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Water Resources

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MAR 20 2006

DEPARTMENT OF
WATER RESOURCES

COPY

March 16, 2006

Cynthia Clark
Idaho Department of Water Resources
322 E. Front St
PO Box 83720
Boise, Idaho 83720-0098

Re: V & R Farms, LLC: Water Bank Applications

Dear Cynthia:

Please find the enclosed applications to lease portions of water rights 45-13948, 45-13950, 45-13962, and 45-13963, and the application to rent back 63 acres of 45-13962 on behalf of V & R Farms, L.L.C. As we have discussed over the phone V & R Farms, L.L.C. would like to lease these water rights to the water bank in order to protect them from possible forfeiture.

V & R Farms, L.L.C. is currently under an agreement with the Southwest Irrigation District to utilize surface water delivered by the district instead of pumping from the aquifer. This agreement is in place in order to decrease the impact on the local aquifer. However, the Southwest Irrigation District has not yet submitted these rights for mitigation to IDWR and will not until the districts rights go through the SRBA. Therefore, we are submitting these rights to the water bank to protect the rights from forfeiture until this mitigation plan is put into effect. When this mitigation plan is employed these rights will then be retracted from the water bank.

Water rights 45-13948, 45-13950, and 45-13963 are under a PPU, and only approximately 80% of the rights are being submitted to lease. The remaining portion of the rights will still be put to use at the described place of use if/when the Southwest Irrigation District is not adequate for the irrigation requirements of the crops. In addition, approximately 80% of water right 45-13962 is in a separate PPU, and is being submitted to lease for the same purpose and conditions as described above.

In addition, V & R Farms, L.L.C. would like to rent back a portion of 45-13962 from the water bank for two years, or until a valid water right is obtained under the proposed place of use. The transfer spreadsheet will not be needed for this rental since the farm will be diverting the rental out of the same point of diversions as the original right.

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PH.D., P.E.

CHARLES G
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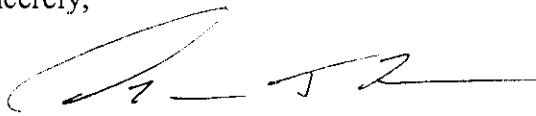
FAX: 736•8506

The following documents are included therein as follows:

- The applications to lease water from the water supply bank for portions of water rights 45-13948, 45-13950, 45-13962, and 45-13963
- A description of the diverting works: this is in order to determine if the POD's would be capable of diverting the rented water.
- A figure describing the water rights and proposed water bank transactions for V & R Farms, L.L.C.

I would ask that these leases and rental applications for the Water Supply Bank be approved as soon as possible. In addition, could you please inform us of the costs that will be involved with these transactions, so that we can proceed with the approval of these transactions. If you have any questions regarding these transactions, please feel free to give me a call

Sincerely,

A handwritten signature in black ink, appearing to read 'D. T. Nelson', with a long horizontal line extending to the right.

Daren T. Nelson, Hydrologist

Enc.

cc: Von Gibby