

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

RECEIVED

FEB 16 2016

**DEPARTMENT OF
WATER RESOURCES**

This is to certify that: **FLYING H FARMS PARTNERSHIP**
518 OLD HWY 30
MOUNTAIN HOME ID 83647
208-587-8716

filed an application to rent water from the Water Supply Bank ("Bank"). The Idaho Water Resource Board ("Board"), being authorized to operate a Bank and to contract by and through the Director of the Idaho Department of Water Resources ("Director, Department") for rental of water from the Bank, agrees to rent water as follows:

Summary of Water Rights or Portions Rented from the Bank

Water Right	Priority Date	Source	Tributary	Rented Rate	Annual Rented Volume	Acre Limit	Total Rented Acres
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2-10450	2/25/1963	Snake River	Columbia River	7.08 cfs	1,416.0 af	NA	354.0 ac
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Annual Rental Total **7.08 cfs 1,416.0 af NA 354.0 ac**

Term of Rental: **This rental is in effect from the day the Idaho Water Resource Board signs the rental agreement and shall be in effect until December 31, 2020.**

Rental Fee: **Years 2016-2017 \$24,072.00 annually**
 Years 2018-2020 \$28,320.00 annually

The fee for rental of the above-described water is \$24,072.00 annually for years 2016-2017 and \$28,320.00 annually for years 2018-2020. Ten percent (\$2,407.20/\$2,832.00) will be retained by the Department to offset administrative costs, and the remainder will be paid to the lessor(s). An annual payment shall be received by the Department prior to January 1 each year for the duration of the rental period. The agreement will be void if payment is not received prior to the due date in a given year. To terminate the agreement prior to the end of the rental period, written notice must be received by the Department at least 30 days prior to the rental fee due date.

No rental fees will be refunded once the fee is collected and the start date for a Rental Agreement has passed.

Detailed water right conditions are attached.

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STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

FEB 16 2016

DEPARTMENT OF
WATER RESOURCES

The undersigned renter agrees to use the water rented under this agreement in accordance with the Water Supply Bank rules and in compliance with the limitations and conditions of use described in this agreement:


Signature of Renter

Joc Harper
Printed Name and Title*

2/11/16
Date

Signature of Renter

Printed Name and Title*

Date

*Please provide title of signatory if signing on behalf of a company or organization or with power of attorney

Having determined that this agreement satisfied the provisions of Idaho Code § 42-1763 and IDAPA 37.02.03.030 (Water Supply Bank Rule 30), for the rental and use of water under the terms and condition herein provided, and none other, I hereby execute this Rental Agreement on behalf of the Idaho Water Resource Board.

By 
BRIAN PATTON, Acting Administrator
Idaho Water Resource Board

Date 2/17/2016

Rental Approved by IDWR



Date 2-17-2016

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

WATER USE DETAILS

LOCATION OF POINT(S) OF DIVERSION

SNAKE RIVER NE¼NE¼ Sec. 1 Twp 06S Rge 7E OWYHEE County

BENEFICIAL USE

IRRIGATION

SEASON OF USE

04/01 TO 10/31

RENTER'S PLACE OF USE: IRRIGATION

Twp	Rge	Sec	NE				NW				SW				SE				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
06S	08E	7																0.2	0.2
06S	08E	17						3.0	2.3										5.3
06S	08E	18	37.0	26.0	22.0	32.0	36.0	22.0	21.0	35.0	36.0	23.0	21.0	33.0		2.5	2.0		348.5
								L1	L2			L3	L4						

Total Acres: 354.0

CONDITIONS APPLICABLE TO ALL RENTED WATER RIGHTS

1. The use of water under this agreement shall be subject to the provisions of Idaho Code § 42-1766.
2. Rental of the specified right from the bank does not, in itself, confirm the validity of the right or any elements of the water right, or improve the status of the right including the notion of resumption of use. It does not preclude the opportunity for review of the validity of this water right in any other department application process.
3. Use of water under this agreement does not constitute a dedication of the water to renter's place of use, and upon expiration of this agreement, the points of diversion and place of use of the water shall revert to those authorized under the water right and/or again be available to rent from the bank.
4. This rental does not grant any right-of-way or easement to use the diversion works or conveyance works of another party.
5. Use of water under this agreement shall not prejudice any action of the Department in its consideration of an application for transfer or permit filed by the applicant for this same use.
6. Renter agrees to comply with all applicable state and federal laws while using water under this agreement.
7. Renter agrees to hold the Board, the Director and the state of Idaho harmless from all liability on account of negligent acts of the renter while using water.
8. Renter acknowledges and agrees that the Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
9. Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
10. The right holder shall maintain a measuring device and lockable controlling works of a type approved by the Department in a manner that will provide the watermaster suitable control of the diversion.

11. This right when combined with all other rights shall provide no more than 0.02 cfs per acre nor more than 4.0 afa per acre at the field headgate for irrigation of the lands above.
12. Use of water under this agreement will be regulated by a watermaster with responsibility for the distribution of water among appropriators within a water district. At the time of this approval, this water right is within State Water District No. 02.
13. The following rights are diverted through point(s) of diversion described above: 2-7369.
14. The period of use for the irrigation described in this approval may be extended to a beginning date of 3/15 and an ending date of 11/15 provided that beneficial use of the water can be shown and other elements of the right are not exceeded. The use of water before 4/1 and after 10/31 is subordinate to all water rights having no subordinated early or late irrigation use and a priority date earlier than the date of this approval.

Idaho Water Resource Board
Water Supply Bank Rental Agreement

Effective until December 31, 2020

This map depicts the rental place of use pursuant to the rental agreement and is attached to the agreement solely for illustrative purposes.



2013 USDA-FSA Aerial Photography

-  Authorized Rental Point of Diversion
-  Authorized Rental Place of Use
-  Townships
-  PLS Sections
-  Quarter Quarters



 Miles
0 1

STATE OF IDAHO
WATER RESOURCE BOARD

RECEIVED

NOV 27 2015

DEPARTMENT OF
WATER RESOURCES

APPLICATION TO RENT WATER FROM THE BOARD'S WATER SUPPLY BANK

Applicant Name: Flying H Farms PartnershipIs this application being submitted with a lease application as a lease/rental package? Yes ☒ No ☐

An *Application to Rent Water from the Board's Water Supply Bank* must be completed in accordance with the minimum requirement checklist below to be acceptable for processing by the Idaho Department of Water Resources (IDWR). This checklist is part of the rental application and must be included with the rental application. Applications that do not meet the minimum requirements will not be placed in the processing queue and may be returned until all minimum requirements have been met.

Applications to rent water should be submitted well in advance of the desired start date for the use of water. Rental applications may be submitted as early as November 1 of the year prior to the intended use of rental water. Rental applications submitted more than one year in advance of the proposed start date for water use will not be accepted and will be returned to applicants. Rental applications will not be processed if they are received after the end of the rental season of use.

