



State of Idaho

DEPARTMENT OF WATER RESOURCES

1301 North Orchard Street, Boise, ID 83706 - P.O. Box 83720, Boise, ID 83720-0098
Phone: (208) 327-7900 Fax: (208) 327-7866 Web Site: www.idwr.state.id.us

June 30, 2004

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

KENNEY CREEK RANCH & LAND LLC
PO BOX 1209
SALMON ID 83467

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

Dear Lessor:

The department has completed its review of the Application to Sell or Lease Water Right(s) to the Water Supply Bank ("bank") that you submitted to this office. Please consider that as of July 1, 2004, the offered water right(s) are accepted into the bank as of in the portions listed below.

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

1. Portion(s) of the above referenced water right(s) are leased to the bank as follows:

Right No.	Acres (ac)	Diversion Rate (cubic ft per sec., cfs)	Diversion Volume (acre-feet per acre, afa)
74-666	76.9 ac	2.08 cfs	107.8 afa
74-2247	36.2 ac	0.72 cfs	50.8 afa
74-15234	44.7 ac	0.92 cfs	62.7 afa
Total:	157.8 ac	3.72 cfs	221.3 afa

2. Rental of rights 74-666, 74-2247, and 74-15234 are limited to a total combined diversion rate of 3.72 cfs and combined diversion volume of 221.3 afa, or a continuous diversion rate of 0.81 cfs for use from July 1, 2004 to November 15, 2004.
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. 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.
5. 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.

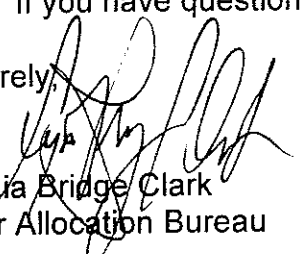
6. A right accepted into the bank stays in the bank until the Board releases it, the lease term expires, or upon request from the lessor to change the term of the lease.
7. While a water right is in the bank, forfeiture provisions are stayed.
8. Prior to rental of the right from the bank, additional review may be required to confirm the validity of the right and availability of the surface water source.
9. 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.
10. Failure of the right holder to comply with the conditions of acceptance is cause for the Director to rescind acceptance of the lease.
11. 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 automatically be released from the bank on **December 31, 2004**, 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 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 me.

Sincerely,


Cynthia Bridge Clark
Water Allocation Bureau

Encl: 1

c: IDWR Eastern Regional Office
Bill Graham – IDWR State Office