



SANTA MARGARITA RANCH
LLC

750 Pismo Street
San Luis Obispo, California 93401

September 8, 2000

STATE OF CALIFORNIA
STATE WATER RESOURCES CONTROL BOARD
DIVISION OF WATER RIGHTS
Attn: Mr. Charles A. Rich, Chief - Complaint Unit
Post Office Box 2000
Sacramento, California 95812-2000

RE: Santa Margarita Ranch
Division of Water Rights Memorandum of August 10, 2000

Dear Mr. Rich:

We appreciate receiving your letter and corresponding analysis dated August 10, 2000 regarding the Santa Margarita Ranch's water resources, recommending the closure of the current complaints, and further information that addressed unauthorized reservoir storage, if any. We assume your department received the supplemental well information we provided on August 7, 2000 regarding several ground water wells presently being utilized for the irrigation and frost protection of the completed and proposed vineyards.

We asked our hydrologists to review your Department's report and provide us with their comments. Our preliminary discussions with them have identified some factors they believe more appropriately describe particular water resources, and correct some well references from your report. Obviously, due to the size of our holdings (eight miles by nearly four), broad generalizations do not adequately characterize the circumstances throughout the ownership. Because of the comprehensive nature of your Department's review, a number of questions asked in the area of water rights have been referred to appropriate experts for their input, which will be incorporated into a response you should receive in about 30 days.

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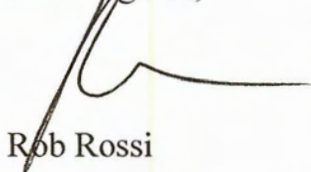
We are pleased your analysis has substantiated the conclusions reached by our hydrologists: that we have proven ground water resources, and further that the Ranch is not misusing any of its resources or adversely impacting the Public Trust.

With regard to existing reservoirs on the Ranch, we intend to pursue appropriate processes to have any pre-existing agricultural watering facilities properly documented. As you know, most if not all reservoirs pre-date the 1940s. We are still investigating the previous owners' files to determine whether or not applications and/or licenses may exist on the reservoirs in question.

As a further update, separate reservoirs have been permitted and are under construction as part of the irrigation systems for crop production. The primary use is for supplemental irrigation and frost protection for the vineyards and other irrigated crops on various portions of the Ranch.

Again, we appreciate the efforts expended to review this information and will continue to provide your Department with water well information and other documentation as it becomes available. If we can help in any other way, please let us know.

Best Regards,



Rob Rossi

RLR/pe

cc: Supervisor Mike Ryan
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