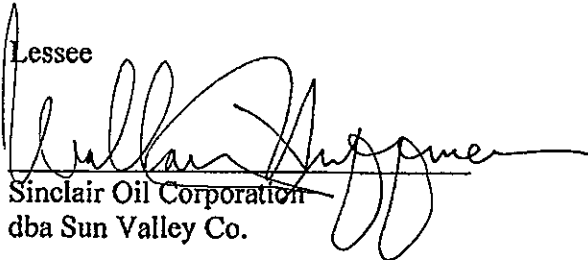
6. Non-Dedication of Water. In accordance with the provisions of Idaho Code § 42-1764, the rental and distribution of water under this Agreement shall not constitute a dedication of the water to the uses of Lessee. In addition, nothing in this Agreement shall be deemed to grant a right to Lessee to receive water from Lessor on any basis other than as herein provided in this private lease.

IN WITNESS WHEREOF, the parties have executed this Agreement the day and year first above written.

Lessor


Douglas J. Bradshaw,
Trustee under the Will of Eleanor
Reinheimer

Lessee

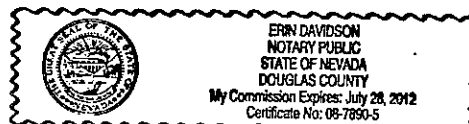

Sinclair Oil Corporation
dba Sun Valley Co.

ATTEST:

STATE OF Nevada)
~~IDAHO~~) ss.
County of Douglas)

On this 9 day of July, 2009, before me, a Notary Public for the State of ~~Idaho~~ Nevada, personally appeared Douglas J. Bradshaw, known or identified to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

Erin Davidson



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Clim Dauda

NOTARY PUBLIC FOR IDAHO

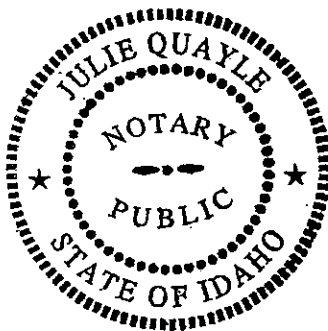
Residing at Douglas County

My commission expires 7/28/12

STATE OF IDAHO)
County of Blaine)ss.

On this 8th day of July, 2009, before me, a Notary Public, in and for said County and State, personally appeared Wallace Huffman, known or identified to me to be the Authorized Agent of the Sinclair Oil Corporation, dba Sun Valley Co., the corporation that executed the foregoing instrument, and acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Julie Quayle
NOTARY PUBLIC FOR IDAHO
Residing at Blaine County
My commission expires 11-1-2011