One rental application per beneficial use of water. One rental application can be submitted if you propose to rent water from multiple sources. For multiple beneficial uses of water, individual rental requests should be submitted for each unique beneficial use of water.

For additional instructions on completing a rental application, visit the Department's website at www.idwr.idaho.gov.

Checked All Items as Either Attached (Yes) or Not Applicable (N/A)

YES

☒ Completed *Application to Rent Water from the Board's Water Supply Bank*

Attachment N/A YES

- | | | |
|----|-------------------------------------|--|
| 2 | ☒ | A map showing the proposed point(s) of diversion, place(s) of use, and water diversion and distribution systems proposed to be used with your rental request |
| 3A | ☐ | ☒ Detailed information on a proposed use of rental water |
| 3E | ☒ | ☐ Authorization from the owner/operator of the rental point(s) of diversion |
| 3G | ☒ | ☐ Water modeling to account for the impacts of the rental request |
| 3J | ☒ | ☐ Documents justifying a need to rent water for irrigation at a rate of flow greater than 0.02 cfs/acre |
| 3K | ☐ | ☒ Authorization from the owner/operator of the property at the proposed rental place(s) of use |
| 4B | ☒ | ☐ Explanation of how the rental water will sufficiently accomplish your rental purposes |
| 4C | ☒ | ☐ Explanation of consumptive use amounts for water rights experiencing a change in nature of use |

Department Use Only – Proposed Water Right(s)

2-10450

STATE OF IDAHO
WATER RESOURCE BOARD

Application to Rent Water (Continued)

1. CONTACT INFORMATION

A. Applicant Flying H Farms Partnership

Mailing Address 518 Old Highway 30 Mountain Home, Idaho 83647

Email Address steve@flyinghfarms.net, jeff@flyinghfarms.net

Phone Number 208-587-8716

B. Is this application being completed by an authorized representative on behalf of the applicant?

Yes ☐ No ☒

If yes, representatives (includes company employees if the applicant is a corporation, as well as legal counsel or consultants) should provide their information below if they desire to be included on correspondence with the rental applicant.

Representative _____ Professional Title _____

Organization _____ Relationship to Applicant _____

Mailing Address _____

Email Address _____ Phone Number _____

2. MAP

Create a map of the proposed point(s) of diversion, place(s) of use, and water diversion, delivery and distribution systems. Make sure the place of use is outlined with an obvious, bolded line. For irrigation purposes, note that the place of use outlined on your map cannot exceed the number of acres you are proposing to rent. Attach the map to this application and label it **Attachment 2**.

3. DESCRIPTION OF PROPOSED USE FOR RENTAL WATER

A. Describe the purpose of your rental request. Include any anticipated rates of water application, water use practices or number of stock (if any). If the proposed use is not for irrigation, please provide a detailed description of the proposed use and how you determined the amount of rental water required. Attach additional sheets if required and label it **Attachment 3A**:

Flying H currently rents water right 2-10450 and has rented this right since 2012. Flying H uses this water right to irrigate three pivots that grow a variety of crops including beans, alfalfa, potatoes, wheat, rye and corn.

B. Enter the desired and/or minimum necessary rates of flow, volume, or irrigable acres requested for your rental purposes:

Desired Rate (Cubic Feet/Second)	Desired Volume (Acre-Foot)	Minimum Rate* (Cubic Feet/Second)	Minimum Volume* (Acre-Foot)	Acres (if applicable) (Acre)
7.08 CFS	1,416 AF	7.08 CFS	1,416 AF	354 AC

Sometimes water rights available for rent provide an exceptionally low rate per acre and/or low volume per acre. This section is meant to establish an acceptable range of water sufficient for your proposed water use. Please see question 4B and complete if necessary.

C. Enter the proposed start date and latest possible start date for using rental water. Also provide the number of years you would like to rent water:

Proposed Start Date (month/day/year)	Latest Possible Start (month/day/year)	* Proposed Rental Duration (Max 5 Years)	** For multi-year rentals, indicate whether you desire to rent water for remaining years if a rental request cannot be approved for the first year?
03/15/2016	04/01/2016	5 years	☒ Yes, approve rental for all remaining future years. ☐ No, return rental request if first year is unapprovable.

* The number of years permissible for a rental is subject to the lease contract duration for the water right(s) being rented.

** Subject to the availability of rentable water. A multi-year rental that cannot begin during the first year requested may be approved for some or all remaining years, depending on availability. Rental requests will be returned if no water is available to rent in the first and/or subsequent years of the rental request.

STATE OF IDAHO
WATER RESOURCE BOARD

Application to Rent Water (Continued)

- D. Refer to the map you created in item 2 and specify the location of the point(s) of diversion (POD) from which rental water is proposed to be diverted:

Water Source	TWP	RGE	SEC	¼	¼	¼	County	Other water rights for the same purpose diverted from this POD
Snake River	6S	8E	6	SW	NW	NW	Owyhee	2-7369 & 2-7065C

The entry in this grid must match the map from item 2 on the application.

- E. Do you own and/or possess the authority to divert water from the above POD(s)? Yes ☒ No ☐
If no, provide documentation from the owner/operator confirming your authorization to use the POD(s) and label it Attachment 3E.
- F. Do any POD(s) identified in Question 3D divert from a water source that may require water modeling? Yes ☐ No ☒
Refer to the Water Modeling Requirements Information Sheet to determine if a rental POD may require water modeling.
- G. Has water modeling been provided with your rental request? Yes ☐ No ☒
If yes, include as Attachment 3G. Otherwise please explain why modeling was not provided:

Rental applications that require modeling will be returned if modeling is not provided.

- H. Specify the proposed beneficial use: ☒ Irrigation ☐ Commercial ☐ Industrial ☐ Municipal
☐ Groundwater Recharge ☐ Mining ☐ Stockwater ☐ Other: _____
- I. Refer to the map you created in item 2 and specify below the places you propose to use water. If for irrigation, specify the number of acres to be irrigated per ¼ ¼ tract. Otherwise indicate usage by marking the ¼ ¼ tracts with the first letter of your proposed use identified above:

TWP	RGE	SEC	NE				NW				SW				SE				TOTALS
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
6S	8E	18	40	22	22	40	40	24	24	40	40	22		40					354
The entry in this grid must match the map from item 2 on the application.																			Total Acres (for irrigation)
																			354

- J. For irrigation uses, do you propose a water diversion rate greater than 0.02 cfs/acre? N/A ☐ Yes ☐ No ☒
If yes, explain the justification for this rate of flow and attach any supporting documents as Attachment 3J:

- K. Do you own the land at the proposed rental place of use (POU)? Yes ☐ No ☒
If no, attach documentation from the POU owner/operator confirming your authorization to use the POU and label it Attachment 3K.

- L. Describe your water distribution system and how water will be delivered from the POD(s) to the proposed POU(s):
There are four 250 hp pumps that will deliver water to these acres.

