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DEPARTMENT OF
WATER RESOURCES

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April 1, 2009

Aaron Marshall
Idaho Department of Water Resources
PO Box 83720
Boise, ID 83720-0098

RE: Application to Lease Portions of Water Right Nos. 35-2314, 35-2397, 35-7075, 35-13601, 35-13639, and 35-13676, and to Lease These Portions Back by 4W Farms to Resolve Water Tights Violation.

Dear Aaron:

Enclosed with this letter are applications to lease portions of various water rights owned by Deloy Ward, Viola Ward, Neal Ward, and Shelly Ward, ("4W Farms"). Also enclosed is an application to lease water from the Water Supply Bank in the exact amounts that are being leased to the Water Supply Bank.

The proposed lease arrangement is necessary because 4W Farms received a notice of violation from the Idaho Department of Water Resources in both 2007 and 2008. Enclosed with the lease documents are copies of the violations, and their corresponding resolution documents. As you can see in the most recent resolution document, it is necessary for the Wards to obtain the ability to irrigate the violation acres from the Water Supply Bank, and to also file a water rights transfer. The portions of the water rights lease to the Water Supply Bank are mostly corners from irrigation pivots on neighboring properties, and on the same property where the violation occurred. We wish to point out that the most recent violation alleged the illegal irrigation of 96 acres. Through subsequent SRBA processing, the most recent recommendation for the place of use is contained in the Amended Director's Report for Water Right No. 35-13639. A copy is attached to the Application to Lease Water from the Water Supply Bank for this water right. As you can see, the total combined place of use authorized under these water rights totals 664 acres. Based on the notice of violation prepared by Tim Luke of your office, at the time, only 656 acres were authorized at the time. Now that 664 have been authorized, there has been a reduction of 8 violation acres, and therefore, it is necessary to lease water for 88 acres rather than 96 acres.

In addition, you can see that we are seeking to lease a portion of Water Right NO. 35-13676, which is currently still in the name of James Wheeler. The Wheeler property has been deeded to 4W Farms, and to another group consisting of Neal and Shelley Ward, and his son and daughter-in-law, Bradley and Brittany Ward. As a result, there are two Notices of Change of Water Right Ownership for this water right, with the appropriate filing fees.

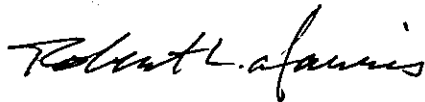
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Lastly, we have included with each of the Applications a GIS map clearly depicting the area where the violation occurred, and those acres we are seeking to lease to the Water Supply Bank in order to resolve this issue. If you have any questions or concerns, you can contact me directly at my office. In addition, Tim Luke is very familiar with the background of this matter, and would be a helpful source of information.

We hope these leases can be approved within the next month. However, we know that you likely have significant work to take care of, but to the extent you could expedite these applications, we would appreciate it.

For your information, in the Amended Director's Report for the 664 acre place of use, there is a status conference on April 9th wherein the SRBA Court will likely agree to amend the previously issued Partial Decrees to fully include the combined place of use which will include two enlargement rights. We therefore do not anticipate there will be any issues with the place of use, and to date, have not received any objections to the Amended Director's Report for Water Right No. 35-13639. Therefore, I believe it is reasonable to presume that the Partial Decrees will be amended to correctly reflect the place of use indicated in that Amended Director's Report for Water Right No. 35-13639.

Best Regards,



Robert L. Harris
HOLDEN, KIDWELL, HAHN & CRAPO, P.L.L.C.

Enclosures