

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

This is to certify that: TELFORD LANDS LLC
 C/O MIKE TELFORD
 1450 W HWY 24
 PAUL ID 83347

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	Rented Rate	Annual Rented Volume	Total Rented Acres
34-618	0.42 CFS	63.4 AF	18.1 AC
34-2330B	0.23 CFS	55.9 AF	16.0 AC
34-7077	1.04 CFS	91.2 AF	26.1 AC
34-7080B	0.69 CFS	130.4 AF	37.3 AC
34-7092	1.56 CFS	289.5 AF	82.7 AC
34-7121A	0.06 CFS	22.0 AF	37.3 AC
34-7121B	0.49 CFS	144.1 AF	41.2 AC
34-7179	0.36 CFS	154.4 AF	276.7 AC
34-12376	0.16 CFS	39.9 AF	11.4 AC
34-13659	0.13 CFS	19.6 AF	5.6 AC
34-13661	0.13 CFS	19.6 AF	5.6 AC
34-13840	0.16 CFS	32.4 AF	9.2 AC
34-13842	0.06 CFS	25.6 AF	18.2 AC
COMBINED RENTAL TOTALS:	5.18 CFS	968.5 AF	276.7 AC
TERM OF RENTAL:	<u>April 1, 2012 to October 31, 2012</u>		
	<u>April 1, 2013 to October 31, 2013</u>		
	<u>April 1, 2014 to October 31, 2014</u>		
RENTAL FEE:	<u>\$13,559.00</u>		

The total fee for rental of the above-described water is \$13,559.00. The undersigned renter is also the lessor under this agreement, and is therefore obligated to pay only the administrative fee of \$1,355.90 per year. An annual payment shall be received by the Department prior to April 1, the beginning of the irrigation season, 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.

Detailed water right specific limitations and conditions attached.

WATER RIGHT NOS. 34-618, 34-2330B, 34-7077, 34-7080B, 34-7092, 34-7121A, 34-7121B, 34-7179, 34-12376, 34-13659, 13-13661, 34-13840, 34-13842
WATER SUPPLY BANK RENTAL AGREEMENT, CONTINUED

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:

Dated this 7 day of December, 20 11.

By: Michael TELFORD
(Print Name)

Michael Telford
(Signature)
Telford Lamos LLC
Managing member
(Title if on behalf of company or organization)

Having determined that this agreement satisfies 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 conditions herein provided, and none other, I hereby execute this Rental Agreement on behalf of the Idaho Water Resource Board this 15th day of December, 20 11.

Monica Van Buren
for GARY SPACKMAN, Interim Director
Department of Water Resources

WATER RIGHT NOS. 34-618, 34-2330B, 34-7077, 34-7080B, 34-7092, 34-7121A, 34-7121B, 34-7179, 34-12376, 34-13659, 13-13661, 34-13840, 34-13842
WATER SUPPLY BANK RENTAL AGREEMENT

The 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 below:

Renter: TELFORD LANDS LLC
C/O MIKE TELFORD
1450 W HWY 24
PAUL ID 83347

Priority Date: As listed on the water right

Source: GROUND WATER
BIG LOST RIVER **Tributary to:** SINKS (for Right Nos. 34-618, 34-13659 and 34-13661 only)

<u>BENEFICIAL USE</u>	<u>From</u>	<u>To</u>	<u>Diversion Rate</u>	<u>Volume</u>
IRRIGATION	04/01	to 10/31	5.18 CFS	968.5 AF
	Total:		5.18 CFS	968.5 AF

LOCATION OF RENTER'S POINT(S) OF DIVERSION:

GROUND WATER	NE $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ (Lot 2)	Sec. 4	Twp 04N	Rge 26E	BUTTE County
GROUND WATER	NE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ (Lot 3)	Sec. 5	Twp 04N	Rge 26E	BUTTE County
GROUND WATER	SW $\frac{1}{4}$ NW $\frac{1}{4}$ NW $\frac{1}{4}$	Sec. 21	Twp 05N	Rge 26E	BUTTE County
GROUND WATER	SE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$	Sec. 29	Twp 05N	Rge 26E	BUTTE County
GROUND WATER	SE $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$	Sec. 32	Twp 05N	Rge 26E	BUTTE County
GROUND WATER	SE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$	Sec. 32	Twp 05N	Rge 26E	BUTTE County
GROUND WATER	NW $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ (Lot 2)	Sec. 4	Twp 04N	Rge 26E	BUTTE County
GROUND WATER	SW $\frac{1}{4}$ SE $\frac{1}{4}$ SW $\frac{1}{4}$	Sec. 1	Twp 03N	Rge 26E	BUTTE County
BIG LOST RIVER	NW $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$	Sec. 4	Twp 05N	Rge 26E	BUTTE County

RENTER'S PLACE OF USE: IRRIGATION

Twp	Rge	Sec	NE				NW				SW				SE				
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	Totals
13N	26E	14					39	36	40	40	40	40	40	40					315
		15	39	40	40	40	39	39	40	40	40	40	40	40	40	40	40	40	637
		16	39	39	40	40									40	40	39	39	316
		22	40	40	40	40	40	40	40	40									320
		23	40	40	40	40					40			33	39	40	40	40	392

Total Acres: 1980

Acre Limit within Place of Use described: 276.7

COMBINED LIMITS OF LEASED RIGHT:

<u>Combined Rights</u>	<u>Rate</u>	<u>Volume</u>	<u>Acres</u>
34-618, 34-2330B, 34-7077, 34-7080B, 34-7092			
34-7121A, 34-7121B, 34-7179, 34-12376, 34-13659			
34-13661, 34-13840 AND 34-13842	5.18 CFS	968.5 AF	276.7 AC

CONDITIONS OF WATER USE

- The use of water under this agreement shall be subject to the provisions of Idaho Code § 42-1766.
- 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.

