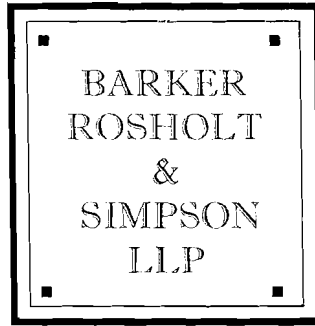


*Albert P. Barker
John A. Rosholt
John K. Simpson
Travis L. Thompson
Shelley M. Davis
Paul L. Arrington*



Paul L. Arrington
pla@idahowaters.com

June 10, 2008

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Allen Merritt
Idaho Department of Water Resources
1341 Fillmore St., Suite 200
Twin Falls, ID 83301

RE: Deer Creek Ranch, Inc. Compliance Conference

Dear Allen:

During the May 30, 2008, Compliance Conference regarding the Notice of Violation for Deer Creek Ranch, Inc., we were asked to provide a letter describing the steps that Deer Creek has taken to resolve the violations. We provide the following report:

1. Jeff Cooper contacted me on June 10, 2008, to confirm that the acres irrigated by Deer Creek, including the acres of concern, was less than the total authorized under Deer Creek's water rights.
2. As to the irrigated acres of concern, Deer Creek has filed an Application for Transfer of Water Right, seeking to create a permissible place of use for water right 37-466 that includes the acres of concern. In the interim, Deer Creek has filed a Companion Application with the Water Bank – seeking to place a portion of water right 37-466 in the Water Bank and then rent it back for use on the acres of concern.
3. As to the pond in question, water right 37-8836 is a water permit authorizing diversions for the pond.

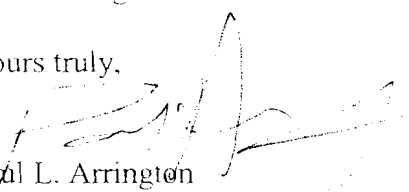
In light of these conditions, the Department will withdraw its demand for payment of a penalty and for entry into a Consent Order & Agreement.

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Allen Merritt
June 10, 2008
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Thank you for your assistance in resolving this matter.

Yours truly,


Paul L. Arrington

PLA/jf

cc: John Flynn
Jay Sevy