STATE OF IDAHO
WATER RESOURCE BOARD

Application to Rent Water (Continued)

M. List all other water rights and sources of water at the rental place of use for the same purpose and explain why additional water is required. Include privately owned water rights and water received from a municipal supplier, an irrigation district, a canal company, or any other water deliver entity:
Water rights 2-7369 and 2-7065C provide 816 acres of irrigation water to this farm that is 1,170 acres. We need the additional 354 acres to continue irrigating the entire farm.

4. RENTAL REQUESTS FOR SPECIFIC WATER RIGHTS

A. Are you requesting to rent specific water rights? Yes ☒ No ☐
 If yes, specify below the water rights you are requesting to rent. Otherwise continue to Section 5 of this application form.

Please note: Diversion rates and volumes to be rented from a leased water right must be proportionate to the per acre diversion rates and per acre volume limits of the water right leased to the Bank. Applicants should query a water right's rental availability by reviewing active lease and rental documents, searchable via [IDWR's website](#), to ensure all elements of a water right remain available in sufficient quantity to satisfy a rental request.

Water rights identified below must either already be leased to the Bank or a lease proposal should accompany the rental request. Rental requests for water rights not yet leased to the Bank will be returned if companion lease applications are not provided with the rental request.

For leased rights with combined limits, applicants should request to rent against the combined limit diversion rate, volume or acre limits.

Elements of Water Rights Leased to the Bank (Contract Details)								Rental Request		
Water Right Number	Nature of Use	Water Source	Rate (CFS)	Volume (AF)	Acres (AC)	Start (year)	End (year)	Rate (CFS)	Vol. (AF)	Acres (AC)
2-10450	Irrigation	Snake River	7.08	1,416	354	2016	2020	7.08	1,416	354
Applicants must ensure the requested rate per acre and volume per acre do not exceed the rate per acre and volume per acre that have been leased to the Water Supply Bank								TOTAL	7.08 CFS	1,416 AF
										354 AC

Attach multiple copies of this page if space above is insufficient to list all water rights requested to be rented on this application.

B. If water right conditions, combined limits, or the sum of all water right elements being requested provide an unconventional duty of water (e.g., an unusually low rate per acre or volume per acre for irrigation use), explain how your proposed rental will sufficiently accomplish your intended purposes. Attach a separate page if space is insufficient and label it **Attachment 4B**:

STATE OF IDAHO
WATER RESOURCE BOARD

Application to Rent Water (Continued)

- C. Does your rental request propose to change the nature of use for any water right(s) being requested? Yes ☐ No ☒

If yes, explain how the water right(s) will be converted to new uses. Include the historic, consumptive use amounts for the water right being rented, as well as the new consumptive use amount for your proposed beneficial use. Attach a separate page if space is insufficient and label it Attachment 4C:

5. ADDITIONAL INFORMATION

- A. Is this the first time that rental water is being requested for this purpose at the rental place of use? Yes ☐ No ☒

If no, list previous rental requests/agreements and explain why you have not secured a permanent water right for your needs:

Flying H rented water right 2-10450 for the previous 5 years. Flying H is actively searching for a water right to purchase that is adequate for our needs. Flying H has been unsuccessful in our attempt to secure and purchase an adequate water right.

- B. Have you or do you intend to submit an application for permit or transfer proposing a similar use as this rental? Yes ☐ No ☒

If yes, describe: _____

- C. Was this rental application submitted in response to a Notice of Violation (NOV) or a pending NOV? Yes ☐ No ☒

If yes, describe the date and location of the NOV.

DECLARATION

I hereby assert that the information contained in this application is true to the best of my knowledge. I understand that any willful misrepresentations made in this application may result in rejection of the application or cancellation of an approval. I understand that if this rental application is approved, it will be subject to the provisions of Section 42-1766, Idaho Code and all applicable state and federal laws.

Jeff Harper
Signature of Applicant

Jeff Harper
Printed Name of Applicant

11/25/15
Date

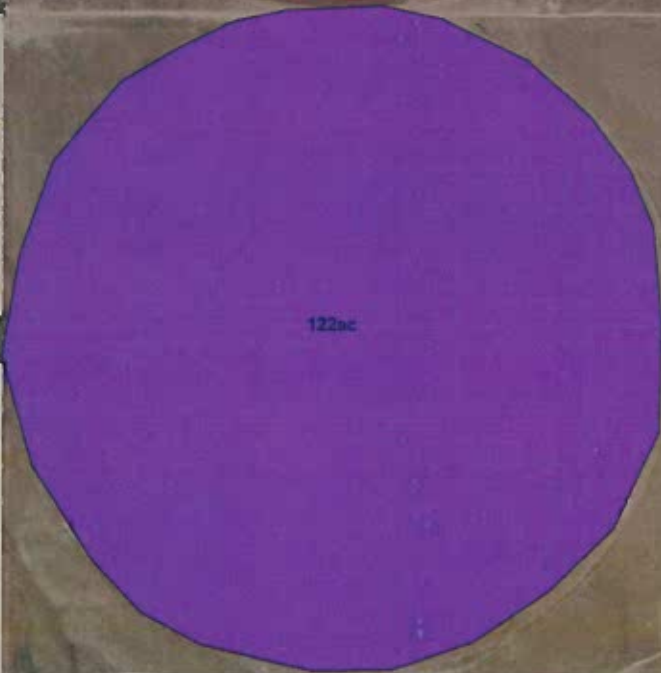
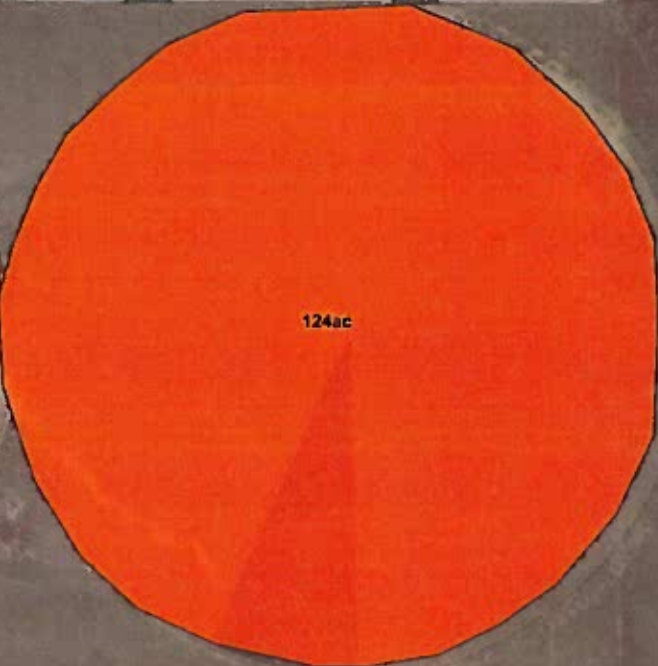
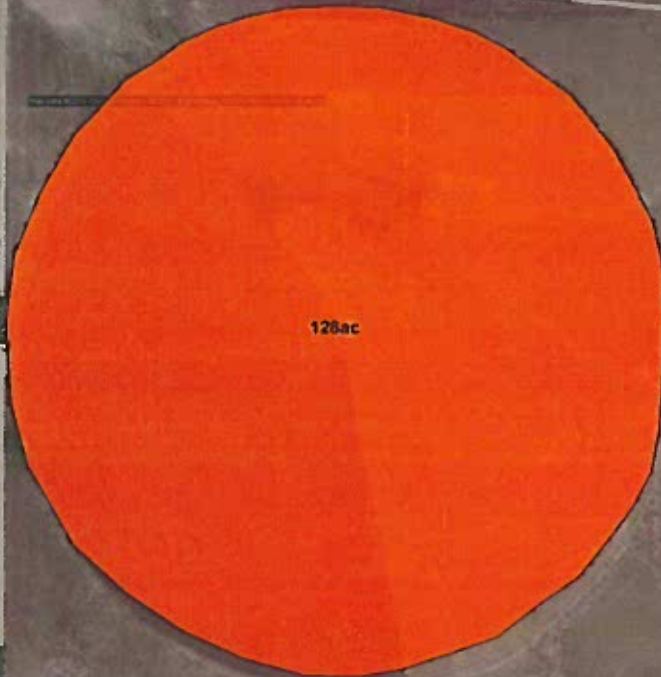
Signature of Representative

