



State of Idaho

DEPARTMENT OF WATER RESOURCES

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

Phone: (208) 287-4800 Fax: (208) 287-6700 Web Site: www.idwr.idaho.gov.

August 29, 2005

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

HIDDEN CROWN RANCH LLC
PO BOX 5129
KETCHUM ID 83340

**RE: APPLICATION TO LEASE PART OF WATER RIGHT NO(S). 37-2683B
AND 37-7349B TO THE WATER SUPPLY BANK**

Dear Lessor:

The Department of Water Resources ("department") has completed its review of the Applications to Sell or Lease Water Right(s) to the Water Supply Bank ("bank"). Please consider that the offered water right(s) are accepted into the bank as of June 7, 2005.

WATER SUPPLY BANK LEASE CONDITIONS OF ACCEPTANCE

1. Portions of the above referenced water rights are leased to the bank as follows:

Right No.	Acres (ac)	Diversion Rate (cubic ft per sec., cfs)	Diversion Volume (acre-feet, af)
37-2683B	23.6 ac	0.45 cfs	70.6 af
37-7349B	<u>8.8 ac</u>	<u>0.17 cfs</u>	<u>31.0 af</u>
Total Limits:	25 ac	0.5 cfs	87.5 ac

2. The total instantaneous diversion of water under the portion of rights 37-2383B and 37-7349B leased to the bank shall not exceed 0.5 cfs, nor total combined annual volume of 87.2 acres, for the irrigation of 25.0 acres.
3. During the term of the lease, use of rights 37-2383B and 37-7349B for irrigation is limited to a combined total of 37.2 acres, and a combined diversion rate of 0.74 cfs and diversion volume of 130.2 af.
4. The water leased to the bank under these water rights is appurtenant to lands within the place of use described by rights 37-2383B and 37-7349B.

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5. There is no rental payment to the lessor of the water right if the right or a part thereof is not rented from the bank.
6. While a right is in the bank, the owner of the right may not use the right without approval of the department even if the right is not rented from the bank. Any violation of the terms of this lease may result in enforcement procedures pursuant to Section 42-351, Idaho Code, for illegal diversion and use of water, and may include civil penalties pursuant to Section 42-1701B, Idaho Code.
7. A right accepted into the bank stays in the bank until the Board releases it, the lease term expires, or upon request from the lessor to change the term of the lease.
8. While a water right is in the bank, forfeiture provisions are stayed.
9. Failure of the right holder to comply with the conditions of acceptance is cause for the Director to rescind acceptance of the lease.
10. Acceptance of a right into 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 the ongoing Snake River Basin Adjudication or any other department application process.
11. The water rights referenced above will be rented from the bank at the current rental rate unless otherwise specified by the lessor.
12. In accordance with Sections 42-248 and 42-1409(6), Idaho Code, all owners of water rights are required to notify the department of any changes in mailing address or change in ownership of all or part of a water right. Notice must be provided within 120 days of the change.
13. Upon acceptance of a water right into the Board's water supply bank, the owner of the right may withdraw the right within thirty (30) days of acceptance into the bank if the owner does not agree with the conditions of acceptance.

The right(s) will remain in the bank for an "indefinite" lease term unless the right(s) are released earlier by the Board, or upon request by the lessor. To change the term of the lease or to release the right(s) from the bank, the lessor must submit a request to the department in writing.

Enclosed is a copy of the Internal Revenue Service Request for Taxpayer Identification and Certification, Form W-9. The department is required to file an information return with the Internal Revenue Service ("IRS") for all payments issued to for water rented from the bank. Payments for the rental of a water right or a part

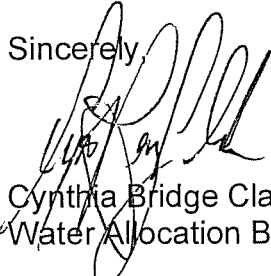
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thereof cannot be issued to the lessor unless the department has received a completed IRS W-9 form.

Additionally, documentation of authority to receive payment must be submitted if the name provided on the W-9 form does not match the name of the lessor. The address associated with the water right leased to the bank will be updated in the department database to the address provided on the W-9 form unless otherwise requested by the lessor. If you no longer have an interest in the water right, please contact the department. Return this form and any additional documentation to my attention.

If you have questions, please feel free to contact me.

Sincerely,



Cynthia Bridge Clark
Water Allocation Bureau

Encl: 1

c: Allen Merritt – IDWR Regional Office
Kevin Lakey – Little Wood River Watermaster
Daren Nelson – Brockway Engineering, PLLC

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