



State of Idaho

DEPARTMENT OF WATER RESOURCES

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

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APRIL 22, 2005

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

KENNY CREEK RANCH & LAND LLC
C/O STEVE YOUNG
PO BOX 101
TENDON ID 83468

RE: APPLICATION TO LEASE PART OF WATER RIGHT NO(S). 74-666, 74-2247, 74-15234 TO THE WATER SUPPLY BANK

Dear Mr. Young:

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

WATER SUPPLY BANK LEASE CONDITIONS OF ACCEPTANCE

1. Portions of the above referenced water rights are leased to the bank as follows:

Right No.	Acres (ac)	Diversion Rate (cubic ft per sec., cfs)	Diversion Volume (acre-feet, af)
74-666	76.9 ac	2.08 cfs	107.8 af
74-2247	36.2 ac	0.42 cfs	50.8 af
74-15234	44.7 ac	0.92 cfs	62.7 af
Total:	157.8ac	3.72 cfs	221.3 af

2. Rental of rights 74-666, 74-2247, and 74-1534 are limited to a total combined diversion rate of 3.72 cfs and combined diversion volume of 221.3 af, or a continuous diversion rate of 0.81 cfs for use from July 1, 2005 to November 15, 2005.
3. The water rights referenced above will be rented from the bank for a total of **\$10,681.11** as specified in documentation submitted with the application to lease water rights to the bank.
4. 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. Any violation of the terms of this lease may result in enforcement procedures pursuant to Section 42-351, Idaho Code, for

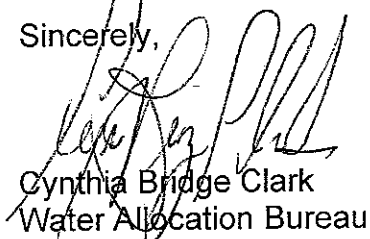
illegal diversion and use of water, and may include civil penalties pursuant to Section 42-1701B, Idaho Code.

5. 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.
6. While a water right is in the bank, forfeiture provisions are stayed.
7. Acceptance of a right into the bank does not, in itself, confirm the validity of the right or any elements of the water right, or improve the status of the right including the notion of resumption of use. It does not preclude the opportunity for review of the validity of this water right in the ongoing Snake River Basin Adjudication or any other department application process.
8. Failure of the right holder to comply with the conditions of acceptance is cause for the Director to rescind acceptance of the lease.
9. 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(s) will remain in the bank through November 15, 2005, unless the right(s) are released earlier by the Board, or upon request by the lessor. To change the term of the lease or to release the right(s) from the bank, the lessor must submit a request in writing to the department.

If you have questions, please feel free to contact me.

Sincerely,



Cynthia Bridge Clark
Water Allocation Bureau

c: Ron Carlson - IDWR Eastern Regional Office
Thomas Grant - IDWR State Office