



State of Idaho

DEPARTMENT OF WATER RESOURCES

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July 21, 2004

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

RANCHO DEL RIO INC.
P.O. BOX 564
EAGLE ID 83616

**RE: APPLICATION TO RENT WATER FROM THE WATER SUPPLY BANK.
WATER RIGHT NO. 63-2461**

Dear Renter:

The Department of Water Resources (department) acknowledges receipt of your application to rent water from the Water Supply Bank. Please find enclosed a Water Supply Bank Rental Agreement for your review and signature. Upon receipt of the signed agreement, together with the rental fee described below, the department will also sign the agreement and will return an executed copy to you. Execution of the agreement and compliance with the conditions of approval authorize diversion and use of water as provided in the agreement.

The rental fee of ~~\$181.50~~ was calculated as \$11.00 per acre-foot times 16.5 acre-feet. Please send a check made payable to the Idaho Department of Water Resources together with the signed rental agreement. Return the signed agreement and fee to my attention so I can complete the processing.

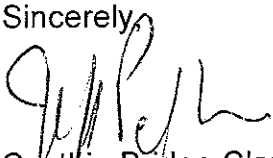
Mr. Wyatt B. Johnson specified in the cover letter to the rental application that by renting water through the bank, Rancho Del Rio, Inc. hopes to provide "immediate proof of a valid water right sufficient to support the ponds proposed..." As indicated in the conditions of the attached rental agreement, the storage of 16.5 acre-feet of water is only authorized through the end of the 2004 irrigation season. This agreement does not constitute the development of a permanent water right, and does not provide mitigation for evaporative losses from the ponds. The agreement is not valid unless water is rented from the State Water District no. 63 Rental Pool to provide for the evaporative losses.

Mr. Johnson's cover letter also acknowledged the intent to change the nature of use of a portion of water right 63-7316 through the water right transfer process to provide mitigation for the ponds. Mr. Johnson has been notified that the approval of such a change will require proof that water is available under right 63-7316 on an annual basis for the new use. A recommendation from the watermaster of State Water District no. 63 will be required for approval of the proposed change.

Subsequent rentals for the identified use will not be considered for approval unless a permanent water right is being pursued to provide for storage of water in the ponds and mitigation for evaporative losses. Additionally, rental of water is subject to the availability of water in the bank.

If you have questions, please feel free to contact me

Sincerely,



For Cynthia Bridge Clark
Water Allocation Bureau

Encl: 1

c: Steve Lester -- IDWR Regional Office
Lee Sisco -- Watermaster, Water District no. 63
Wyatt B. Johnson -- Angstman Law, PLLC

WATER SUPPLY BANK RENTAL AGREEMENT

The Idaho Water Resource Board ("Board") being authorized to operate a Water Supply Bank ("bank") and to contract by and through the Director of the Idaho Department of Water Resources ("Director") for rental of water from the bank agrees to rent water as follows:

1. Renter: Rancho Del Rio, Inc.
2. Address: P.O. Box 564, Eagle, ID 83616
3. Source of water: Ground water
4. Volume of water rented: 16.5 AF Max rate: 0.07 cfs
5. Diversion period: July 21, 2004 through November 15, 2004
6. Use of water: Storage, initial fill of ponds
(2.3 acre surface area, 10 foot maximum depth, 3:1 side slope)
7. a) Renter's point of diversion:

Legal description: NWSE Section 16, T4N, R1E, B.M., Ada County

b) Renter's place of use:

Legal description: Same as Point of Diversion
8. The right from which water will be rented is 63-2461.

The undersigned renter agrees to pay \$ \$181.50 for rental of the above described water and agrees to use the water in compliance with the Water Supply Bank rules and in compliance with the conditions of water use shown below:

Conditions of water use under this agreement

1. The use of water under this agreement shall be subject to the provisions of Section 42-1766, Idaho Code.
2. Use of water under this agreement does not constitute a dedication of the water to renter's land and upon expiration of this agreement, the points of diversion and place of use of the water shall revert to those authorized under the water right and/or again be available to rent from the bank

3. This agreement authorizes storage of 16.5 af in the identified ponds during the irrigation season through November 15, 2004. The agreement does not provide for evaporative losses, and is not valid unless 8.2 af of water is rented from the State Water District no. 63 Rental Pool to provide mitigation for such losses.
4. Subsequent rentals for the identified use will not be considered for approval unless a permanent water right is being pursued to provide for storage of water in the ponds and mitigation for evaporative losses.
5. Upon Department request, the renter shall provide for the measurement of the water diverted in a manner acceptable to the Director and shall report the amount of water diverted at the end of the irrigation season.
6. Renter agrees to comply with all applicable state and federal laws while using water under this agreement.
7. Renter agrees to hold the Board, the Director and the state of Idaho harmless from all liability on account of negligent acts of the renter while using water.
8. Renter acknowledges and agrees that the Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
9. This rental does not grant any right-of-way or easement to use the diversion works or conveyance works of another party.
10. This rental does not authorize the construction of a well.
11. Use of water under this agreement shall not prejudice any action of the Department in its consideration of the permanent application for transfer filed by the applicant for this same use.

Dated this _____ day of _____, 2004.

by _____
for _____

Having determined that this agreement satisfies the provisions of Section 42-1763, Idaho Code, and, IDAPA 37.02.03030 (Water Supply Bank Rule 30), for the rental and use of water under the terms and conditions herein provided, and none other, I hereby execute this Rental Agreement on behalf of the Idaho Water Resource Board this ____ day of _____, 2004.

KARL J. DREHER, Director
Department of Water Resources