

KMS

Klepfer Mining Services LLC

13058 Sherwood Court
Hayden Lake, Idaho 83835
(208) 772-6993
(208) 772-3480 Fax**Fax**To: ALAN MORRITTFrom: ERIC KLEPFER

CC: _____

Date: _____

Pages 5 (Including cover page)

FEB 09 2004

Department of Water Resources
Southern Region

WATER RIGHT PROTEST

72-7247

TRANSFER NO. 70989

KMS

Klepfer Mining Service LLC

MEMORANDUM**DATE:** February 9, 2004**TO:** Alan Merritt**FROM:** E. Klepfer **CC:****SUBJECT:** Assignment -- Transfer No. 70989 -- Water Rights 72-7247

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Department of Water Resources
Southern Region

Attached is a signed agreement assigning the application to L&W Stone Corporation. I have discussed the matter with Fred Price, Water Rights Specialist with the BLM. He agrees that this will work to resolve his objection.

I asked him to call you specifically so that the matter can be finalized and his protest withdrawn.

It is our desire to expedite this part of the process. I hope that this assignment can be incorporated with stipulations into our current permit application, as it is without additional filings, to address the BLM's protest.

Please advise me at your earliest convenience the status of the BLM's protest and the next step in the review and approval process.

If you have any questions, please contact me by phone so that we can expedite any information required by the State. My cell phone number is 208-771-1472.

Thanks You!

KMS

Klepfer Mining Service LLC

MEMORANDUM

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FEB 09 2004

Department of Water Resources
Southern Region

DATE: February 9, 2004

TO: Fred Price – BLM Water Rights Specialists

FROM: E. Klepfer *Eck*

CC:

SUBJECT: Application Assignment Agreement

Here is a signed copy of the agreement for the assignment of the water rights to L&W Stone Corporation contingent upon the transfer of real property.

If you have any questions, please let me know. If I don't hear from you, I will assume that you concur and will withdrawal the protest from the State.

I am faxing this information to Alan Merritt at IDWR and will start that process based on the status of the BLM's protest.

Thanks!

FROM : Forestier Constructi

PHONE NO. : 208 8795024

Feb. 09 2004 02:53PM P1

Feb 09 04 01:14p

Eric Klepfer

208-772-3480

p. 2

KMS**Klepfer Mining Service LLC**

Project Management, Engineering, and Environmental Services

February 9, 2004

Mr. George Forestier
6548 Red Rock Rd.
Marsing, ID 83638-8018

Re: Assignment to L&W Stone Corporation (W.R. 72-7247 - Transfer #70989)

Dear Mr. Forestier:

This letter is written on behalf of L&W Stone Corporation. I have discussed with the BLM their protest of the application filed by L&W Stone Corporation. They are concerned that the current application provides for transfer of the water right directly into your name prior to the land purchase. It was our expectation that the water rights would remain with the land and would be automatically changed with the change in ownership.

While this is the case, it is also the key element of the BLM's protest. The BLM and the State have indicated a willingness to work with L&W Stone Corporation to resolve this matter and remove the protest allowing the water application to be processed. In order to accommodate this, the State has suggested that the water right application be assigned to L&W Stone Corporation contingent upon the transfer of real property.

This letter is intended to provide that assignment approval and as such provide a resolution to the BLM's protest. The BLM indicated they would immediately remove the protest on the water right application if such an agreement was reached between the parties.

Your signature is necessary to authorize the assignment to L&W Stone Corporation and this letter will become part of the application. The water application would not be finalized without the transfer of real property between you and L&W Stone Corporation.

Attached is an assignment agreement that I have put together that will be provided with this letter to the State and the BLM. Please review the documents and sign the attachment and the letter as noted below. I have included your wife on the signature lines as well.

If you have any questions, please let me know.

Sincerely,

Eric Klepfer

Acknowledge/Approval
George Forestier:

Pamella Forestier:

13058 Sherwood Ct., Hayden Lake, ID 83635
(208)-772-6993 (208)-772-3480 (fax)
email: eklepfer@adelphia.net

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Department of Water Resources
Southern Region

FROM : Forestier Construction

PHONE NO. : 208 8795024

Feb. 09 2004 02:53PM P2

Feb 09 04 01:14p

Eric Klepfer

208-772-3480

P.5

**Assignment of
Water Right 72-7247
Transfer Application No. 70989**

This agreement provides for the assignment of the water right application/change for water right 72-7247 (Transfer No. 70989) currently in the Idaho Department of Water Resource's review process. L&W Stone Corporation initiated a change of use and place of use on this water right to support the Three Rivers Stone Quarry located near the Forestier's Property.

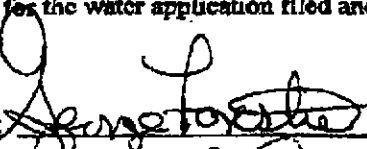
George and Pannella Forestier agree to assign the current application to L&W Stone Corporation contingent upon the transfer of real property from George and Pannella Forestier to L&W Stone Corporation, as outlined in the Purchase and Sale Agreement signed by both parties. The sales agreement covers the property located in Custer County for which water right 72-7247 is attached.

If for any reason, the permit or transfer of real property does not occur, the water right will revert back to the original condition prior to L&W Stone Corporation implementing the changes to the water right application.

By assigning this application, it allows the State to continue to process the application and make the name change retroactive to the conditions of this agreement. The full State approval will be contingent upon the transfer of the real property associated with this water right into L&W Stone Corporation's name.

This acknowledgement that the land sale and water rights transfer are contractually linked and will allow BLM to withdraw their protest, by resolving the interim water right ownership issue, for the water application filed and allow the State process to continue.

George Forestier:



Date: 2-9-04

Pannella Forestier:



Date: 2-9-04

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Southern Region