



State of Idaho

DEPARTMENT OF WATER RESOURCES

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

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DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

May 10, 2005

SOUTH BOISE WATER CO
C/O BARRY ESCHEN
PO BOX 6005
BOISE ID 83707

**RE: APPLICATION TO LEASE PART OF WATER RIGHT NO(S). 63-148C
TO THE WATER SUPPLY BANK**

Dear Mr Eschen:

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:

	Acres	Diversion Rate
<u>Right No.</u>	<u>(ac)</u>	<u>(cfs)</u>
63-148C	50ac	1.0 cfs

2. The water leased to the bank under this water right is appurtenant to lands identified as follows:

20 acres in the SWSW, 20 acres the in SESW, and 10 acres in the NWSE of Sec. 14, T3N, R2E, B.M.

3. The diversion volume reported by the water right owner is a maximum of 7.2 acre-feet per acre per year. The volume authorized for diversion under rental of this right is limited to the standard field headgate requirement recognized by the department unless the renter can demonstrate that diversion of additional volume is necessary and will be put to a non-consumptive beneficial use.
4. Upon request by the department, the lessor is required to provide additional information regarding the historical diversion of water under this water right.

5. This right is designated as number 16 in the Boise River water master's records and the Stewart Decree. Rental of water under this right is subject to reductions under the Stewart Decree.
6. 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.
7. While a right is in the bank, the owner of the right may not use the right without approval of the department 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.
8. 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.
9. While a water right is in the bank, forfeiture provisions are stayed.
10. 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 any other department application process.
11. The water rights referenced above will be rented from the bank at \$11.00 per acre-foot. Ten percent (10%) of the gross amount received through rental of the right will be retained by the department for administrative fees and ninety percent (90%) will be issued back to the lessor in accordance with Water Supply Bank Rules, IDAPA 37.02.03.
12. Failure of the right holder to comply with the conditions of acceptance is cause for the Director to rescind acceptance of the lease.
13. 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 be leased to the bank during the 2005 and 2006 irrigation seasons and automatically be released from the bank on **November 15, 2006**, 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.

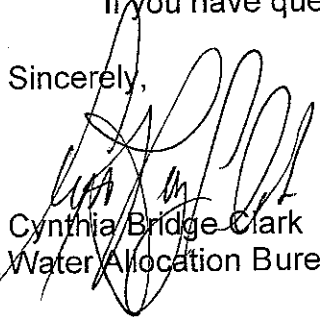
Enclosed is a copy of the Internal Revenue Service Request for Taxpayer Identification and Certification, Form W-9. The department is required to file an

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. The address associated with the water right leased to the bank will be updated in the department database to the address provided on the W-9 form unless otherwise requested by the lessor. If you no longer have an interest in the water right, please contact the department. 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

c: John Westra - IDWR Western Regional Office
John Marshall – Givens Pursley, LLP