

GIVENS PURSLEY LLP

LAW OFFICES

601 W. Bannock Street
PO Box 2720, Boise, Idaho 83701
TELEPHONE: 208 388-1200
FACSIMILE: 208 388-1300
WEBSITE: www.givenspursley.com

CHRISTOPHER H. MEYER

DIRECT DIAL: 208 388-1236
CELL: 208 407-2792
EMAIL: chrismeyer@givenspursley.com

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**DEPARTMENT OF
WATER RESOURCES**

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July 2, 2007

Cynthia Bridge Clark
Associate Engineer
Water Allocation Bureau
Idaho Department of Water Resources
322 East Front Street
P.O. Box 83720
Boise, ID 83720-0098

Re: Water Supply Bank – Water Right Nos. 29-2284 and 29-2301

Dear Cynthia:

I represent Southeast Idaho Energy, L.L.C. ("SIE"), which acquired the above-referenced water rights from FMC on December 18, 2006. Prior to SIE's acquisition, FMC had been leasing those rights to the Idaho Ground Water Appropriators ("IGWA") for mitigation purposes. In addition to this private lease agreement, FMC leased the water to the water supply bank, and IGWA rented it from the bank for mitigation purposes.

When SIE acquired FMC's ground water rights, it acquired them subject to existing lease and rental agreements. On March 8, 2007, SIE and IGWA entered into a new lease agreement which replaced the prior lease with FMC. The price terms of the new SIE/IGWA agreement track those in the FMC/IGWA agreement. However, the new agreement differs in that it does not include the 5,000 acre-feet in Palisades water (which FMC still owns and is still leased by FMC to IGWA under a separate agreement). Another difference is that the SIE/IGWA lease covers the full quantity of the two ground water rights. In contrast, the FMC/IGWA lease held back 0.18 cfs from Water Right No. 29-2301.

The SIE/IGWA lease is for a one year term (from April 15, 2007 to April 14, 2008), but is renewable on an annual basis by IGWA if there is no objection from SIE. The lease provides that IGWA will pay any administrative fees associated with the water bank leases and/or rentals.

The purpose of my letter is to make a record of the above, and to seek confirmation from you that these rights have been successfully leased to and rented from the Water Supply Bank for the current irrigation season.

Cynthia Bridge Clark
July 2, 2007
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I note that the water bank lease application listed the term as "indefinite." I would like you to confirm my understanding that this simply means that it may be renewed on a year-by-year basis, without requiring the parties to submit new lease and rental applications each year. Specifically, I need to confirm that SIE retains the absolute right to decide at any time that it will not elect to lease these rights for the following year.

Finally, would you please make certain that I am copied on any correspondence or actions relating to these water rights? Thank you. I look forward to working with you on this.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Meyer", with a long horizontal flourish extending to the right.

Christopher H. Meyer

cc: Ramesh Raman, Chief Executive Officer, Southeast Idaho Energy, LLC
Randall C. Budge, Racine, Olson, Nye, Budge & Bailey, counsel for IGWA

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