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August 12, 2005

Steve Lester  
Western Regional Office  
Idaho Department of Water Resources  
2735 Airport Way  
Boise, ID 83705-5082

Re: Lakeland Village – Application for Transfer of Water Right 63-146 and  
Applications for Permit Nos. 63-31934 and 63-32143  
GP File No. 4977-12

Dear Steve:

I received your letter dated July, 20, 2005, stating the Department will not process the above referenced applications until after SRBA proceedings are complete on the New Union Ditch Co. Ltd.'s water rights. I am writing to request reconsideration of this decision. I understand the Department will deviate from the general processing hold where circumstances warrant. We believe the above referenced applications meet this threshold.

**History of the applications.** Lakeland Village, LLC filed an Application for Permit No. 63-31934 in May of 2003 to appropriate ground water for aesthetic storage. Lakeland proposed mitigation for evaporative pond losses under the new permit by changing the nature of use of a portion of New Union's water right 63-146 from irrigation to ground water recharge. New Union submitted this transfer application in May 2003. Applications for Permit and coupled transfers generally are processed by the Department at the same time. In this case, however, the permit application proceeded independent of the associated transfer.

The Department advertised Application for Permit No. 63-31934 in June 2004. The Bureau of Reclamation protested the application. Over the ensuing months, the parties negotiated a settlement of the protest. The parties recently reached a final agreement resolving the protest, which also resolves in advance the Bureau's concerns with regard to the transfer application. We anticipate submitting a formal withdrawal of protest in the next several days.

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While Lakeland and the Bureau were resolving the protest to the permit application, New Union submitted an amendment to the Application for Transfer on April 7, 2005. The amendment increased the portion of right 63-146 proposed for change from irrigation to ground water recharge to accommodate the desire of a second shareholder, Roth Construction, Inc., to construct a pond on its property adjacent to the Lakeland property. Roth Construction filed Application for Permit No. 63-32143 in conjunction with the amended transfer to appropriate ground water for the pond.

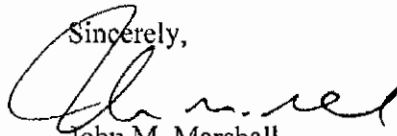
**Rationale for continued processing.** Processing of Application for Permit No. 63-31934 essentially is complete. All that remains is submittal of the formal withdrawal of protest and issuance of the permit. Typically, the processing of the related transfer application also would be nearing completion at this time.

Permit No. 63-31934 is of little value without its companion transfer that provides the required mitigation. Having processed the permit application, Department personnel are familiar with the transfer application. Department efficiencies are likely enhanced by processing the transfer application now, while Department personnel are familiar with it, rather than picking it back up in many months. Processing the transfer application now has the added benefit of clearing the way for Roth Construction, Inc., to obtain its permit and move forward with its development.

Because the transfer application is in New Union's name, I have consulted with George Transtrum, President of New Union, to ensure that it agrees that processing now is the best option. New Union has indicated its agreement by signing onto this letter below.

Thank you for your attention to this matter. If you have any questions, please call.

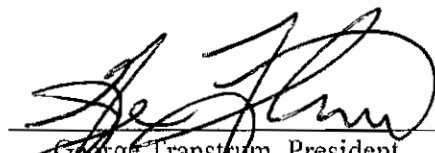
Sincerely,



John M. Marshall

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New Union Ditch Company has reviewed this letter and agrees that processing the Application for Transfer of Water Right 63-146 should continue at this time without waiting for completion of SRBA proceedings.



George Transtrum, President  
New Union Ditch Company, Limited