



State of Idaho

DEPARTMENT OF WATER RESOURCES

1301 North Orchard Street, Boise, ID 83706 - P.O. Box 83720, Boise, ID 83720-0093
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DIRK KEMPTHORN
Governor

KARL J. DREHER
Director

June 8, 2001

Kent W. Foster
HOLDEN KIDWELL HAHN CRAPO, PLLC
P.O. Box 50130
330 Shoup Avenue, Third Floor
Idaho Falls, Idaho 83405-0130

Re: Water Right Nos. 41-07030 and 41-07034 Leased by Tim Deeg

Dear Mr. Foster:

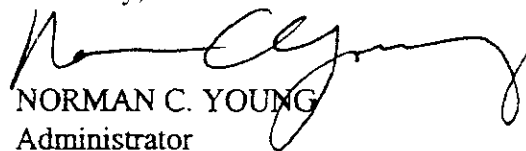
Tim Deeg met with Phil Rassier and me at the Department on February 9, 2001. We reviewed transfer order numbers 4268 and 5120 involving the transfer of licensed water rights 41-07030 and 41-07034. We also discussed available administrative steps that could be followed to address the condition in transfer 5120 that places a portion of the water rights being used by Mr. Deeg at risk of future forfeiture.

As we have discussed previously, the most acceptable vehicle for addressing the transfer condition appears to be a petition filed with the Department. The petition could request that the condition limiting the combined rate of diversion under the rights to 6.68 cfs be modified in a manner that preserves the separate diversion entitlements under rights 41-07030 and 41-07034 through the termination or expiration of Deeg's leasehold interest in these water rights.

I assume that once the petition is filed, the Department would publish notice of the proposed change to the transfer condition. If a protest is filed in response to the published notice, the Department would conduct a hearing as appropriate before making a decision.

Please give Phil Rassier or me a call if you would like to discuss this matter further.

Sincerely,



NORMAN C. YOUNG
Administrator
Water Management Division

cc: Tim Deeg