



ERO Resources Corp.
1106 N. Cole Rd. Suite C
Boise, ID 83704-8661
(208) 373-7983
Fax: 373-7985
Denver • Boise
www.eroresources.com
eroboise@eroresources.com

RECEIVED

JUL 20 2004

July 16, 2004

WATER RESOURCES
WESTERN REGION

Dan Nelson
Idaho Department of Water Resources
2735 Airport Way
Boise, ID 83705

RE: Applications for Transfer of WR No. 63-31439 (Pacific Hide and Fur Depot)

Dear Dan:

On July 9, 2004 you sent a letter requesting some additional information regarding the transfers on water right 63-31439. You listed six issues.

#1. MacDonald's transfer is for less than 1 acre and requires some sort of verification procedure to prevent injury or enlargement. The MacDonalds have drafted a letter in response and will bring it to you if you don't already have it.

#2 The well upgrade fee of \$125 per well has been paid. I can provide receipts if needed.

#3 The issue of Boise-Kuna water overlapping these properties is addressed in the enclosed letter.

#4 Signatures of Deborah Tuel and Bonnie MacDonald are needed on their respective transfer applications. They have both been contacted and indicated they will come to your office to sign.

#5 All parties are aware of the fact that the water right 63-31439 is in the water supply bank. Pacific Hide and Fur plans on taking the water right out of the supply bank at the beginning of the new-year (2005) to allow these transfers to be approved once processing is complete. If final approval is imminent prior to the new-year and the water rights have not been leased, then the water rights can be removed from the supply bank for final approval.

#6 Enclosed, please find a map indicating the lands designated for the transfers and lands remaining after the transfers.

If you have any questions, please call.

Regards,

Steven R. Hannula

MEMORANDUM

July 16, 2004

To: Idaho Dept. of Water Resources – Attention: Daniel A. Nelson
From: Water Transfer Applicants – McKay, Trull, Tuel, & MacDonald
Subject: Application to Transfer Water Right 63 - 31439

Introduction and Background

In a letter to Steven Hannula, dated July 9, 2004, you requested information regarding the overlap of water rights with Boise Kuna Irrigation District water. Please accept this letter as the response to your question and as explanation as to why we think the subject transfer should be processed as is with the ground water rights remaining as a sole source water right. Transferring these water rights as a supplemental is not acceptable at this time as described below.

Our homeowners association does pay Boise-Kuna assessments for irrigation water, but as will be explained below the actual delivery to individual lots is not possible in all cases. McKay, MacDonald, Tuel and Trull are examples where delivery of surface water is either not adequate or is not possible. The homeowners association will continue to pay the assessment for the water despite the lack of ability to deliver the water to the users, unless some other arrangement can be worked out.

When the Aram Estates Subdivision was developed in 1998, the developer's plans included an expectation to have irrigation water available. However, the plan was inadequately conceived and implemented. Therefore, some homeowners have elected to apply to purchase ground water as a solution. The details are explained below.

The subdivision includes approximately 83 acres and the irrigation water is controlled at two headgates. The North Headgate serves about 45 acres and the South Headgate serves about 38 acres. Because of the terrain, flood irrigating is not an option for most of the subdivision.

North Headgate

The North Headgate releases the water to a ditch and to underground pipes that serve approximately 45 acres. The design is such that there are two gravity-fed laterals, each consisting of buried 6-inch diameter PVC with risers at most (but not all) lots.

The lots of McKay, Trull, and MacDonald, are on a lateral that serves a total of 12 lots that have a total of about 23 acres. The water flows down a concrete ditch to a concrete cistern, which then feeds the PVC pipe. The pipe runs for about 1600 ft. and goes under 3 streets along the way. This whole design of the ditch and the 6 inch diameter gravity

fed pipe is not adequate to meet the needs of this size parcel. Therefore the use of ground water is required. Pressurizing the line was briefly investigated but in addition to a large cost, it is unknown whether the existing pipes, joints, and risers would meet the requirements of a pressurized system anyway.

Since the subdivision lots were sold and homes built over a period of several years, the irrigation limitations were not obvious for some time. To dig up the pipe and install a larger size now is totally impractical because of the cost to modify/repair the start of the lateral, the cost to repair/replace streets, fences, and landscaping that are in place, all in addition to the cost to dig the trench and lay the pipe.

At this point in time, legal recourse back on the developer is considered unlikely to succeed and even if it did succeed, would be expensive and take a lot of time. The purchase of the ground water rights by McKay, Trull, and MacDonald will go a long way toward resolving the water needs for all 12 lots.

South Headgate

As mentioned earlier, the irrigation plan as implemented is inadequate, and this holds for the South Headgate area as well. This area, which includes about 38 acres, uses both open ditches and buried pipe for the irrigation water. However, for the lot owned by Tuel, the developer did not provide access to either one. As with the North Headgate issues, at this point in time, legal recourse back on the developer is considered unlikely to succeed and even if it did succeed would be expensive and take a lot of time. Tuel has applied to purchase ground water rights as the most cost and time effective way to solve the problem.

In the end, the expense of developing an adequate delivery system for the Boise Kuna water is beyond the means of the homeowners association. The most reasonable solution to this problem is to provide some homeowners (McKay, MacDonald, Trull, and Tuel) the use of ground water for irrigation.

Thank you for your consideration.