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May 25, 2007

RECEIVED
MAY 29 2007
DEPARTMENT OF
WATER RESOURCES

Gary Spackman
Administrator
Water Management Division
Idaho Department of Water Resources
P.O. Box 83720
Boise, Idaho 83720-0098

Re: Transfer No. 71619 – Water Right Nos. 63-3182, 63-31854, 63-31855, 63-3583,
63-31841, 63-31842, 63-31839, 63-31840, 63-7533 and 63-7177

Dear Mr. Spackman:

I write on behalf of Basin and Range Resource Company, LLC which currently is under contract with Jim Scarrow to purchase the property associated with the above-referenced water rights. The transaction is in the due diligence phase which will conclude on June 13, 2007 with closing scheduled for mid-July 2007.

It has come to our attention that approved Transfer No. 71619 involving these ten water rights has not yet been implemented although the currently authorized deadline for doing so, February 25, 2007, has passed. At this point, we ask IDWR to confirm the current status of the ten water rights subject to Transfer No. 71619 if, as we understand, nothing yet has been done to implement dairy operations on the site. It appears that the property remains irrigated pursuant to the pre-Transfer (licensed) water rights.

Specifically, we would like to pose the following questions:

1. If nothing has been done yet to implement Transfer No. 71619, would IDWR's position be that the water rights remain in effect in their full pre-Transfer (licensed) status?
2. If the water rights currently are not in effect in their full pre-Transfer (licensed) status what would be the water rights' currently authorized elements, particularly, priorities, quantities, places of use and authorized uses? In other words, in what respects, if at all, would the currently effective water right elements differ from the licensed elements?
3. Does anything need to be done, filed or approved to reinstate the water rights in their pre-Transfer (licensed) status?
4. Could anything be done at this point to reinstate Transfer No. 71619, if desired?

I look forward to hearing from you as soon as possible as this matter could affect my client's decision whether to proceed with the transaction. If you expect that IDWR's response to this request will not be available until after June 13, 2007, please let me know so that we can try to make necessary arrangements to address the due diligence deadline. Please do not hesitate to contact me if you have any questions or need any further information. Thank you for your attention to this matter.

Sincerely,

HOFSTETTER LAW OFFICE, LLC

A handwritten signature in black ink, appearing to read "Dana Hofstetter", written in a cursive style.

Dana L. Hofstetter