

RECEIVED

MAY 30 2008

DEPARTMENT OF
WATER RESOURCES

APPLICATION TO RENT WATER FROM THE WATER SUPPLY BANK

Applicant Knudsen Poor Farms, Inc. Phone 208-226-7777

Address 98 Fort Hall Ave

City American Falls State ID Zip Code 83211

A. DESCRIPTION OF WATER SOUGHT TO RENT

1. Source of water Groundwater - WR 35-2543
tributary to _____.
2. Maximum volume of water _____ AF.
3. Maximum rate of diversion 3.3 cfs.

B. DESCRIPTION OF USE PROPOSED

1. Nature of intended use Irrigation
2. Location of point of diversion SE 1/4 NE 1/4, Section 28,
Township 1S, Range 33E, B.M. Bingham County.
3. Season of use: From 04/01 to 11/01.
4. Description of diverting works:
Pump HP _____ Lift _____ Pump type _____
Canal name, if appropriate _____

5. Place of use:
- a. If water is for irrigation, describe the number of acres to be irrigated by 40-acre tract, section, township and range.
- 39 acres in the SWNW, 40 acres in the SENW, and 39 acres in the NWSW of T1S, R33E, Sec. 27
- 40 acres in the SWNE, 30 acres in the SENE, 30 acres in the NESE and 40 acres in the NWSE
- T1s, R33E, Sec. 28

- b. If water is not for irrigation, describe the nature of the intended use and the place of use.
- _____
- _____
- _____

6. Describe any other water rights used for the same purposes as rental water sought under this application.
- _____
- _____

7. Who owns the property at the point of diversion?

Knudsen Poor Farms, Inc.

8. Who owns the property at the place of use?

Knudsen Poor Farms, Inc.

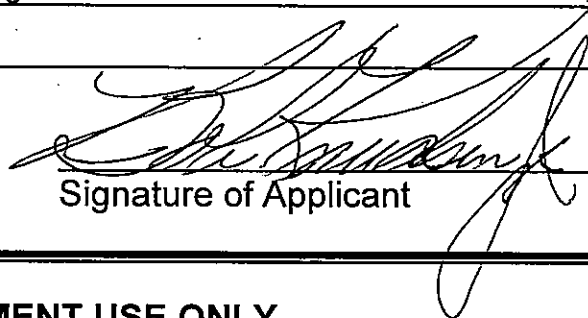
9. Are you seeking a rental for more than one (1) year? No (yes or no)
If yes, for how many years? _____

10. Remarks: This water is being leased from the Aberdeen-Springfield Canal Company.
See attached Water Rights Lease Agreement.

Date

14 May 2008

Signature of Applicant



FOR DEPARTMENT USE ONLY

Received by _____ Date _____ Time _____

Published in _____ Pub. dates _____

Protests filed by _____

Hearing held by _____

Action recommended _____

WATER RIGHTS LEASE AGREEMENT

Lease Agreement made and entered into between ABERDEEN-SPRINGFIELD CANAL COMPANY, whose address is P.O. Box 857, Aberdeen, Idaho 83210 (hereinafter "Lessor"), and KNUDSEN POOR FARMS, INC., an Idaho corporation, whose address is 98 Fort Hall Avenue, American Falls, Idaho 83211 (hereinafter "Lessee"):

1. **Leased Property.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor certain ~~storage~~ water rights identified by the records of the Idaho Department of Water Resource ("IDWR") as follows:

Water Right No.	Quantity CFS/AF
35-2543	3.3 CFS/630 AF

The foregoing water rights will hereafter be referred to as the "leased water".

2. **Term.** The term of this Lease shall be for a term of one (1) year, commencing May 1, 2008, and terminating on April 30, 2009. Thereafter, this Lease will be automatically renewed and extended for successive additional one (1) year terms, unless and until terminated by either party upon written notice provided on or before February 1.

2.1 In the event the Idaho Water Resource Board does not approve Lessor's Application to Lease Water to the Water Supply Bank, and Lessee's Application to Rent said water from the Water Supply Bank, this Lease shall be terminated.

3. **Rent.** For the use of the leased water rights Lessee shall pay to Lessor rent annually in an amount equal to the final per-acre foot District One Rental Pool Lease price in effect each year, plus \$1 per AF. The rent shall be paid in full on May 1, or upon approval of Lessee's Application to Lease said water from the Water Supply Bank to meet Lessee's shortfall under Water Right No. 35-2391, whichever last occurs.

3.1 Lessee shall pay all Water Bank transfer and administration fees.

3.2 If the Rental Pool lease price changes during the year after the rent is paid, Lessee shall pay to Lessor any additional amounts required so that the total rent is equal to the final Rental Pool lease price for

the year.

