

**SETTLEMENT AGREEMENT REGARDING
ABERDEEN-SPRINGFIELD CANAL COMPANY'S BASIN 01 SURFACE
WATER RIGHTS and CONSOLIDATED SRBA SUBCASE NO. 35-2315**

DESCRIPTIVE SUMMARY

This Settlement Agreement ("Agreement") is made by the State of Idaho, the Aberdeen-Springfield Canal Company, and the Idaho Department of Water Resources and is made in reference to the following facts.

RECITALS OF FACT

A. The Aberdeen-Springfield Canal Company objected to over one hundred recommendations for ground water rights in Basin 35 submitted to the Snake River Basin Adjudication ("SRBA") District Court by the Idaho Department of Water Resources (Consolidated Subcase No. 35-2315). The consolidated subcase is currently pending before the SRBA District Court and a trial is scheduled for April 22, 2002.

B. This Agreement addresses the future recommendations of the Idaho Department of Water Resources to the SRBA District Court regarding the surface water rights of the Aberdeen-Springfield Canal Company in Basin 01 and the issues in Consolidated Subcase No. 35-2315.

C. The issues in Consolidated Subcase No. 35-2315 relate to Aberdeen-Springfield Canal Company's surface water rights in Basin 01. In order to fully implement this Agreement and to resolve the issues in Consolidated Subcase No. 35-2315, the Idaho Department of Water Resources must file with the SRBA District Court its recommendations for the surface water rights in Basin 01. Since the Idaho Department of Water Resources is not scheduled to report its

recommendations for the water rights in Basin 01 until late 2002, a stay of proceedings under Consolidated Subcase No. 35-02315 is needed.

In consideration of the promises stated in this Agreement, the parties agree as follows:

1. Definitions

A. The term "Canal Company" means Aberdeen-Springfield Canal Company, P.O. Box Y, Aberdeen, Idaho, 83210.

B. The term "IDWR" means the Idaho Department of Water Resources, 1301 N. Orchard St, Boise, Idaho, 83706.

2. Recommendations of the Director

A. In the Director's Report for Basin 01, IDWR will recommend the place of use for the Canal Company's surface water rights from the Snake River to include both lands that were irrigated with the Canal Company's surface water rights, as of 1987, as well as lands that were originally irrigated with the Canal Company's surface water rights but as of 1987 were irrigated solely by ground water, so long as the Canal Company's water rights remained appurtenant to lands irrigated by ground water and such lands continued to pay assessments to the Canal Company. IDWR will recommend all of the acreage for lands to which the Canal Company's surface water rights are appurtenant and irrigated by shareholders using either surface water or ground water, as of 1987, as being authorized to divert and use surface water under the Canal Company's water rights.

B. In the Director's Report for Basin 01, IDWR will recommend "irrigation" and "recharge for irrigation" as the purposes of use for the Canal Company's Basin 01 surface water rights. IDWR will recommend "recharge for irrigation" as a change in purpose of use under the accomplished transfer provision of Idaho Code § 42-1425. IDWR will consider use of stored water for "recharge for irrigation" as being a valid irrigation use under the existing licenses and subsequent decreed right of the U. S. Bureau of Reclamation.

C. In the Director's Report for Basin 01, IDWR will recommend that the place of use pursuant to (A) be subdivided into two parts as follows. (1) the acreage irrigated directly by surface water (including acreage with supplemental ground water irrigation) as of 1987; and (2) the acreage originally irrigated by surface water for which authorization to divert surface water for direct irrigation continues but for which the additional purpose of use "recharge for irrigation" has been added as an accomplished transfer. IDWR will recommend the acreage from (1) as the minimum place of use authorized for direct irrigation using surface water and the sum of (1) and (2) as the maximum place of use authorized for direct irrigation using surface water. The acreage from (2) will be recommended as the place of use eligible for the mitigation credits described in paragraph E below. IDWR will recommend the place of use for the accomplished change to "recharge for irrigation" as consisting of the entire service area of the Canal Company.

D. In the Director's Report for Basin 01, IDWR will recommend the maximum quantity of water (diversion rate) historically diverted and beneficially used for the combined use of "irrigation" and "recharge for irrigation," as of 1987. IDWR will recommend the diversion rate in three components: (1) the minimum diversion rate for direct surface water irrigation will be the diversion rate associated with acreage directly irrigated with surface water as of 1987

(including acreage with supplemental ground water rights) and will be determined as the total recommended diversion rate multiplied by the acreage directly irrigated with surface water as of 1987 divided by the total acreage originally irrigated with surface water; (2) the maximum diversion rate for direct surface water irrigation will be equal to the total recommended diversion rate; and (3) the maximum diversion rate for "recharge for irrigation" will be equal to the diversion rate from (1) subtracted from the total recommended diversion rate. The intent of this calculation together with (C) is to maximize the acreage authorized for direct surface water irrigation while fixing the maximum quantity of surface water that can be used for "recharge for irrigation" as an accomplished transfer.

