



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street, P.O. Box 83720, Boise, ID 83720-0098

Phone: (208) 287-4800 Fax: (208) 287-6700 Web Site: www.idwr.idaho.gov

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

December 21, 2004

SAILOR CREEK WATER COMPANY
PO BOX 1201
BOISE ID 83701

**RE: FINAL PAYMENT FOR RENTAL OF WATER FROM SNAKE RIVER THROUGH
THE WATER SUPPLY BANK. WATER RIGHT NOS. 2-2186, 2-2204, 2-2206,
2-2214, 2-2215, 2-2217, 2-2218**

Dear Lessor,

All or portions of the water rights referenced above were leased to the Water Supply Bank ("bank") during the 2004 irrigation season in accordance with Agreement No. 1425-04-WL-10-0009 ("Agreement") between you and the United States Bureau of Reclamation ("Reclamation"). The Idaho Department of Water Resources ("department") has invoiced Reclamation for the funds associated with the second and final payment. Upon receipt, the Controller's office will issue a state warrant in the amount of **\$117,558.00** to be sent directly to the address identified on the Internal Revenue Service W-9 form submitted with the application to lease water rights to the bank.

Payment for rental of the right(s) from the bank was contingent upon the determination that the acres associated with the rental application had a valid Snake River water right(s), and that they qualified for payment as provided in Contract No. 1425-04-WL-10-0023 between Reclamation and the Department of Water Resources to Implement the Rental of Water Rights Under the Pilot Program for Leasing of Snake River Natural Flow Water Rights for 2004 ("Contract").

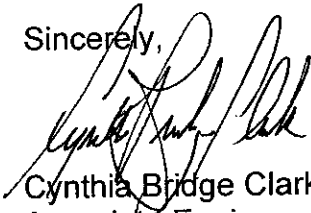
The Agreement and Contract specify that one half of the estimated payment will be paid on or around July 30, 2004, and the second half shall be issued after the irrigation season has ended and verification of compliance with the Agreement is complete. In a letter dated March 31, 2004, you requested that a single payment be issued on November 15, 2004. Reclamation approved a change in the payment schedule to provide for a single payment to be issued after the end of the irrigation season. The total payment was calculated based on the total number of acres determined to be eligible for payment times \$150.00 per acre idled minus a ten percent (10%) administrative fee as provided in the Water Supply Bank rules.

The enclosed map identifies the eligibility status of the lands as evaluated by the department. It indicates whether the lands were determined to be eligible or ineligible for payment. Below is a summary of the payments to Sailor Creek Water Company for the rental of the referenced water rights from the bank:

Contracted Idled Acres (ac)	Eligible Idled Acres (End of irr season)	Acres Ineligible for Payment	Payment Rate (price/ac)	Payment(s) to Lessor		
				Payment 1 (50%)	Payment 2 (remainder)	Total Payment
870.8	870.8	0.0	\$150.00	\$0.00	\$117,558.00	\$117,558.00

This payment, in the amount of \$117,558.00, is considered to be the final payment for the rental of water rights for the 2004 irrigation season. If you have questions, please feel free to contact the department.

