



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

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

December 17, 2003

ERROL CARLSEN
FALCON BUTTE FARMS INC
PO BOX 2006
HAILEY ID 83333

**RE: FINAL PAYMENT FOR RENTAL OF WATER FROM SNAKE RIVER THROUGH
THE WATER SUPPLY BANK. WATER RIGHT NOS. 2-2249, 2-2250, 2-2251,
2-2252, 2-2253, 2-2254, 2-2255, 2-2256, 2-2361, AND 2-7001**

Dear Mr. Carlsen,

All or portions of the water rights referenced above were leased to the Water Supply Bank ("bank") during the 2003 irrigation season in accordance with Agreement No. 1425-03-MA-10-3960 ("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 **\$194,485.59** to be sent directly to the address listed above.

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.

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 1425-03-WL-10-2003 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 2003, said agreement dated June 25, 2003 ("Contract").

The Agreement and Contract specify that one half of the estimated payment will be paid on or around July 1, 2003, and the second half shall be issued after the irrigation season has ended. The total payment to Falcon Butte Farms was calculated based on the total number of acres determined to be eligible for payment times the corresponding payment rate (\$150.00 or \$108.00 per acre idled) minus a ten percent (10%) administrative fee as provided in the Water Supply Bank rules. The first payment was calculated based on fifty percent (50%) of the estimated final payment. The second payment includes the remainder of the total payment based on the number of

acres determined to be eligible.

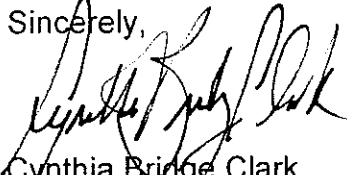
Below is a summary of the payments to Falcon Butte Farms for the rental of the referenced water rights from the bank:

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
3126.9	3126.9	0.0	\$108.00	\$151,967.34	\$151,967.34	\$303,934.68
629.9	629.9	0.0	\$150.00	\$42,518.25	\$42,518.25	\$85,036.50

TOTALS: \$194,485.59 \$194,485.59 \$388,971.18

This payment, in the amount of \$194,485.59 is considered to be the final payment for the rental of water rights for the 2003 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 Western Region

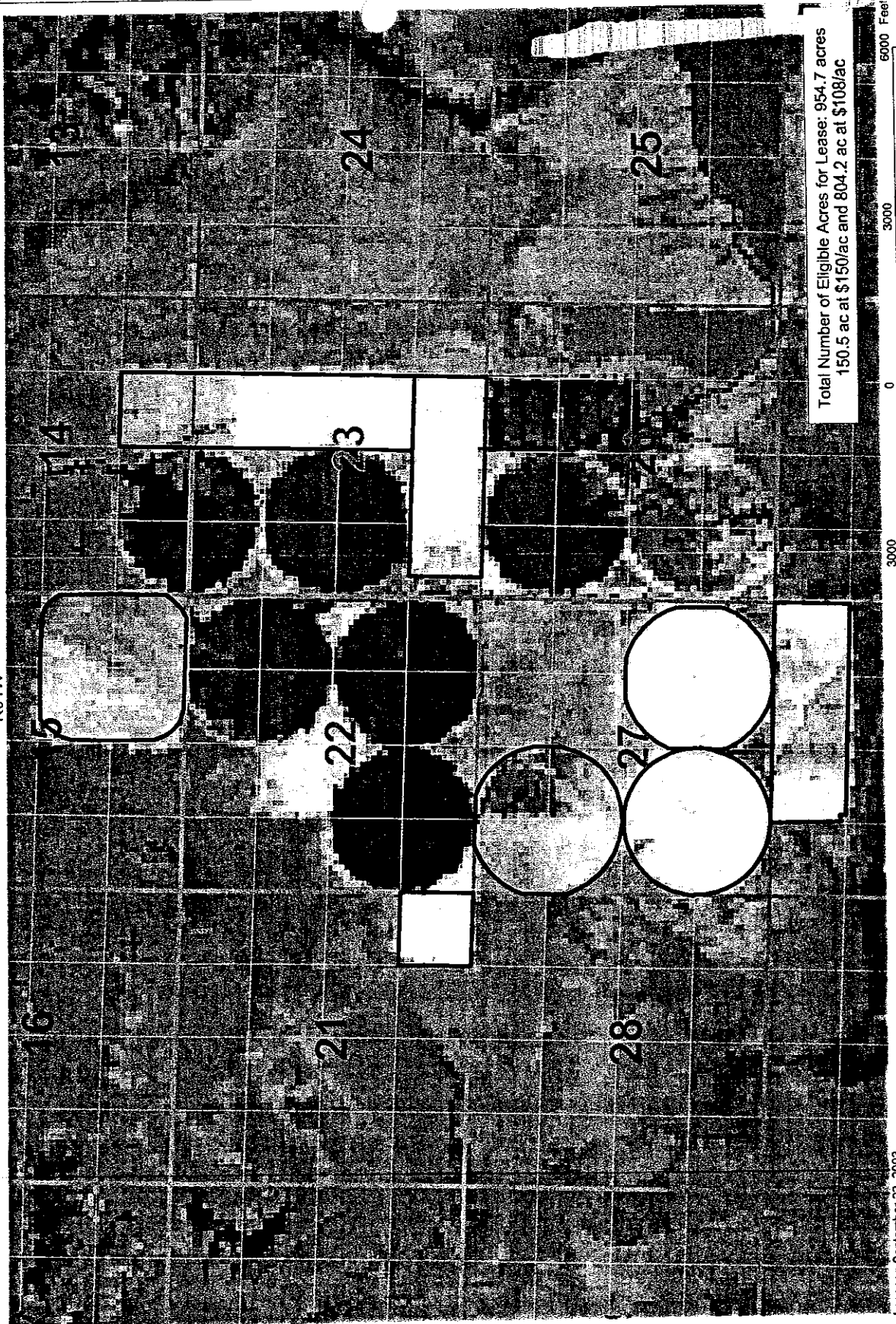
E Gail McGarry
Program Manager, Water Rights & Acquisition
Bureau of Reclamation
1150 N Curtis, Suite 100
PN 3100
Boise ID 83706-1234



