



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 • Web Site: www.idwr.idaho.gov

C. L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Interim Director

June 23, 2010

P4 PRODUCTION LLC
C/O DAVID FARNSWORTH
PO BOX 816
SODA SPRINGS ID 83276

**RE: APPLICATION TO RENT WATER FROM THE WATER SUPPLY BANK
WATER RIGHT NO. 27-2124**

Dear Renter:

The Department of Water Resources ("Department") acknowledges receipt of your application to rent water from the Water Supply Bank ("Bank"). Enclosed, please find 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 total rental fee of **\$1,579.20 per year** was calculated based on the current rental rate of \$14.00 per acre-foot times a diversion volume of 112.8 acre-feet. Enclosed is a receipt for the partial payment of \$1,316.00 previously received by the Department for this rental. The remaining fee due for the cost of the rental in 2010 is \$263.20. Please send a check for the remaining fee, along with the signed rental agreement, to my attention within 14 days so I can complete the processing.

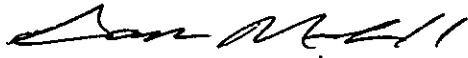
Payment shall be received by the Department prior to the execution of this agreement and prior to January 1 in all subsequent years for the duration of the rental period. The agreement will be void if payment is not received prior to the due date in a given year. If you would like to terminate the agreement prior to the end of the rental period, you must provide written notice of your intent to the Department at least 30 days prior to the rental fee due date.

Please note that the use of water under this agreement is limited to an annual diversion volume of 94.0 acre-feet, the consumptive portion appurtenant to irrigation of 37.6 acres under the rented water right. Irrigation water rights are not fully consumptive – a portion of the diverted water returns to the source. Changing the nature of use from irrigation to mining, as described in your application, would enlarge the use of water under the

rented right. Limiting the annual diversion volume to the consumptive portion is necessary to prevent enlargement of the rented water right.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Aaron Marshall".

Aaron Marshall, P.G.
(208) 287-4943
aaron.marshall@idwr.idaho.gov

Enclosure(s): Receipt No. C090057
Rental Agreement

c: Lyle Swank – IDWR Eastern Regional Office
Randall C. Budge – Racine Olson Nye Budge & Bailey