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MEMORANDUM

To: Debbie Allen

From: Cynthia Bridge Clark

Date: July 16, 2004

Re: INVOICE TO USBOR FOR FIRST PAYMENT TO LESSORS PARTICIPATING IN THE 2004 SNAKE RIVER PILOT LEASING PROGRAM FOR RENTAL OF WATER FROM THE WATER SUPPLY BANK. WATER RIGHT NOS. 2-10205, 2-2159, 2-2354, 2-7184, 2-7229, 2-7284, 2-2386, 2-2387, 2-2388, 2-7148, 2-2279, 2-7012, 2-2249, 2-2250, 2-2251, 2-2252, 2-2253, 2-2254, 2-2255, 2-2256, 2-2361, 2-7001, 2-2371, 2-2372, 2-2262, 2-2145, 2-7144, 2-2443, 2-7030, 2-7068, 2-7076, 2-7132, 2-2198, 2-2191, 2-2370, 2-2194A, 2-2194B, 2-2186, 2-2204, 2-2206, 2-2214, 2-2215, 2-2217, 2-2218, 2-2210, 2-2269, 2-2367, 2-2379, 2-2298, 2-2376, AND 2-7182

The following information is provided in order to invoice the United States Bureau of Reclamation for the rental of water rights from the State Water Supply Bank in accordance with the Contract No. 1425-04-WL-10-0023 between the United States Bureau of Reclamation and the Idaho 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 2003 ("Contract").

Under section II.C.1, the Contract specifies that payment to the individual lessors will be issued at a pay rate per acre identified in the individual agreements (Agreements) between Reclamation and the lessors minus ten percent (10%) to be credited to the Water Administration Account as provided in the Water Supply Bank rules (*IDAPA 37.02.035.01*). The individual Agreements provide that one half of the estimated payment will be paid on or around July 30, 2004, and one half shall be issued after the irrigation season has ended and verification of the Program compliance is complete. The Contract specifies that IDWR shall invoice Reclamation for each payment to the lessors plus the associated 10% for the Water Administration Account.

The attached table identifies the participating lessors, contract amounts, the total amount of payment no. 1 by Reclamation, the payment to be issued to each lessor and the corresponding administrative fee. Payment no. 1 was calculated based on one half of the estimated total payment (contracted idled acres times the payment rate) minus the ten percent administrative fee: (contracted idled acres) x (payment rate) x 50% x 90%.

Farm Development Corp. and Sail Creek Water Co. requested a single payment after the end of the irrigation season, and Grindstone Butte Mutual Canal Co. requested a single payment on or after January 3, 2005 and before January 7, 2005. I will invoice the full payment for each of these entities with the second and final payment. I will notify the entities if the state is unable to issue a warrant on a specific date (e.g. on January 3, 2005).

Additionally, the Montierth's (listed below) own the rights leased to the bank jointly, and have requested that fifty percent of the payment be issued to Herbert and the remaining fifty percent to Edward Ray Montierth. The payment is split accordingly in the table below.

**2004 PILOT LEASING PROGRAM FOR LEASING OF SNAKE RIVER
NATURAL FLOW WATER RIGHTS
RENTAL OF WATER FROM THE WATER SUPPLY BANK**