Printed Name of Representative

Date

Mail to:

Idaho Department of Water Resources
P.O. Box 83720
Boise, ID 83720-0098



 122 Acres

 252 Acres

POINT OF DIVERSION



MEMORANDUM OF FARM LEASE

BE IT REMEMBERED that Wilson & Wilson Co., an Idaho Corporation, and Ann T. Wilson, (collectively with Wilson & Wilson Co., the "Landlord"), and Flying H Farms Partnership (the "Tenant"), have entered into a Farm Lease (the "Lease") regarding certain real property located in the County of Owyhee, State of Idaho, legally described as follows (the "Property"):

The Northeast Quarter of Section Eleven, The South Half of Section Twelve and all of Section Thirteen in Township Six South, Range Seven East, Boise Meridian;

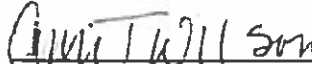
The Southwest Quarter of the Northwest Quarter of Section Seventeen and all of Section Eighteen, in Township Six South, Range Eight East, Boise Meridian.

The Lease for the above-described real property will end at 11:59 p.m. on December 31, 2018.

FURTHER BE IT REMEMBERED that, pursuant to the Lease, the Tenant has a Right of First Refusal on the Property.

LANDLORD

WILSON & WILSON CO.


Ann T. Wilson, President


ANN T WILSON

TENANT

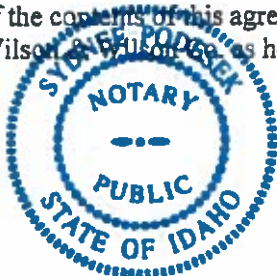
FLYING H FARMS PARTNERSHIP


Jeff Harper, Partner

Instrument # 426537 # Pages: 2
ELMORE COUNTY, Idaho
Mar 26, 2012 11:56:18 am Fee: \$ 13.00
For: FLYING H FARMS
BARBARA STEELE Recorder
DELLIS Deputy

STATE OF IDAHO)
 : ss.
County of Elmore)

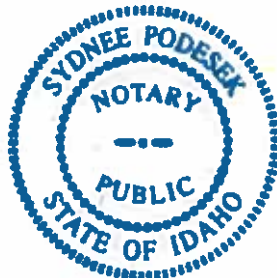
On this 7 day of March, in the year 2012, before me, a notary public for the State of Idaho, personally appeared Ann T. Wilson individually, and also known or identified to me to be the President of Wilson & Wilson Co. and whose name is subscribed to the within and foregoing instrument, and acknowledged to me on this day under oath, that, being informed of the contents of this agreement, she executed the same on behalf of herself individually and Wilson & Wilson Co. as her free and voluntary act and deed.



Sydnee Podeseck
Notary Public for the State of Idaho
Residing at: Mountain Home, Id
My Commission Expires: 11/25, 2017

STATE OF IDAHO)
 : ss.
County of Elmore)

On this 23 day of February, in the year 2012, before me, a notary public for the State of Idaho, personally appeared Jeff Harper, known or identified to me to be a partner of Flying H Farms Partnership and whose name is subscribed to the within and foregoing instrument, and acknowledged to me on this day under oath, that, being informed of the contents of this agreement, he executed the same on behalf of Flying H Farms Partnership as his free and voluntary act and deed.



Sydnee Podeseck
Notary Public for the State of Idaho
Residing at: Mountain Home
My Commission Expires: November 25, 2017



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 • Fax: (208) 287-6700 • Website: www.idwr.idaho.gov

C.L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Director

RECEIVED

JAN 10 2017

DEPARTMENT OF
WATER RESOURCES

January 3, 2017

FLYING H FARMS PARTNERSHIP
518 OLD HWY 30
MOUNTAIN HOME ID 83647

RESPONSE DEADLINE

2/1/2017

RE: Water Supply Bank Rental Fees for 2017 Rental Agreements

Dear Renter,

The following are your 2017 water rentals from the Water Supply Bank:

Rental	Start	End	Water Right	Rental Volume (AF)	Total Rental Fee	Owner Fee (90%)	Admin Fee (10%)	Rental Fee Due Date
1	2016	2020	2-10450	1416	\$24,072.00	\$21,664.80	\$2,407.20	1/1/2017

Our records indicate that payment has not yet been received for the above water right rentals.

If you have not already done so, please remit payment of **\$24,072.00** prior to the due dates above and enclose a copy of this letter with your payment.

If you have questions about your rental, you can contact me at 208-287-4918.

Regards,

Remington Buyer
Water Supply Bank Coordinator



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 • Fax: (208) 287-6700 • Website: www.idwr.idaho.gov

C.L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Director

February 18, 2016

FLYING H FARMS PARTNERSHIP
518 OLD HWY 30
MOUNTAIN HOME ID 83647

**RE: RENTAL OF WATER FROM THE WATER SUPPLY BANK
WATER RIGHT NO. 2-10450**

Dear Renter:

Please find enclosed a receipt in the amount of **\$24,072.00** and a copy of a fully executed Water Supply Bank Rental Agreement in connection with the rental of 1,416.0 acre-feet of water for irrigation of 354.0 acres during 2016. Upon receipt of this fully executed agreement, you are authorized to divert water in compliance with the conditions of water use described in the agreement.

Pursuant to the Water Supply Bank Rules, 90% or \$21,664.80 of the rental fee will be paid to the lessor(s) and 10% or \$2,407.20 will be retained by the Department to offset administrative costs.

If you have any questions, please contact me at (208) 287-4910.

