



State of Idaho

DEPARTMENT OF WATER RESOURCES

1301 North Orchard Street, Boise, ID 83706 - P.O. Box 83720, Boise, ID 83720-0098
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DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

July 1, 2004

FAULKNER LAND & LIVESTOCK CO INC
1989 S 1875 E
GOODING ID 83330

RE: APPLICATION TO LEASE WATER RIGHT NO. 37-7808 TO THE WATER SUPPLY BANK

Dear Lessor:

The Department of Water Resources ("department") has completed its review of the Application to Sell or Lease Water Right(s) to the Water Supply Bank ("bank"). Please consider that the offered water right is accepted into the bank.

Several items to keep in mind in connection with the lease of a water right to the bank are as follows:

WATER SUPPLY BANK LEASE CONDITIONS OF ACCEPTANCE

1. There is no rental payment to the lessor of the water right if the right or a part thereof is not rented from the bank.
2. While a right is in the bank, the owner of the right may not use the right even if the right is not rented from the bank.
3. A right accepted into the bank stays in the bank until the Board releases it, the lease term expires, or upon request from the lessor to change the term of the lease.
4. While a water right is in the bank, forfeiture provisions are stayed.
5. The water right referenced above will be rented from the bank at the current rental rate.
6. Failure of the right holder to comply with the conditions of acceptance is cause for the Director to rescind acceptance of the lease.
7. Upon acceptance of a water right into the Board's water supply bank, the owner of the right may withdraw the right within thirty (30) days of acceptance into the

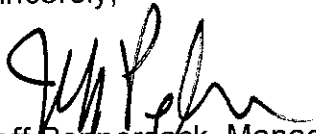
bank if the owner does not agree with the conditions of acceptance.

The right will automatically be released from the bank on October 15, 2004 unless the right is released earlier by the Board, or upon request by the lessor. To change the term of the lease or to release the right from the bank, the lessor must submit a request in writing to the department prior to the release date.

Enclosed is a copy of the Internal Revenue Service Request for Taxpayer Identification and Certification, Form W-9. The department is required to file an information return with the Internal Revenue Service ("IRS") for all payments issued to for water rented from the bank. Payments for the rental of a water right or a part thereof cannot be issued to the lessor unless the department has received a completed IRS W-9 form. Additionally, documentation of authority to receive payment must be submitted if the name provided on the W-9 form does not match the name of the lessor. Please return this form and any additional documentation to my attention.

If you have questions, please feel free to contact the department.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Peppersack', written over the printed name.

Jeff Peppersack, Manager
Water Right Permits Section

c: Allen Merritt – IDWR Southern Regional Office