**WATER RIGHT NO. 34-618, 34-2330B, 34-7077, 34-7080B, 34-7092, 34-7121A,
34-7121B, 34-7179, 34-12376, 34-13659, 34-13661, 34-13840, 34-13842
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CONDITIONS OF WATER USE

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. This rental agreement does not authorize the construction of a well.
6. 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.
7. Renter agrees to comply with all applicable state and federal laws while using water under this agreement.
8. 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.
9. 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.
10. Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
11. The renter must diligently pursue a permanent water right to provide for the uses authorized under this rental agreement.
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. 34.
13. Leases for the following Right Nos. are limited to a total instantaneous diversion rate of 5.18 cfs, a total annual volume of 968.5 AF and the annual irrigation of 276.7 acres. Combined Right Nos.: 34-618, 34-2330B, 34-7077, 34-7080B, 34-7092, 34-7121A, 34-7121B, 34-7179, 34-12376, 34-13659, 34-13661, 34-13840 and 34-13842.
14. The leases for Right No. 34-618 and that portion of ground water right No. 34-7179 associated with Right No. 34-618, when combined, shall not exceed a total diversion rate of 0.02 cfs per acre, and shall not exceed a total annual maximum diversion volume of 63.4 af at the field headgate.
15. The right holder shall make full beneficial use of all surface water rights available to the right holder for irrigation of the lands authorized to be irrigated under this right prior to or in conjunction with beneficial use of associated ground water rights.
16. The right holder shall make full beneficial use of all surface water rights available to the right holder for irrigation of the lands authorized to be irrigated under this right. The right holder shall limit the diversion of ground water under this right to those times when the surface water supply is not available or the surface water supply is not reasonably sufficient to irrigate the place of use authorized under this right.
17. Should all or any portion of water right nos. 34-2330B, 34-7077, 34-7080B, 34-7092, 34-7121A, 34-7121B, 34-12376, 34-7179, 34-13659, 34-13661, 34-13840 and 34-13842 ever be curtailed as a result of a delivery call, the irrigated place of use for water right nos. 34-2330B, 34-7077, 34-7080B, 34-7092, 34-7121A, 34-7121B, 34-12376, 34-13659, 34-13661, 34-13840, 34-13842 (all describing a place of use of 258.6 acres) and water right no. 34-7179 (276.7 acres) shall be reduced by the number of irrigated acres authorized to be irrigated by the individual water right that is curtailed.

**WATER RIGHT NO. 34-618, 34-2330B, 34-7077, 34-7080B, 34-7092, 34-7121A,
34-7121B, 34-7179, 34-12376, 34-13659, 34-13661, 34-13840, 34-13842
WATER SUPPLY BANK RENTAL AGREEMENT**

CONDITIONS OF WATER USE

18. Rights 34-2330B, 34-7077, 34-7080B, 34-7092, 34-7121A, 34-7121B, 34-12376, 34-13840, 34-13842, and that portion of ground water right no. 34-7179 not associated with water right no. 34-618, when combined, shall not exceed a total diversion rate of 4.82 cfs, and shall not exceed a total annual maximum diversion volume of 905.1 af at the field headgate.
19. If the surface water right(s) appurtenant to the place of use is sold, transferred, leased or used on any other place of use, this right to divert ground water shall not be used without an approved transfer pursuant to Section 42-222, Idaho Code, or approval of the Department if a transfer is not required.
20. The Right Nos. under this rental agreement when combined with Right Nos. 34-7138, 34-7037, 34-2459, 34-2460, 34-2461, 34-2462 and 34-10925 shall provide no more than 0.02 cfs per acre nor more than 3.5 afa per acre at the field headgate for irrigation of the lands above.
21. The total volume of surface water diverted under water right nos. 34-13659 and 34-13661 shall be limited to 19.6 acre-feet.
22. The lease of Right Nos. 34-13659 and 34-13661 when combined shall not exceed the irrigation of 5.6 acres within the leased place of use described above in a single irrigation season.
23. Whenever water right no. 34-13659 is deliverable, fifty-five percent of the flow deliverable (up to 0.53 cfs) shall continue to be delivered into the West Side Canal, and forty-five percent of the flow deliverable (up to 0.44 cfs) can be diverted past the head of the West Side Canal under water right no. 34-13659. All of the 0.13 cfs delivered under this Water Supply Bank lease must be delivered under the 0.44 cfs that can be delivered past the West Side Canal and cannot interfere with the 0.53 cfs to be delivered into the West Side Canal.
24. The right holder shall maintain a measuring device, or other suitable method of measurement, and lockable controlling works of a type approved by the Department in a manner that will provide the watermaster suitable control of all points of diversion, including the well located in Township 5 North, Range 26 East, Section 1, SWSESW, and on the ditch delivering water out of the upper diversion from the Mickelson Farm to the Isom Farm. The ditch described here is locally known as the Timberdome Canal and its diversion is locally known as the Moore Diversion.