E. Existing ground water rights used for irrigation within the service area of the Canal Company on lands paying assessments to the Canal Company and to which the Canal Company's surface water rights have remained appurtenant will be given mitigation credit for the amount of water recharged against ground water depletions arising from the authorized diversion and use of ground water. The volume of water credited for mitigation in each year must be determined from measurements and accounting. Depletions resulting from ground water diversions eligible for mitigation credits, as described above, will be considered to have been mitigated in any year to the extent to which the recharge documented through measurements and accounting equals or exceeds ground water depletions in the same year. Mitigation credits will accrue only to the extent that surface water is diverted for recharge in a given year and will not carry over to future years. The amount credited for mitigation will be calculated as: (1) the amount of surface water diverted; (2) less the measured returns to the Snake River through wasteways or drains; (3) less 0.02 cfs multiplied by the number of acres irrigated with surface water (including those acres using supplemental ground water), multiplied by 1.98 acre

feet/cfs/day, multiplied by 214 days (the irrigation season), and multiplied by an appropriate factor (less than 1) to account for the Canal Company not constantly diverting the maximum amount needed for surface water irrigation throughout the entire irrigation season.

3. Duties of the Canal Companies

A. Upon execution of this Agreement, the Canal Company shall request a stay from the SRBA District Court in Consolidated Subcase No. 35-2315. The State of Idaho and IDWR will support this request and provide the SRBA District Court with the appropriate level of explanation, as needed.

B. Once IDWR has filed its recommendations for the Canal Company's Basin 01 water rights as set forth in section 2 above and the SRBA District Court has issued partial decrees consistent with this Agreement, the Canal Company will withdraw all objections associated with the Consolidated Subcase No. 35-2315.

4. Action by the District Court

The parties acknowledge that the execution of this Agreement will not automatically result in approval by the SRBA District Court of IDWR's recommendation for the Canal Company's Basin 01 water rights and that a further hearing may be necessary.

5. Governing Law

Both parties agree that this Agreement shall be governed by, and construed in accordance with, the laws of the State of Idaho.

6. Entire Agreement

A. This Agreement sets forth all the covenants, promises, provisions, agreements, conditions, and understandings between the parties, and there are no covenants, provisions, promises, agreements, conditions, or understandings, either oral or written, between them other than are herein set forth.

B. This Agreement has been reached in the process of good faith negotiations for the purpose of resolving legal disputes, including pending litigation, and all parties agree that no offers and/or compromises made in the course thereof shall be construed as admissions against interest or be used in any legal proceeding.

7. Successors

This Agreement shall bind and inure to the benefit of the respective successors of the parties.

8. Effect of Section Headings

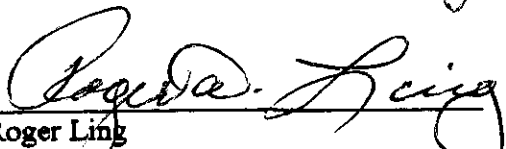
The section headings appearing in this Agreement are not to be construed as interpretations of the text but are inserted for convenience and reference only.

9. Duplicate Originals

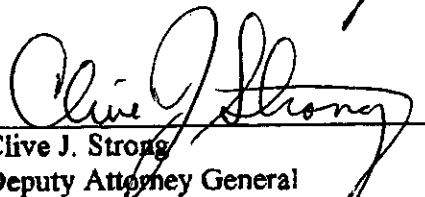
This Agreement is executed in duplicate. Each of the two Agreements with an original signature of each party shall be an original.

IN WITNESS WHEREOF the parties executed this Agreement on the date following
their respective signatures.

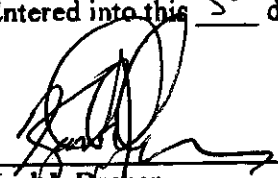
Entered into this 31st day of May, 2002.


Roger Ling
Attorney for Aberdeen-Springfield Canal Company

Entered into this 7th day of June, 2002.


Clive J. Strong
Deputy Attorney General
Chief, Natural Resource Division
Attorney for the State of Idaho

Entered into this 5th day of June, 2002.


Karl V. Dreher
Director, Idaho Department of Water Resources

Job	Start Time	Usage	Phone Number or ID	Type	Pages	Mode	Status
513	6/10 10:20AM	2'04"	2084366804	Send.....	8 / 8	EC144	Completed.....

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State of Idaho
DEPARTMENT OF WATER RESOURCES
1301 North Orchard Street, P.O. Box 63720, Boise, Idaho 83720-0000
Phone: (208) 327-7900 FAX: (208) 327-7005

WATER RESOURCES
DIVISION
FAX & TELETYPE
SECTION

FAX Transmittal Cover Sheet

Number of pages including this one: 8

Date: June 10, 2002
To: Roger Ling
Fax No.: (208) 436-6804
From: Susan Hamlin Nygard
Fax No.: (208) 327-5400
Phone No.: (208) 327-5446
Subject: signed settlement agreement for Aberdeen-Springfield canal
Company's basinal surface water rights and Consolidate share
no. 35-235

In Addition: There is now a way to research water rights over the Internet. The system is a graphical or text query system and can be accessed from the EDWR home page:

<http://www.idwr.state.id.us>

From that link, select "Snake River Basin Adjudication" toward the lower left hand of the screen. Then select "Map" or "Text" on the next page.

"TEXT" lets you search water rights via Name, Legal, Source, etc.

Enter in the information you know. Information can be entered under more than one tab. After you have completed entering your information, select "Search"

"MAP" allows you to search water rights graphically.

Use the tools on the Left side of the screen to Zoom in and out. To find out what each button does, hold the cursor over the button for a second. To the Right side of the screen are different layers that can be turned on or off. As you zoom in to your place in question, different layers will appear on the right side of the screen.

A HELP function is available within the application or you can call 1-800-451-4129 or (208) 327-7906 for help.