Sincerely,

for

Clay Webster
Water Resource Agent
WSB Process Point of Contact

Enclosures: Receipt No. C101528
Rental Agreement (copy)

c: Sascha Marston – Fiscal
Angie Grimm – IDWR Western Regional Office
Rob Whitney – State Water District No. 2



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 • Fax: (208) 287-6700 • Website: www.idwr.idaho.gov

C.L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Director

February 8, 2016

FLYING H FARMS PARTNERSHIP
518 OLD HIGHWAY 30
MOUNTAIN HOME ID 83647

**RE: APPLICATION TO RENT WATER FROM THE WATER SUPPLY BANK
WATER RIGHT NO. 2-10450**

*****TIME SENSITIVE RESPONSE REQUIRED*****

Dear Applicant:

The Department of Water Resources acknowledges receipt of your application to rent water from the Water Supply Bank. **I have enclosed a Water Supply Bank Rental Agreement for your review and signature.** Upon signature and return of the original agreement, together with the rental fee described below, the Department will also sign the original agreement and return an executed copy to you. Execution of the agreement and compliance with the conditions of approval authorize diversion and use of water as provided in the agreement.

A rental fee of \$24,072.00 was calculated based on the current rental rate of \$17.00 per acre-foot times a diversion volume of 1,416.0 acre-feet. An annual payment shall be received by the Department prior to the execution of this agreement and prior to February 15 in all subsequent years for the duration of the rental period. The agreement will be void if payment is not received prior to the due date in a given year. If you would like to terminate the agreement prior to the end of the rental period, you must submit written notice of your intent to the Department at least 30 days prior to the rental fee due date.

Please send a check for \$24,072.00 made payable to the Idaho Department of Water Resources, together with the signed rental agreement, within 14 days so I can complete processing. Pursuant to the Water Supply Bank Rules, 90% or \$21,664.80 of the rental fee will be paid to the lessor(s) and 10% or \$2,407.20 will be retained by the Department to offset administrative costs.

If you have any questions, please contact me at (208) 287-4910.

Sincerely,

 Clay Webster
Water Resource Agent
WSB Process Point of Contact

Enclosure

c: IDWR Front Desk

Webster, Clay

From: Steven Tarbet [steve@flyinghfarms.net]
Sent: Thursday, February 04, 2016 2:17 PM
To: Webster, Clay
Subject: RE: Farm Lease Agreement for Flying H Farms
Attachments: Wilson Lease - Red Horn Project - Signed.pdf

Thanks Clay!



Steven Tarbet
Flying H Farms Partnership
518 Old Highway 30
Mountain Home, ID 83647
Office: (208) 587-8716
Fax: (208) 587-5455

From: Webster, Clay [mailto:Clay.Webster@idwr.idaho.gov]
Sent: Thursday, February 4, 2016 12:07 PM
To: steve@flyinghfarms.net
Subject: Farm Lease Agreement for Flying H Farms

Steve,

I am currently processing your rental application to align the rental term with the lease term on 2-10450. The requested rental term will make the rental through 2020. However, the Farm lease agreement that was provided only goes through 2018. Is it possible to get a new agreement that will go through the term of the rental? If not we will only be able to approve the rental through 2018. Please provide the requested information within 14 days. Thank you for your help in this matter.

Sincerely,
Clay Webster
Water Resource Agent
clay.webster@idwr.idaho.gov
208-287-4910
Idaho Department of Water Resources (IDWR)

FEB 04 2016

DEPARTMENT OF
WATER RESOURCESFARM LEASE

This Farm Lease (the "Lease") is made this ____ day of January, 2012, by and between Wilson & Wilson Co., an Idaho Corporation, and Ann T. Wilson (collectively with Wilson & Wilson Co., the "Landlord"), an individual, and Flying H Farms Partnership (the "Tenant"), an Idaho Partnership.

For and in consideration of the mutual covenants and promises contained herein, the parties hereby agree as follows:

1. Property. The Landlord hereby agrees to lease to the Tenant and the Tenant hereby agrees to lease from the Landlord the real property located in the County of Owyhee, State of Idaho (the "Property"), legally described as follows:

The Northeast Quarter of Section Eleven, The South Half of Section Twelve and all of Section Thirteen in Township Six South, Range Seven East, Boise Meridian;

The Southwest Quarter of the Northwest Quarter of Section Seventeen and all of Section Eighteen, in Township Six South, Range Eight East, Boise Meridian.

2. Lease Term. The term of the lease is for a period of seven (7) years and shall commence on January 1, 2012 and shall continue until December 31, 2018.

3. Rent during Initial Term. During the initial term of the Lease, the Landlord shall be entitled to a payment in the amount of 7% of the gross proceeds from wheat, alfalfa hay, and corn, while Landlord shall be entitled to a payment of 9.5% of potatoes raised on the Property by the Tenant (without any deduction for harvest expenses, hauling, or other expenses incidental to the production or harvest of the crop), which payment shall be due upon the Tenant's receipt of the sale proceeds from these crops. If crops other than the above mentioned crops are raised, Landlord and Tenant shall agree to a percentage split of the gross income prior to crops being planted. The Tenant agrees to keep full and accurate records of the total amount of crops raised and produced each year on the Property. Flying H's books and records related to the Property shall be available for inspection by the Landlord during business hours.

4. Additional Responsibilities.

a) Landlord. The Landlord shall pay all ad valorem taxes assessed against the Property during the term of the Lease and no other expenses pertaining to the harvest except what is otherwise listed on the lease.

i) Keep Tenant's irrigation equipment on the property free and clear of liens arising out of the work performed, materials furnished, or obligations incurred by the Landlord.

b) Tenant. The Tenant shall assume the following responsibilities with regards to the Property during the term of the Lease:

- i) Pay all expenses incurred by the Tenant in furnishing and installing the irrigation equipment, including annual repair and maintenance of said equipment;
- ii) Pay all electricity expenses incurred by the Tenant related to its farming operation (including the cost of pumping water for irrigation);
- iii) Take reasonable efforts to guard against and destroy the growth of noxious weeds on the Property;
- iv) Keep the Property free and clear of liens arising out of the work performed, materials furnished, or obligations incurred by the Tenant;
- v) Furnish the labor, machinery, irrigation pumps and equipment necessary to convey water from the Snake River to the Property; and
- vi) Furnish the labor, machinery, equipment and implements necessary to till, farm and cultivate the Property in a good and farmer-like manner and according to the usual course of husbandry.

5. Livestock. The Landlord reserves the right to graze its livestock during the term of the Lease on any portion of the Property that is not then planted with crops, including, but not limited to, the following:

-Either side of Brown's Creek Road and adjacent farmlands for trailing, feeding, and resting of cows, calves, and bulls for a 2 week period;

-Summer pasture for up to 125 head of replacement heifers along with up to 5 head of mature bulls from April 1st through August 31st; and

Also, Landlord retains the right to use 42.5, 10 and 18 of Attachment 2 as calving grounds from January 1st through April 15th, graze the bulls from August 1st through April 11th, and graze up to 40 head of broken mouth cows and calves from March 15th to June 1st on the property where crops are not planted.