4. **Non-Use by Lessor.** Lessor covenants that it will not divert or utilize the leased water right during the term of this Lease.

5. **Use by Lessee.** During the term of this Lease, Lessee will not divert or utilize the leased water rights except for irrigation purposes to supplement Lessee's Water Right No. 35-2391. Lessee will have no responsibility for the operation, maintenance, use or any damages related to or caused by lands idled pursuant to this Lease Agreement.

6. **Representations by Lessor.** Lessor covenants and represents that it is the true and lawful owner of the water rights and the land to which they are appurtenant, that these water rights have not lapsed, been abandoned, or forfeited, either in whole or in part and that nothing restricts or precludes Lessor from entering into this Lease and Lessee utilizing the described water rights.

7. **Indemnification of Lessee.** Lessor agrees to indemnify and hold harmless Lessee, its officers, agent and employees, from and against any and all claims, demands, losses, damages, causes of action, suits, and liabilities of every kind for injury to or death of a person, or for loss of or damage to any property resulting from any act or omission of Lessor, its employees, agents or contractors, relating to or arising out of this Lease Agreement.

8. **Breach.** In the event either party breaches this Lease and such defaults are not cured within thirty (30) days after receipt of written notice thereof, the non-breaching party, at their option, may elect any or all of the following cumulative remedies:

- (a) To terminate this Lease Agreement;
- (b) To seek specific performance of this Lease Agreement;
- (c) To recover any damages arising out of the breach;
- (d) To pursue any and all other remedies under Idaho law by reason of such breach.

9. **Assignment.** This Agreement may not be assigned by Lessee without the express written consent of Lessor.

10. **Choice of Law.** The terms and provisions of this Agreement shall be construed in accordance with the laws of the State of Idaho. Any required mediation and arbitration shall occur in Bannock County Idaho. Jurisdiction and venue for any litigation shall be in the District Court of the State of Idaho in Bannock County.

11. **Dispute Resolution.** Any substantial dispute between the parties shall be resolved in accordance with the following provisions.

11.1 Mediation. The parties shall designate a single mediator and appear before the mediator and attempt to mediate a settlement of the dispute. In the event the parties cannot agree to a mediator, then each party shall designate a representative and they will appoint a single mediator who shall serve as the mediator for the parties.

11.2 Arbitration. In the event the dispute between the parties cannot be settled as a result of mediation as described in paragraph 11.1 above, the dispute shall be arbitrated in accordance with the Uniform Arbitration Act, Title 7, Chapter 9, Idaho Code. The parties shall select a mutually agreeable arbitrator and the dispute shall be submitted to that arbitrator for decision. The arbitrator shall be authorized to enter a decision to resolve the dispute that is binding on the parties. The arbitrator's decision shall be non-appealable.

11.3 Litigation. Litigation is allowed between the parties only for the purpose of enforcing a settlement agreement entered into between the parties as a result of mediation, or an arbitrator's tor.

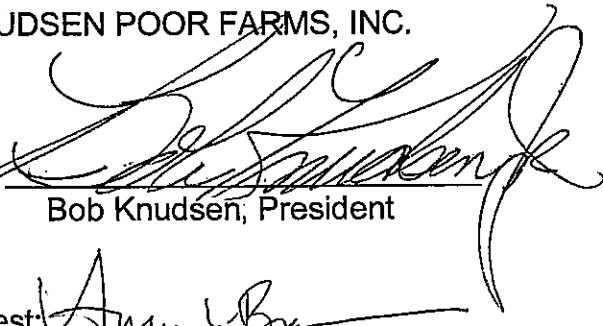
12. Attorney Fees. In the event of any arbitration or litigation over this Lease the prevailing party shall be entitled to recover reasonable attorney fees and costs.

13. Binding Effect. This Agreement shall be binding upon the respective heirs, successors and assigns of the parties.

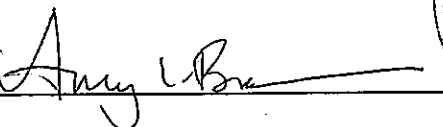
DATED this 14th day of May, 2008.

LESSEE:

KNUDSEN POOR FARMS, INC.

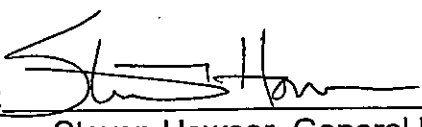
By: 

Bob Knudsen, President

Attest: 

LESSOR:

ABERDEEN SPRINGFIELD CANAL
COMPANY

By: 

Steven Howser, General Mgr.

Attest: 