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May 25, 2007

RECEIVED
MAY 29 2007
DEPARTMENT OF
WATER RESOURCES

Jeff Peppersack
Idaho Department of Water Resources
P.O. Box 83720
Boise, Idaho 83720-0098

Re: 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. Peppersack:

My client, Basin and Range Resource Company, LLC, 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.

While it appears that the property is not located in a Ground Water Management Area, I wanted to check with you to see if IDWR anticipates whether any regulatory developments may affect the diversion or use of any of the ground water rights identified above. Also, have any of these rights been subject to regulatory curtailment in the past or are any of them anticipated to be subject to such curtailment in the future?

Please do not hesitate to contact me if you have any questions or need any further information. Thank you for your assistance with this matter.

Sincerely,

HOFSTETTER LAW OFFICE, LLC



Dana L. Hofstetter