



State of Idaho

DEPARTMENT OF WATER RESOURCES

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

Phone: (208) 287-4800 Fax: (208) 287-6700 Web Site: www.idwr.idaho.gov

February 17, 2005

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

LOCHSA FALLS LLC
4487 NORTH DRESDEN PLACE SUITE 102
BOISE ID 83714

RE: APPLICATION TO LEASE PART OF WATER RIGHT NO(S). 63-31861 TO THE WATER SUPPLY BANK

Dear Lessor:

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:

Right No.	Acres (ac)	Diversion Rate (cubic ft per sec., cfs)	Diversion Volume (acre-feet, af)
63-31861	34 ac	0.49 cfs	153.0 af

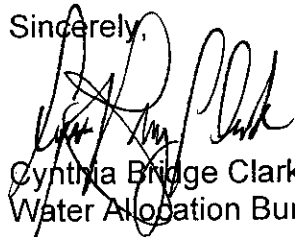
2. During the term of this lease, the total instantaneous diversion of water from all points of diversion under rights 63-2656B and 63-31861 shall not exceed 0.86 cfs, and a total combined annual volume of 193.5 af for the irrigation of 43 acres.
3. There is no rental payment to the lessor of the water right if the right or a part thereof is not rented from the bank.
4. 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.
5. 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.

6. While a water right is in the bank, forfeiture provisions are stayed.
7. 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.
8. The water rights referenced above will be rented from the bank at the current rental rate as specified by the lessor.
9. Failure of the right holder to comply with the conditions of acceptance is cause for the Director to rescind acceptance of the lease.
10. 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 remain in the bank for an **indefinite** lease term 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.

If you have questions, please feel free to contact me.

Sincerely,



Cynthia Bridge Clark
Water Allocation Bureau

c: IDWR Western Regional Office
Terry Scanlan, SPF Engineering