

HANEL DEVELOPMENT GROUP LLC
3289 Neal Creek Mill Road
Hood River, Oregon 97031

May 20, 2004

Transfer Section
Water Resources Department
725 Summer Street NE, Suite A
Salem, Oregon 97301-1271

RE: Water Right Permit No: 43829 Certificate # 51662
Reservoir Permit No: R-7782 Certificate # 51661

Dear Sirs;

Hanel Development Group is the owner of the Water rights and Storage permit on the above referenced certificates. The previous water use was for Log Deck Sprinkling and Fire Prevention.

The past use of the property was for a Lumber Mill operation which included log storage, processing, and shipping of lumber products. The sawmill operation is no longer in operation, and the property is in the process of converting to an industrial park.

The local utility provider is unable to furnish the required amount of water to meet the Fire standard minimums for an industrial building. We wish to convert the use of the water rights and storage from a "specific industrial use" to a "general industrial use", one of which would still be for fire suppression.

The change is needed because the timber industry has been dramatically reduced in the area, and the property, being zoned M-1 heavy industrial, is one of the few places in the Hood River Valley that can support major industry. The development of the property is dependent upon the conversion of the water use.

The water has been and continues to be used for industrial uses to date. Champion Building Products was the previous owner of the property & owned the property at the time of the original filing.

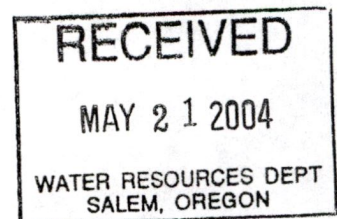
We look forward to your continued support in the conversion of water uses.

Sincerely,

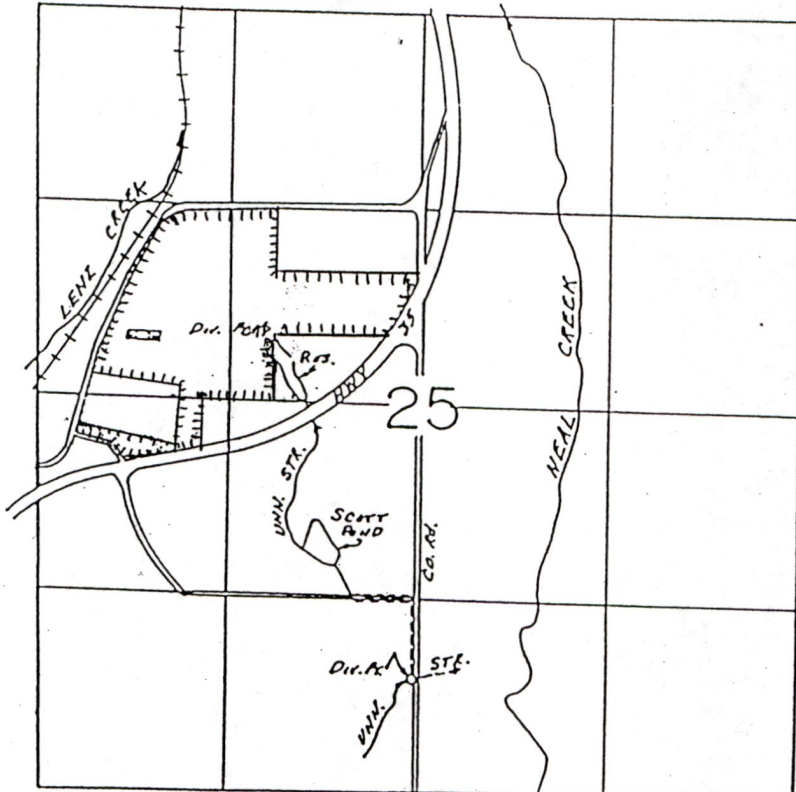
HANEL DEVELOPMENT GROUP LLC



Robert L. Hanel
Manager



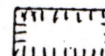
T.2N., R.10E., W.M.



DIV. PTS. LOC. RES.-3000' N. & 1060' W.; CREEK-750' N. & 40' W., BOTH FROM 1/4 COR. SEC. 25.