Prepared by: M. Williams
Idaho Department of Water Resources
1001 West Oxford Street
P.O. Box 137060

T02S

R01W



Total Number of Eligible Acres for Lease: 954.7 acres
150.5 ac at \$150/ac and 804.2 ac at \$108/ac

Imagery: September 23, 2003

- ☐ ELIGIBLE
- ☐ INELIGIBLE
- ☐ QUESTIONABLE
- ☐ Township/Range Lines
- ☐ Section Lines
- ☐ Quarter/Quarter Lines

Falcon Butte North

2003 Snake River Pilot Leasing Program
Rental of Water from the Water Supply Bank

Prepared: December 2, 2003

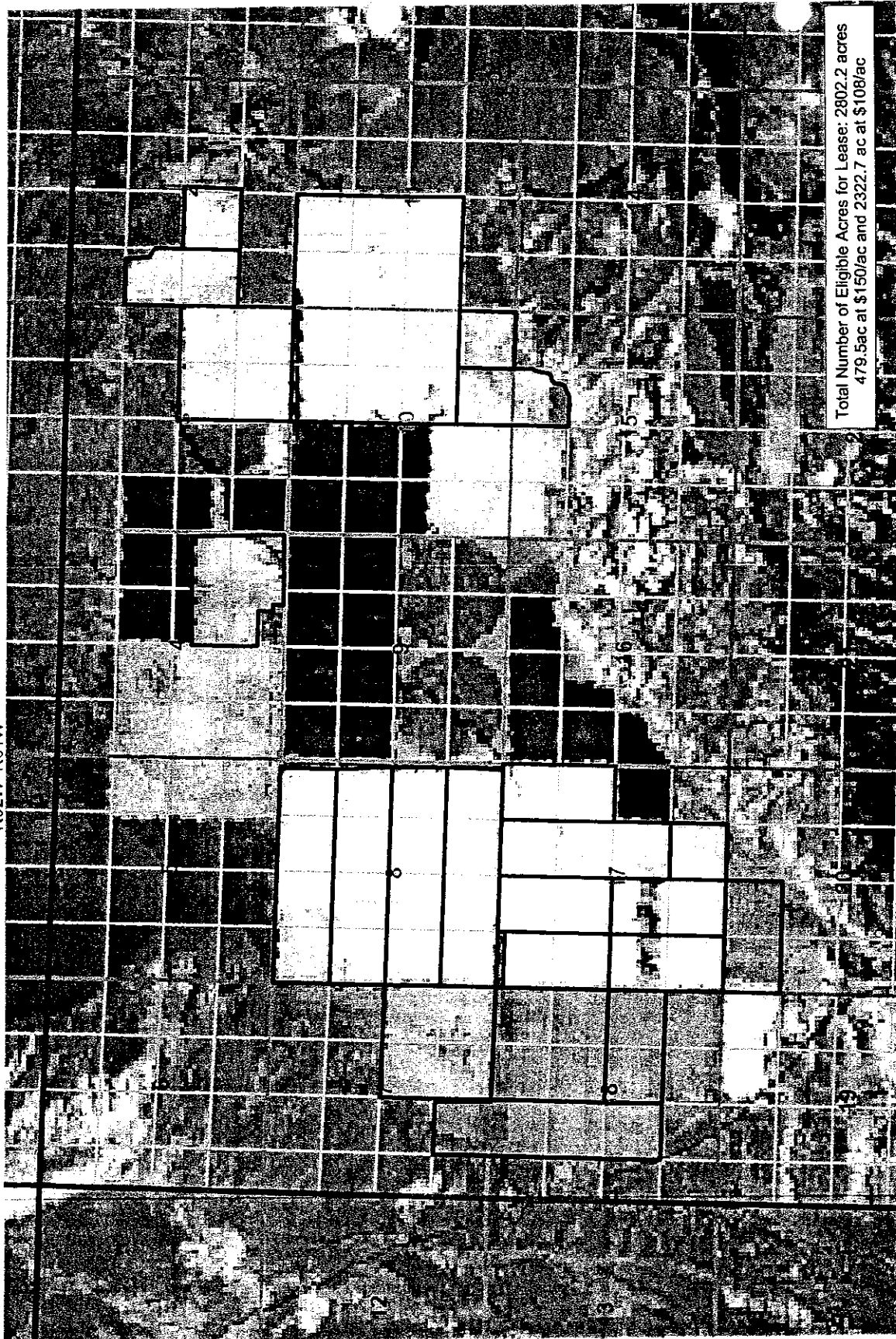


Prepared by: M. Wilkins
Baker Resources, a DBA of Resources
1301 North Orchard Street
Boise, ID 83706
(208) 337-7900

- ☐ ELIGIBLE
- ☐ INELIGIBLE
- ☐ QUESTIONABLE
- ☐ Township/Range Lines
- ☐ Section Lines
- ☐ Quarter/Quarter Lines

R02W R01W

T03S



Imagery: September 23, 2003

4000 0 4000 8000 Feet

Total Number of Eligible Acres for Lease: 2802.2 acres
479.5ac at \$150/ac and 2322.7 ac at \$108/ac

Falcon Butte South

2003 Snake River Pilot Leasing Program

Rental of Water from the Water Supply Bank

Prepared: December 2, 2003