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OCT 04 2004

DEPARTMENT OF  
WATER RESOURCES

Robert P. Brown  
Michael E. McNichols  
Sonyalee R. Nutsch  
Eric K. Peterson  
Bentley G. Stromberg  
*Idaho & Washington*

VR. Clements  
(1896-1982)  
Reed Clements  
(Retired)  
Philip E. Peterson  
(Retired)

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AUG 04 2004  
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CLEMENTS, BROWN & McNICHOLS, P.A.  
LAWYERS

321 13th Street  
Post Office Box 1510  
Lewiston, Idaho 83501  
Telephone (208) 743-6538  
Fax (208) 746-0753  
attorneys@clbrmc.com

July 30, 2004

MICHAEL P. WASKO  
ATTORNEY AT LAW  
PO BOX 207  
NEZPERCE, ID 83543

Re: ROBERT A. LEE & VICKROY WATER RIGHT DISPUTE

Dear Mike:

I've met with Mr. Lee and discussed the parties rights and various options to resolve this matter.

As a resolution to this matter Mr. Lee will, within two weeks, connect water to the existing pipe that is found below the second or lower dam which has served the Vickroy property. Mr. Lee will select the source for the water pipe. Whether it will be the upper dam or lower dam is his choice.

The pipe that is currently serving the Vickroy property will be maintained by the Vickroys. During the term of Mr. Lee's life the Vickroys will have a personal license to enter Mr. Lee's property to maintain and repair the pipe. After Mr. Lee's death, the Vickroy's license would terminate and they would have to enter into a new agreement with Mr. Lee's successors.

Mr. Vickroy must keep a valve on the pipe (which I understand is already present) located on his property so there is not continuous flow from the pipe. The water is to be only used only during the summer for irrigation purposes. The Vickroy's are to use just what they need for irrigation purposes and no other use. Mr. Lee is not being punitive, he is simply trying to avoid a free-flowing situation for the pipe to retain as much water in the ponds as possible.

We are looking for a win-win scenario where we have the ponds maintained and the Vickroys have a source of irrigation during the summer when they generally would

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not have irrigation water.

The water supply would be dependent upon there being water in the ponds. If there is no water in the ponds, there would be no water to the pipe (I am stating the obvious here).

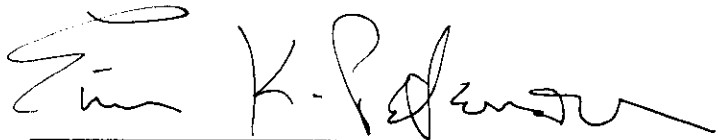
Mr. Lee could remove the dams at any time he chose. If he removes the dams, there would be no obligation to supply water to the pipe and the pipe could be removed.

I am on vacation this next week. Please draw up a license agreement and submit that to my office for my review. I will discuss the written agreement with my client upon my return.

We are trying to achieve a win-win situation where both parties avoid the litigation costs and risks which arise from such a process.

Sincerely,

CLEMENTS, BROWN & McNICHOLS, P.A.

A handwritten signature in black ink, appearing to read "Eric K. Peterson", written over a horizontal line.

ERIC K. PETERSON

EKP/rvf

c: Robert A. Lee