



State of Idaho

DEPARTMENT OF WATER RESOURCES

1301 North Orchard Street, Boise, ID 83706 - P.O. Box 83720, Boise, ID 83720-0098
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DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

March 11, 2004

BOISE CASCADE CORP.
REGION ENVIRONMENTAL ENGINEER
PO BOX 476
EMMETT ID 83617

RE: APPLICATION TO LEASE PART OF WATER RIGHT NO(S). 65-585, 65-586, 65-587, 65-593, 65-594, 65-595, 65-597, 65-2622, 65-2706, 65-2950, 65-5787, 65-7094, 65-7884, 65-8003, AND 65-12755 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.

Several items to keep in mind in connection with the lease of a water right to the bank are as follows:

1. There is no rental payment to the owner of the water right if the right or a part thereof is not rented from the bank.
2. While a right is in the bank, the owner of the right may not use the right even if the right is not rented from the bank.
3. While water rights authorized for domestic use from a groundwater source are leased to the bank, water may not be diverted at the place of use authorized under the rights for the same purpose to meet the exemption of section 42-227, Idaho Code.
4. 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.
5. While a water right is in the bank, forfeiture provisions are stayed.
6. Acceptance of a right into the bank does not, in itself, confirm the validity of the right or any elements of the water right.

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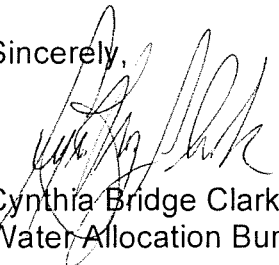
7. Rental of the right from the bank may require additional review to confirm the availability of the surface water sources and the extent of beneficial use available under the right.
8. In accordance with Transfer no. 69984, the diversion rate and volume available for lease under water right no. 65-587 is 18.28 cubic feet per second and 11541.8 acre-feet respectively.
9. The water rights referenced above will be rented from the bank at the current rental rate. However, the lessor reserves the right to negotiate a different rental rate for a multi-year rental agreement.
10. 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.

Please consider that the rights will automatically be released from the bank on **December 31, 2008**, unless the rights are released earlier by the Water Resource Board, or upon a request from the owner of the rights. To change the term of the lease, the lessor must submit a request to the department in writing prior to the release date.

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 rental payments issued to owners of water rights leased to the bank. Please return this form to my attention. Payments for the rental of a water right or a part thereof cannot be issued to the lessor unless the department has received a completed IRS W-9 form.

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

Sincerely,



Cynthia Bridge Clark
Water Allocation Bureau

Encl: 1

c: John Westra – IDWR Western Regional Office
Bruce Smith, Moore, Smith, Buxton & Tucke, Chartered.

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