



State of Idaho

DEPARTMENT OF WATER RESOURCES

1341 Fillmore Street, Suite 200, Twin Falls ID 83301-3380

Phone: (208) 736-3033 FAX: (208) 736-3037

SOUTHERN REGION

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

May 27, 2004

James Peterson
201 Little Wood River Rd
Carey, ID 83320

RE: Water District 37-O, Muldoon Creek

Dear Mr. Peterson;

I have been instructed by Tim Luke to issue your certificate of appointment as watermaster of your district for this year, so your certificate is enclosed. Someone from IDWR will be contacting you to arrange an inspection of the diversions in your district early next month. We want to verify that the required measuring devices have been properly installed, and that you are reading them correctly.

I forgot to have Mrs. Peterson sign an oath of office as treasurer for this year, so one is enclosed. If you do not have a notary handy in Carey, she can just sign it before one of our notaries when you come back to Twin.

Regards,

James E. Stanton
Sr. Water Resource Agent

State of Idaho
Department of Water Resources
Certificate of Appointment

This is to certify that I have on this day appointed James Peterson as
Watermaster of Water District 37-0, Muldoon Creek for
2004 Calendar Year or until his successor is
appointed and qualified under the provisions of Sections 42-605 & 607,
Idaho Code, at such rate of compensation as established by applicable law.



This certificate has been issued and the seal of the
Director affixed at Boise, Idaho, this, 27th
day of May 2004.

Director

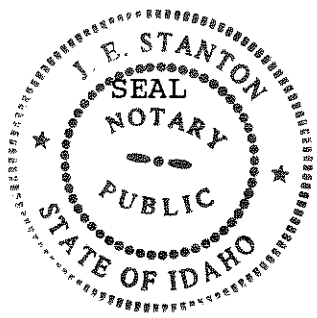
BEFORE THE DEPARTMENT OF WATER RESOURCES
OF THE STATE OF IDAHO

State of Idaho)
County of _____) ss Official Oath

I do solemnly swear or affirm that I will support the Constitution of the United States, the Constitution and laws of the State of Idaho, specifically including the provisions of Section 42-605 and 42-607, Idaho Code, and that I will faithfully discharge all the duties of the office of Watermaster of District 37-0 for the _____ irrigation season or calendar year of 2004 according to the best of my ability. So help me God.

[Signature]
Watermaster

SUBSCRIBED AND SWORN TO before me this 25th day of May, 2004.



[Signature]
Notary Public
Residing At Twin Falls
Commission Expires 10-25-06

RECEIVED
MAY 25 2004

RECEIVED

MAY 10 2004

Department of Water Resources

Muldoon Ranch Co., LLC

ABC Enterprises
P.O. Box 378
Jerome, Idaho 8338

Mr. Tim Luke
Idaho Department of Water Resources
P.O. Box 83720
Boise, Idaho 83720

May 5, 2004

Dear Tim,

Thank you for your involvement on the Muldoon area water challenges. As you directed, we had an election of a water master. The vote was done by each of the users having an equal vote. I have had a conversation with Cory Skinner in Twin Falls and from that discussion I have the following understanding:

1. The vote should not be an equal vote by all water users.
2. All water users are not equal. Fees charged determine authorized votes.

The biggest problem is the re-election of Jim Peterson as the water master. Jim has a conflict of interest. I do not believe it is fair to Jim.

- He is a water user himself.
- He is related to Guy Peterson, another water user.
- Most important, he has been the water master for many years and over the last several years, when we have had a shortage of water and the misuse of the water, he has not perform his duties.

Jim is a very honorable man and I do not want to show any disrespect to him as an individual. However, he has not fulfilled his duties as the water master. The results of the last years speak for themselves.

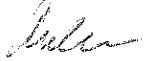
We are following the instructions regarding the measuring weirs and we will have them in place as directed. We hope all of the others will do likewise.

We request your assistants in eliminating any conflict of interest in the water master. We would also ask for a clarification on the rules in choosing a water master and the fees to be charged. I understand we are not following the rules of procedure.

I sure would like to get this all settled so we can get on with running the ranch as best we can. Ranching is hard enough. We want to follow the rules and we expect everyone else to do the same. I would be interested in understanding more about the water justification process for us. Do you have any guess on the time line?

By the way, I believe it is important to go on record that the woman that is with Guy Peterson, told Blair Crouch, my son, that if our ranch manager, Pete Peterson or our hired man ever went up to check the water on Muldoon Creek that she would turn her dogs loose on them. That threat is being taken very seriously and cannot disregarded. By the way, they have a lot of dogs.

Thanks for your help.



Arlen B. Crouch