



# CHALLIS CREEK RANCH, LLC

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June 29, 2006

DEPT. OF WATER RESOURCES  
SOUTHERN REGION

Allen Merritt, P.E., Southern Region Manager  
Idaho Department of Water Resources  
1341 Fillmore Street, Suite 200  
Twin Falls, ID 83301-3380

Reference: Application No. 72-16686 to Appropriate Water in the Salmon River Drainage

Dear Allen:

In response to your letter of June 23, 2006, and the attachment therewith we have contacted IDEQ who today advised via email of their approval of our subject pond application. Troy Saffle, IDEQ Regional Water Quality Manager, advised he has copied you, among others at IDWR, with his written confirmation.

As I advised in my email yesterday to Troy, a copy of which was forwarded to you, we already have IF&G approval. This is documented in their Private Pond Permit No. 731-6-000017.

Allen, as you well know (since you personally provided me with a copy of Norman C. Young's "Permitting Requirements For Ponds" with your email of February 28, 2005), we initially excavated our pond in the spring of 2005 as a Waste Water Retention Basin per the criteria dictated by Mr. Young's memo. As we discussed then we knew the pond would hold ground water as well as the waste water we would direct to it; we just did not know how much. Therefore we waited until after the 2005 irrigation season to see what the pond would retain. I then came to Twin Falls to your office and met with Jim Stanton filing the subject permit in accordance with those findings.

Based upon relevant information provided by Jeff Peppersack (with whom I met in this regard on a trip to Boise) we subsequently installed a Parshall Flume in the collection ditch that brings the majority of our waste water to the pond. We have another "V" Notch Weir that allows measurement of flow of additional waste water coming through our spring, 72-16563, and, in turn, to the pond.

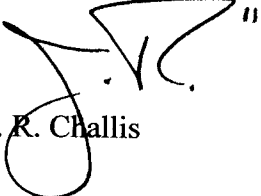
CHALLIS CREEK ROAD - P. O. BOX 1220 - CHALLIS, IDAHO 83226-1220  
PHONE: (208) 879-4617 - FAX: (208) 879- 5238 - Outside Idaho Toll Free: 1-866-CCR4RnR (227-4767)  
E-MAIL: Jack@RandRforHorses.com or Trish@RandRforHorses.com

Knowing the GPM output of our "Big Gun" in our east pasture being fed via pump from the pond, we maintain an ongoing computer record of this output plus all aforementioned flows. Thus we are able to document with extreme accuracy that only waste water, none of the ground water and/or spring flows covered by this non-consumptive permit, are used in our irrigation system. For those times more waste water is flowing to the pond than being used in our irrigation operation an overflow (screened in accordance with IF&G guidelines) from the pond returning these flows to Challis Creek is functional.

Since construction of this pond is already completed related financial information is a moot point. Since we own a backhoe and do the vast majority of our own work of this type anyway this issue would be, for all practical purposes, irrelevant with regard to Challis Creek Ranch, LLC.

We are confident this addresses the concerns stipulated in your aforementioned letter and attachment. However, should we have overlooked anything and/or you need anything additional, please let us know.

Sincerely,  
Challis Creek Ranch, LLC

 "Jack" Challis  
J. R. Challis