In the event that there is insufficient grazing feed available on the Property for up to 125 head of replacement heifers (the "Heifers") for summer pasture, Tenant shall furnish adequate feed for the Heifers, in either baled hay or reasonable grazing property in the area, for the Summer.

In addition, for the purpose of egress or ingress to the Property by the Landlord's livestock during the term of the Lease, the Tenant hereby grants to the Landlord the right to trail the Landlord's livestock over the Tenant's real property described in Exhibit A attached hereto

(the "Tenant's Property"); provided, however, that said livestock shall not be trailed over land which is then planted with any crops.

6. Fencing. It is the Tenant's responsibility, if needed, to fence out the Landlord's livestock from its potato fields on the Property with an electric wire system or other barrier, and the Tenant accepts responsibility for any damage to the Tenant's potatoes on the Property caused by the Landlord's cattle. However, if the Landlord desires to install and maintain fences around the perimeter of the Property, that shall be the Landlord's obligation to install and thereafter maintain such fences.

7. Personal Property. The Tenant intends to withdraw water from the Snake River and install irrigation equipment to convey irrigation water from the Snake River to the Property using its own water rights. All of the water rights shall remain the property of the Tenant and shall not become appurtenant to the Property.

However, the irrigation equipment, including but not limited to, the electrical lines, mainlines, pivots, pumps, motors, and related equipment on the Property shall be shared ownership by Tenant and Landlord. Tenant shall bear the entire cost of purchase and installation of said irrigation equipment. Landlord will afford Tenant a reduced rent, as outlined in #3 above, as compensation to Tenant so that at the end of this lease Landlord shall own 80% of electrical lines, mainlines, pumps, motors, and related equipment on the Property (Permanent irrigation equipment) and 50% of pivots and related equipment on the Property (Portable irrigation equipment). Should lease be terminated prior to December 31, 2018 (as outlined herein) ownership of Permanent irrigation equipment and Portable irrigation equipment shall be prorated. At the termination of this lease (December 31, 2018 or earlier as outlined herein) Landlord and Tenant shall enter into a joint ownership, operation, and maintenance of jointly owned equipment and share costs in proportion to their ownership interests in said equipment or as agreed upon by both Landlord and Tenant.

For the duration of this lease, Tenant shall provide the insurance for the equipment listing both parties as their interest appears.

8. Yearly Meeting. Each year on February 1st, or another date mutually agreed upon by the Landlord and the Tenant, a meeting will be held to discuss the crop plan, livestock, or any other issues related to the Lease that the Landlord or Tenant would like to discuss.

9. Erosion and Seepage Control. After the Tenant harvests its potatoes on the Property, the Tenant agrees to take reasonable efforts to limit wind erosion in those harvested fields that are not going to be used for growing potatoes the following year.

Tenant agrees to make reasonable efforts to limit the seepage of irrigation water, that can be directly traced to Tenant's irrigation practices, onto Landlord's adjacent farmland in accordance with acceptable farming practices.

10. Tenant's Right of First Refusal. The Landlord hereby grants unto the Tenant an exclusive and irrevocable right of first refusal to purchase the Property together with all improvements and appurtenances located thereon (the "Tenant's Right of First Refusal"). The Landlord agrees to notify the Tenant in the event the Landlord receives a bona fide offer to purchase the Property from a third party on terms that are acceptable to the Landlord (the "Third

Party Offer"). The Tenant shall have twenty (20) days from the receipt of such notice from the Landlord to notify the Landlord of its intent to purchase the Property on the same price, terms and conditions as contained in the Third Party Offer. In the event that the price, terms or conditions of the purchase subject to the Third Party Offer are altered or changed, this Tenant's Right of First Refusal shall remain in full force and effect, and the Landlord shall notify the Tenant of any such alteration or change, which shall be treated as a subsequent Third Party Offer subject to this Tenant's Right of First Refusal and the time periods set forth herein. In the event that the Third Party Offer is not accepted by the Landlord or the purchase subject to the Third Party Offer does not close within the time period specified therein, this Tenant's Right of First Refusal shall remain in full force and effect. The Tenant's Right of First Refusal shall remain in effect through the duration of the Lease.

11. Landlord's Right of First Refusal. The Tenant hereby grants onto the Landlord an exclusive and irrevocable right of first refusal to purchase the Tenant's Property together with all improvements and appurtenances located thereon (the "Landlord's Right of First Refusal"). This includes the water rights that tenant plans to use on said property which water rights draw water from the Snake River. The Tenant agrees to notify the Landlord in the event the Tenant receives a bona fide offer to purchase the Tenant's Property from a third party on terms that are acceptable to the Tenant (the "Third Party Offer"). The Landlord shall have twenty (20) days from the receipt of such notice from the Tenant to notify the Tenant of its intent to purchase the Tenant's Property on the same price, terms and conditions as contained in the Third Party Offer. In the event that the price, terms or conditions of the purchase subject to the Third Party Offer are altered or changed, this Landlord's Right of First Refusal shall remain in full force and effect, and the Tenant shall notify the Landlord of any such alteration or change, which shall be treated as a subsequent Third Party Offer subject to this Landlord's Right of First Refusal and the time periods set forth herein. In the event that the Third Party Offer is not accepted by the Tenant or the purchase subject to the Third Party Offer does not close within the time period specified therein, this Landlord's Right of First Refusal shall remain in full force and effect. The Landlord's Right of First Refusal shall remain in effect through the duration of the Lease.

12. No Assignment or Sublease. The Tenant may not assign or sublease the Property without the prior written consent of the Landlord which may be withheld at Landlord's unfettered discretion.

13. Waiver. Waiver of a breach of any provision of this Lease by any party in any particular instance shall not be deemed a waiver of any other breach of this Lease.

14. Quiet Enjoyment. So long as the Tenant is not in default, the Landlord warrants and covenants that, during the term of this Lease and subject to the provisions hereof, the Tenant shall have the exclusive right and possession and the quiet enjoyment of the Property and shall have, hold and enjoy the Property without interference by the Landlord subject to the terms of this agreement.

15. Entire Agreement. This Lease constitutes the entire agreement between the parties with respect to the lease of the Property and may not be modified except in writing signed by all parties.

16. Governing Law. This Lease shall be governed by, and construed in accordance with the laws of the State of Idaho (other than its conflict of laws rules).

17. Attorney's Fees. In the event either party shall institute a lawsuit to enforce any rights pursuant to this agreement, the successful party shall be entitled to, in addition to those costs and disbursements provided by statute, a reasonable sum as attorney fees and costs of litigation, including reasonable attorney fees and costs incurred in any appeal thereof.

18. Binding Effect. This Lease shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and/or assigns; *provided, however,* that assignment shall be subject to the provisions of Section 12 hereof.