**INVOICE TO U.S. BUREAU OF RECLAMATION
FOR LESSOR PAYMENT NO. 1**

LESSOR	AGREEMENT BETWEEN LESSORS AND USBOR ¹				PAYMENT 1 ²			RENTED WATER RIGHT(S)
	Agreement No.	Contracted Acres (ac)	Payment Rate (price/ac)	Total Payment 1 by Reclamation (50% of Estimated Total)	Payment 1 To Lessor (90% Payment 1)	Administrative Fee (10% Payment 1)	Estimated Total Program Payment by Reclamation	
Bell Rapids Mutual Irrigation Co.	1425-04-WL-10-00012	2408.9	\$150.00	\$180,442.50	\$162,398.25	\$18,044.25	\$360,885.00	2-10205
Bergh Farms	1425-04-WL-10-00004	477.6	\$139.50	\$33,312.60	\$29,981.34	\$3,331.26	\$66,625.20	2-2159, 2-2354, 2-7184, 2-7229, 2-7284
Clover Hollow, LLC.	1425-04-WL-10-00002	3122.4	\$139.00	\$217,006.80	\$195,306.12	\$21,700.68	\$434,013.60	2-2386, 2-2387, 2-2388, 2-7148
Dirks, Robert	1425-04-WL-10-00007	185.7	\$149.00	\$13,834.65	\$12,451.19	\$1,383.47	\$27,669.30	2-2279, 2-7012
Falcon Butte Farms, Inc.	1425-04-WL-10-00004	4072.2	\$111.50	\$240,273.40	\$216,246.06	\$24,027.34	\$480,546.80	2-2249, 2-2250, 2-2251, 2-2252, 2-2253, 2-2254, 2-2255, 2-2256, 2-2361, 2-7001
Farm Development Corp.	1425-04-WL-10-00013	123.6	\$150.00	\$0.00	\$0.00	\$0.00	\$18,540.00	2-2371, 2-2372
Grindstone Butte Mutual Canal CO	1425-04-WL-10-00011	5856.3	\$150.00	\$0.00	\$0.00	\$0.00	\$878,445.00	2-2262
Huey Farms, Inc.	1425-04-WL-10-00006	589.9	\$149.00	\$43,947.55	\$39,552.80	\$4,394.76	\$87,895.10	2-2361, 2-7001
Kittos, Constantine	1425-04-WL-10-00018	52.3	\$150.00	\$3,922.50	\$3,530.25	\$392.25	\$7,845.00	2-2145, 2-7144
Little Valley Mutual Irrigation Company	1425-04-WL-10-00016	814.6	\$150.00	\$61,095.00	\$54,985.50	\$6,109.50	\$122,190.00	2-2443, 2-7030, 2-7068
Millis, James	1425-04-WL-10-00017	258.3	\$150.00	\$19,372.50	\$17,435.25	\$1,937.25	\$38,745.00	2-7076, 2-7132
Monterth, Herbert, Edward Ray & Susan	1425-04-WL-10-00018	729.7	\$149.00	\$54,362.65	\$48,926.39	\$5,436.27	\$108,725.30	2-2198, 2-2191
Murphy Flats Water Company, Inc.	1425-04-WL-10-00018	537.9	\$150.00	\$40,342.50	\$36,308.25	\$4,034.25	\$80,685.00	2-2361, 2-2370, 2-7001
Rosti, Martha	1425-04-WL-10-00010	111.4	\$150.00	\$8,355.00	\$7,519.50	\$835.50	\$16,710.00	2-2194A, 2-2194B
Sailor Creek Water Company	1425-04-WL-10-00009	870.8	\$150.00	\$0.00	\$0.00	\$0.00	\$130,620.00	2-2186, 2-2204, 2-2206, 2-2214, 2-2215, 2-2217, 2-2218
South Elmore Irrigation Company	1425-04-WL-10-00005	4883.9	\$140.00	\$341,873.00	\$307,685.70	\$34,187.30	\$683,746.00	2-2210, 2-2269, 2-2367
TLK Farms, Inc.	1425-04-WL-10-00003	573.4	\$140.00	\$40,138.00	\$36,124.20	\$4,013.80	\$80,276.00	2-2379
Young, Roger	1425-04-WL-10-00014	390.4	\$150.00	\$29,280.00	\$26,352.00	\$2,928.00	\$58,560.00	2-2298, 2-2376, 2-7182
TOTALS:		26253.3		\$1,327,558.65	\$1,194,802.79	\$132,755.87	\$3,682,722.30	

¹ The "Agreement" represents the Water Rental and Forbearance Agreement entered into between the United States Bureau of Reclamation (Reclamation) and the individual Lessors. The Contracted Acres listed and the Payment Rate represent the number of acres to be idled and the payment per acre agreed upon between the Lessors and Reclamation. The Estimated Total Payment by Reclamation is based on the Contracted idled acres times the Payment Rate.

² Total Payment 1 by Reclamation was calculated based on one half (50%) of the Estimated Total Payment by Reclamation. For the purposes of the first payment, all of the contracted acres were considered to have been left idle in accordance with criteria set forth in the Lessor Agreements. This was based in part on site visits made to the leased lands by department staff prior to issuance of the first payment. Compliance with the Agreement will be monitored further throughout the irrigation season. Payment 1 to Lessor represents ninety percent (90%) of the Total Payment 1, while the Administrative Fee represents remaining ten percent (10%). Total Payment 1 = (Contracted Acres Idled) x (Payment Rate per Acre) x (50%); Payment 1 to Lessor = (Total Payment 1) x (90%)

Summary

I have attached W-9 forms submitted by the lessors. Farm Development Corp., Sail Creek Water Co., and Grindstone Butte Mutual Canal Co. did not submit new W-9 forms as they have provided this information in the past. State warrants should be prepared for the following lessors for the first payment (Payment no. 1) in the amounts listed below and can be sent directly to the lessors based on the information on the W-9 forms. The corresponding administrative fees are referenced, as well as the total amount Reclamation should be invoiced (Payment 1 + Administrative Fee).

LESSOR	Payment 1 To Lessor (90% Payment 1)	Administrative Fee (10% Payment 1)
Bell Rapids Mutual Irrigation Co.	\$162,398.25	\$18,044.25
Bergh Farms	\$29,981.34	\$3,331.26
Clover Hollow, LLC.	\$195,306.12	\$21,700.68
Dirks, Robert	\$12,451.19	\$1,383.47
Falcon Butte Farms, Inc.	\$216,246.06	\$24,027.34
Farm Development Corp.	\$0.00	\$0.00
Grindstone Butte Mutual Canal CO	\$0.00	\$0.00
Huey Farms, Inc.	\$39,552.80	\$4,394.76
Kitsos, Constantine	\$3,530.25	\$392.25
Little Valley Mutual Irrigation Company	\$54,985.50	\$6,109.50
Mills, James	\$17,435.25	\$1,937.25
Montierth, Herbert	\$24,463.19	\$2,718.13
Montierth, Edward Ray	\$24,463.19	\$2,718.13
Murphy Flats Water Company, Inc.	\$36,308.25	\$4,034.25
Rosti, Martha	\$7,519.50	\$835.50
Sailor Creek Water Company	\$0.00	\$0.00
South Elmore Irrigation Company	\$307,685.70	\$34,187.30
TLK Farms, Inc.	\$36,124.20	\$4,013.80
Young, Roger	\$26,352.00	\$2,928.00
TOTALS:	\$1,194,802.79	\$132,755.87

TOTAL Invoice to Reclamation for Payment No. 1: \$1,327,558.66