Sincerely,



Cynthia Bridge Clark
Associate Engineer
Water Allocations Bureau

Enclosure

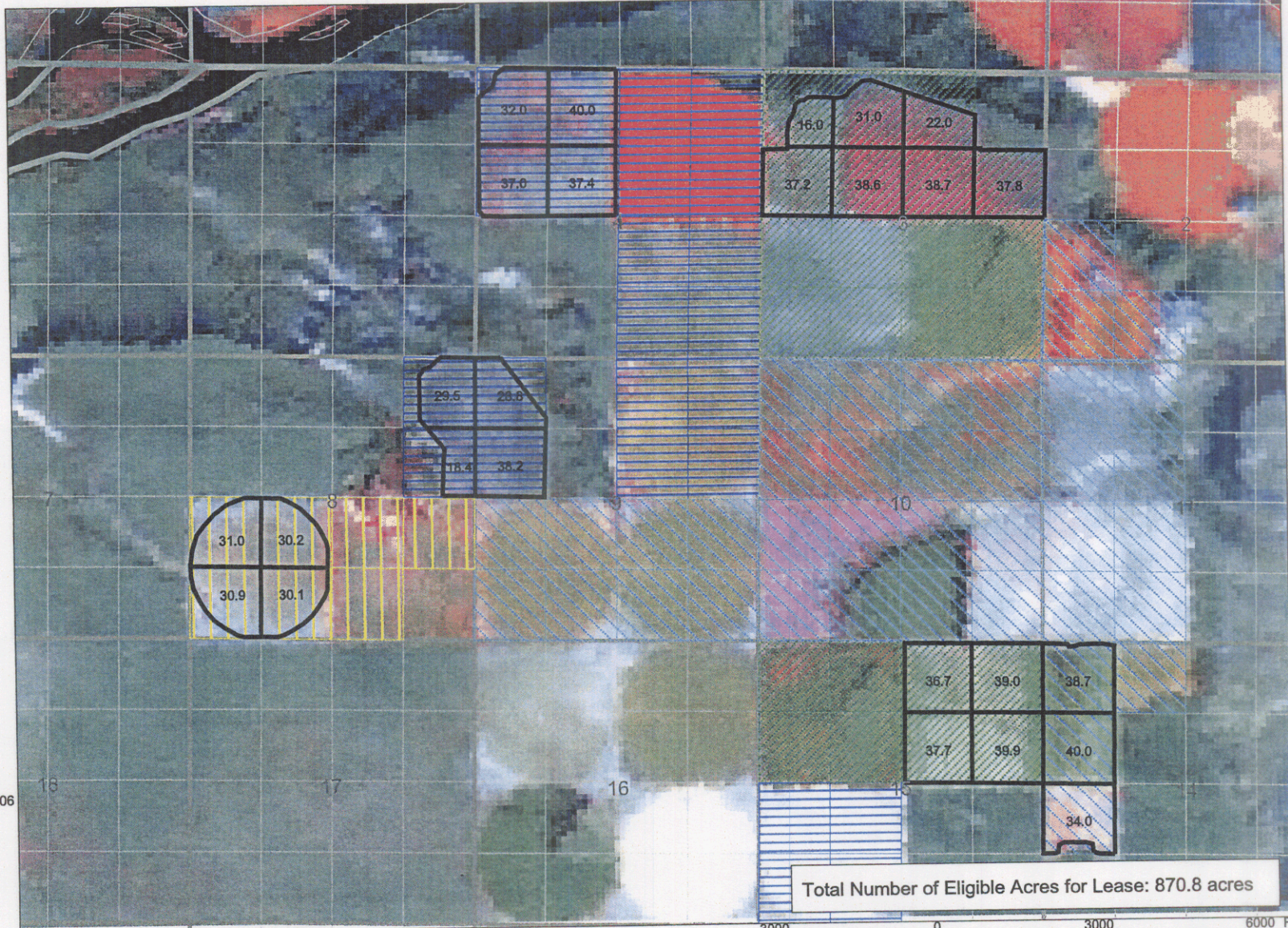
c: IDWR Regional Office

E. Gail McGarry
Program Manager, Water Rights & Acquisition
Bureau of Reclamation
1150 N Curtis, Suite 100
PN 3100
Boise ID 83706-1234

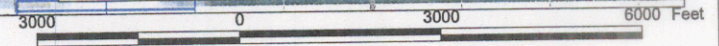
T06S R09E



Water right boundaries identify the quarter quarters within the licensed or permitted place of use, but do not represent the number of acres authorized.



Total Number of Eligible Acres for Lease: 870.8 acres



Landsat 5 Satellite Image: 09-09-2004



GIS/Remote Sensing
 Idaho Department of Water Resources
 322 East Front Street
 Boise, Idaho 83702
 208.287.4800
www.idwr.idaho.gov
 prepared by: M. Williams

Final Determination of Eligible Acres

Sailor Creek Water Company
2004 Snake River Pilot Leasing Program
Rental of Water from the Water Supply Bank
 Prepared: December 14, 2004