FINAL PROOF SURVEY

UNDER

 General Industrial Use including Fire Suppression

R-57626 R-7782
Application No. 57627 Permit No. 43829.....
IN NAME OF

..... Hanel Lumber Co., Inc.

Surveyed Sept. 24, 1981., by L.M. TOLL.....

RECEIVED
MAY 21 2004
WATER RESOURCES DEPT.
SALEM, OREGON

Reference
COPY

STATE OF OREGON

COUNTY OF HOOD RIVER

CERTIFICATE OF WATER RIGHT

This Is to Certify, That HANEL LUMBER CO., INC.

of PO Box 325, Hood River, State of Oregon 97034, has made proof to the satisfaction of the Water Resources Director, of a right to the use of the waters of an unnamed stream, tributary to Lenz Creek and a reservoir, constructed under Permit R-7782, with any deficiency in the available supply of this unnamed* a tributary of Hood River for the purpose of sawmill use including log deck sprinkling and fire suppression

under Permit No. 43829 and that said right to the use of said waters has been perfected in accordance with the laws of Oregon; that the priority of the rights hereby confirmed dates from December 21, 1978 that the amount of water to which such right is entitled and hereby confirmed, for the purposes aforesaid, is limited to an amount actually beneficially used for said purposes, and shall not exceed 1.11 cubic feet per second

or its equivalent in case of rotation, measured at the point of diversion from the stream. The point of diversion is located in the SE 1/4 NW 1/4, SE 1/4 SW 1/4, Section 25, T2N, R10E, WM; 3,000 feet North and 1,060 feet West, 750 feet North and 40 feet West, both from S 1/4 Corner, Section 25

The amount of water used for irrigation, together with the amount secured under any other right existing for the same lands, shall be limited to _____ of one cubic foot per second per acre,

and shall conform to such reasonable rotation system as may be ordered by the proper state officer. A description of the place of use under the right hereby confirmed, and to which such right is appurtenant, is as follows:

* stream to be made up by an appropriation from an unnamed stream, tributary to Neal Creek

SW 1/4 NW 1/4
SE 1/4 NW 1/4
NW 1/4 SW 1/4
Section 25
Township 2 North, Range 10 East, WM

The right to the use of the water for the purposes aforesaid is restricted to the lands or place of use herein described and is subject to the existing minimum flow policies established by the Water Policy Review Board.

WITNESS the signature of the Water Resources Director, affixed

this date. September 19, 1983

[Signature]
DEPUTY Water Resources Director

Recorded in State Record of Water Right Certificates, Volume 46, page 51662

Basin 4, Vol. 1
Neal Creek Misc

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MAY 21 2004
WATER RESOURCES DEPT
SALEM, OREGON

Reference copy

STATE OF OREGON
COUNTY OF HOOD RIVER

CERTIFICATE OF WATER RIGHT

This Is to Certify, That HANEL LUMBER CO., INC.
of PO Box 325, Hood River, State of Oregon 97034, has made

proof to the satisfaction of the Water Resources Director, of a right to store the waters of
an unnamed stream which is a tributary of Lenz Creek, with any deficiency in
the available supply of this unnamed stream to be made up by an appropriation
from an unnamed stream which is a tributary of Neal Creek, tributaries of Hood
River appropriated under Permit 43829

for the purposes of
sawmill use including log deck sprinkling and fire suppression
under Reservoir Permit No. R-7782, and that said right to store said waters has been
perfected in accordance with the laws of Oregon; that the priority of the right hereby confirmed
dates from December 21, 1978

that the amount of water entitled to be stored each year under such right, for the purposes afore-
said, shall not exceed 2.0 acre-feet

The reservoir is located in

SE 1/4 NW 1/4
Section 25
Township 2 North, Range 10 East, WM

East of Neal Creek

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MAY 21 2004
WATER RESOURCES DEPT
SALEM, OREGON

WITNESS the signature of the Water Resources Director, affixed
this date. September 19, 1983

[Signature]
DEPUTY Water Resources Director