19. Time. Time is of the essence in this Lease.

20. Recording. At the request of either party, a short form lease may be executed for recording.

21. Authorization. The Landlord hereby represents and warrants that it owns the Property and has all necessary power and authority to enter into and perform this Lease and to consummate the transactions contemplated hereby.

22. Default by Tenant. The Tenant shall be in default under this Lease if (i) it fails to pay Rent or additional amounts when due, or (ii) fails to perform any of the other covenants or agreements contained in this Lease.

Upon the occurrence of an event of default by the Tenant, the Landlord, in its sole discretion, may exercise any rights or remedies provided by law or equity; *provided, however,* that as a precondition to pursuing any remedy for alleged default by the Tenant, the Landlord shall first give written notice to the Tenant specifying the claimed default. The Tenant shall have thirty (30) days from the receipt of such notice to effect a cure of the claimed default (other than a payment default, which shall have solely a fourteen (14) day cure period); *provided, however,* that if the nature of the Tenant's obligations (other than a payment default) are such that more than thirty (30) days are required for performance, then the Tenant shall not be in default if it commences performance within such thirty-day period and thereafter diligently prosecutes the same to completion.

23. Default by Landlord. The Landlord shall be in default under this Lease if it fails to perform any of the other covenants or agreements contained in this Lease.

Upon the occurrence of an event of default by the Landlord, the Tenant, in its sole discretion, may exercise any rights or remedies provided by law or equity; *provided, however,* that the Landlord shall not be considered to be in default under this Lease unless (i) the Tenant has given to the Landlord written notice specifying the claimed default and (ii) the Landlord has failed for thirty (30) days to cure such claimed default, or if the nature of the Landlord's obligations are such that more than thirty (30) days are required for performance, then the Landlord shall not be in default if the Landlord commences performance within such thirty-day period and thereafter diligently prosecutes the same to completion.

24. Notices. All notices shall be in writing and deemed to have been duly served within 48 hours after mailing (if sent certified mail) or immediately (if personal service):

If to the Landlord: Wilson & Wilson Co.
Attn.: Ann T. Wilson
P.O. Box 33
Hammett, ID 83627

If to the Tenant: Flying H Farms Partnership
Attn.: Jeff Harper
518 Old Highway 30
Mountain Home, ID 83647

IN WITNESS WHEREOF, the parties have executed this Lease the day and year first set forth above.

LANDLORD

WILSON & WILSON CO.

Ann T. Wilson, President
Ann T. Wilson, President

Ann T. Wilson
ANN T WILSON

TENANT

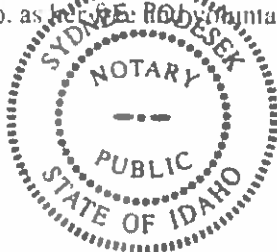
FLYING H FARMS PARTNERSHIP

Jeff Harper
Jeff Harper, Partner

STATE OF IDAHO)
: ss.
County of Elmore)

On this 11 day of January, in the year 2012, before me, a notary public for the State of Idaho, personally appeared Ann T. Wilson individually, and also known or identified to me to be the President of Wilson & Wilson Co. and whose name is subscribed to the within and foregoing instrument, and acknowledged to me on this day under oath, that, being informed of the contents

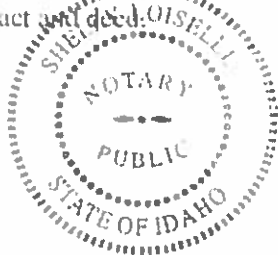
of this agreement, she executed the same on behalf of herself individually and Wilson & Wilson Co. as her free and voluntary act and deed.



Sydney Rodesek
Notary Public for the State of Idaho
Residing at: 1125 W. 1st St. ID
My Commission Expires: 11/25, 2017

STATE OF IDAHO)
 : ss.
County of Elmore)

On this 11 day of January, in the year 2012, before me, a notary public for the State of Idaho, personally appeared Jeff Harper, known or identified to me to be a partner of Flying H Farms Partnership and whose name is subscribed to the within and foregoing instrument, and acknowledged to me on this day under oath, that, being informed of the contents of this agreement, he executed the same on behalf of Flying H Farms Partnership as his free and voluntary act and deed.



Shelly Loisel
Notary Public for the State of Idaho
Residing at: Idaho
My Commission Expires: Aug 26, 2016

EXHIBIT A

The Northeast Quarter of Section 24, Township 6 South, Range 7 East, Boise Meridian in Owyhee County, Idaho

Lots 1 and 2, the North One-Half of the Northeast Quarter and the East One-Half of the Northwest Quarter of Section 19, Township 6 South Range 8 East, Boise Meridian, Owyhee County, Idaho

MEMORANDUM

To: Water Right 02-10450

From: Clay Webster

Date: 1/29/2016

Re: Review & Analysis of Application to Rent Water from the State Water Supply Bank

PURPOSE/NARRATIVE: The Department received this application to amend the current rental that was in effect from 2013 through 2016 on November 27, 2015. This was a result of the indefinite lease of the rented right being designated as expiring on December 31, 2020. The applicant wishes to have the rental and the lease expire together.

This application proposes to rent 7.08 CFS and 1,416.0 AF of water to irrigate three pivots covering 354.0 acres.

AUTHORITY TO FILE: This application was signed by Jeff Harper. He is listed on the ISOS web site as a partner in Flying H Farms Partnership. The POU is owned by Wilson and Wilson Co. according to tax lot data. The applicant has provided a Notarized Memorandum of Farm Lease which includes the Rental POU. This form was signed by Anne T Wilson. She is identified as the President of Wilson and Wilson Co. on the ISOS web site.

WATER RIGHT VALIDITY: 2-10450 was leased for an indefinite period under WR 2-10433. The right was split during the adjudication. This right has been leased since prior to the adjudication and has not been used at the leased POU. The lease term was designated as 2016-2020 in September 2015. This rental will use the balance available under this lease.

INJURY TO OTHER WATER RIGHTS: Water right 2-10450 is directly upstream of the proposed POD. No injury is anticipated.

ENLARGEMENT OF USE: Flying H Farms has an existing rental, but that rental covers a different 40 acre POU. There are also a water rights that cover adjacent land. The original rental reflected a PPU. Since the WSB does not provide PPUs through rentals. We have established a rental POU for this 354 acre rental. This summarizes their portfolio.

2-4013 rental of 40 acres (thru 2016)

2-10450 rental of 354 acres (thru 2020)

2-7369 appurtenant to 385 acres within an 1,885 acre POU

2-7065C appurtenant to 431 acres within an 1,800 acre POU

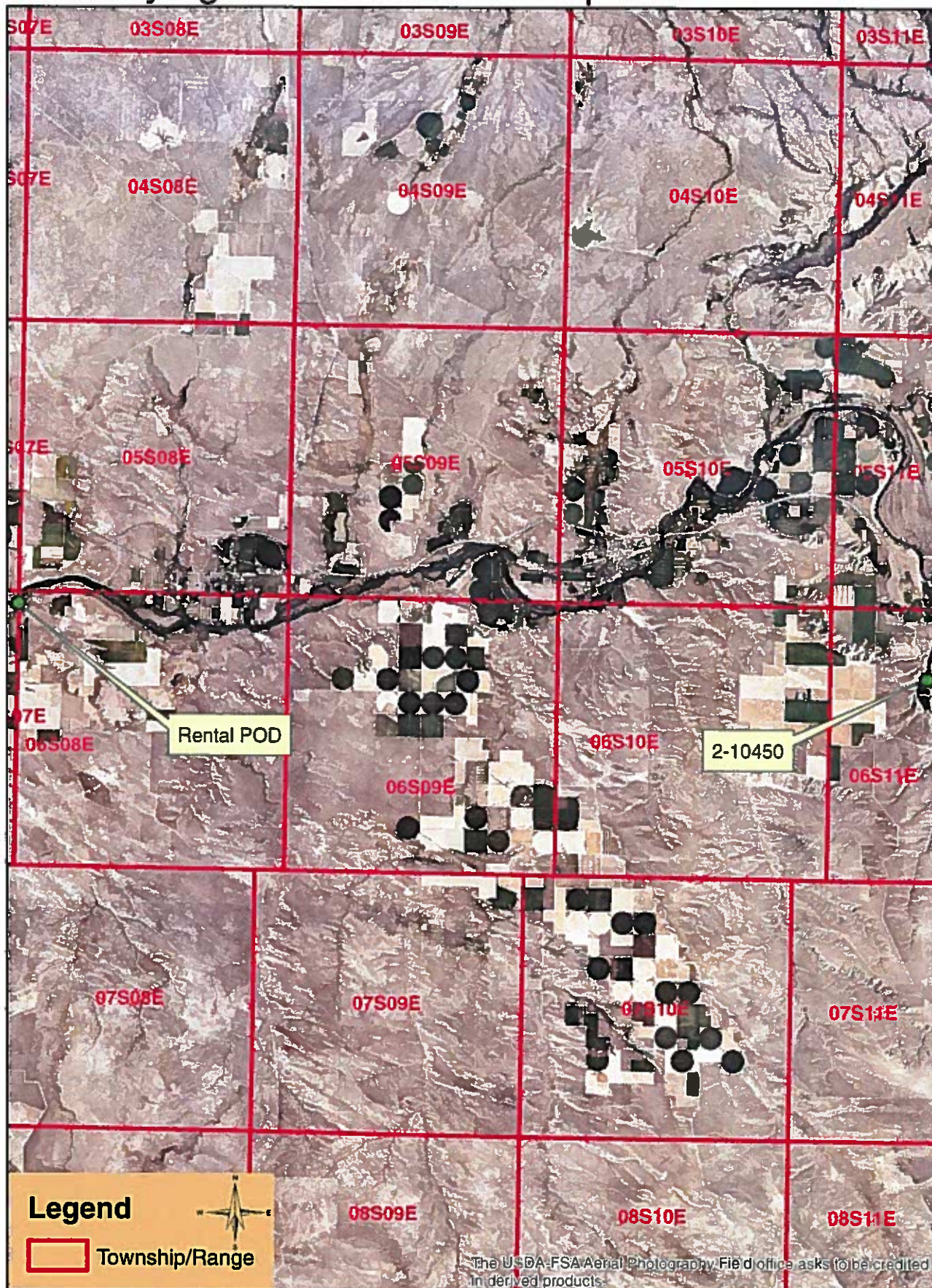
1,210 acres can be irrigated at Flying H Farms in 2016

LOCAL PUBLIC INTEREST: Review staff has no information to suggest this application is inconsistent with the local public interest.

BENEFICIAL USE/CONSERVATION OF WATER RESOURCES: The rental appears consistent with the conservation of water resources in Idaho.

DEPARTMENT STAFF OR WATERMASTER COMMENTS: The location for the rental POD is subject to Water District # 02. Comments were requested from the region and watermaster on 2/2/2016 via e-mail. Rob Whitney, the watermaster had some concerns about the WMMIS point and the WR POD locations for 2-7369 and 2-7065C. We determined that the true POD is reflected on WR 2-7369. Therefore the rental POD is located in NE¼NE¼, Sec. 1, Twp 06S, Rge 7E

Flying H Farms Partnership 2016 Rental



Webster, Clay

From: Van Dyke, Nick
Sent: Tuesday, February 02, 2016 8:56 AM
To: Webster, Clay
Subject: RE: Region Comments on Flying H Farms Rental Application for 2-10450

Clay,

Nothing large issue regional wise comes to mind. Since moving downstream I do not see potential for injury. Though I would check for diversions immediately below the new rental pod for potential injury, which I bet you have. And of course watermaster comment, if any.

Nicholas Van Dyke

*Sr. Water Resource Agent
Idaho Department of Water Resources
Phone: (208) 334-2190
Fax: (208) 334-2348
Email: nick.vandyke@idwr.idaho.gov*

From: Webster, Clay
Sent: Tuesday, February 02, 2016 8:45 AM
To: Van Dyke, Nick
Subject: Region Comments on Flying H Farms Rental Application for 2-10450

Nick,

This is going to replace an active rental agreement to get the rental and the lease on the same term. Do you have any concerns?

Sincerely,
Clay Webster
Water Resource Agent
clay.webster@idwr.idaho.gov
208-287-4910
Idaho Department of Water Resources (IDWR)

Webster, Clay

From: Webster, Clay
Sent: Tuesday, February 02, 2016 8:52 AM
To: Whitney, Rob
Subject: Watermaster Comment on Rental Application for Flying H Farms 2-10450
Attachments: Rental Review Memo Flying H Farms 2-10450.docx; Rental Move.pdf

Rob,

This is the rental application to replace the rental currently in place to make the term of the rental match the lease term. Do you have any concerns?

Sincerely,
Clay Webster
Water Resource Agent
clay.webster@idwr.idaho.gov
208-287-4910
Idaho Department of Water Resources (IDWR)



RECEIVED

NOV 27 2015

DEPARTMENT OF
WATER RESOURCES

November 25, 2015

Idaho Department of Water Resources
P.O. Box 83720
Boise, ID 83720-0098

Clay Webster,

As Steven Tarbet discussed with you on the telephone on Wednesday, November 25th, Flying H Farms, Partnership currently rents a portion of water right 2-10450 from the water bank. We have a lease through the 2016 irrigation season.

Steve spoke with Jon Bowling at Idaho Power and Idaho Power is willing to continue leasing this water right to Flying H Farms as long as it is in the water bank. Since they have updated their contract for five years, beginning in 2016, Flying H Farms would like to start our lease over at this time in order to be on the same renewal as Idaho Power.

Please contact me at (208) 587-8716 with any questions pertaining to this request.

Thank you,

Jeff Harper
Partner