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SEP 29 2004

WATER RESOURCES
WESTERN REGION

September 27, 2004

Idaho Department of Water Resources
2735 Airport Way
Boise, ID 83705-5082

RE: Broken Arrow Farms Water Right Transfer
Loan #20001675

G. Michael Smith

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To Whom It May Concern:

Please accept this letter to state that U. S. Bank National Association as Custodian/Trustee holds a mortgage on property owned by Broken Arrow Farms, Inc. in section 12 T5S R5E and sections 6,7, and 8 T5S R6E, near Mountain Home, Idaho. We are aware of the following proposed water transfer:

The nature of use of a portion of water rights 61-2186, 61-2220, 61-7060, and 61-7222 will be changed from irrigation to stockwater and commercial for a dairy that is already permitted, but not constructed. Construction is pending the approval of this transfer.

Water rights 61-2186, 61-2220, 61-7060, and 61-7222 are currently combined (transfer 3031 and 4235) for a total diversion rate of 16 cfs for irrigation of 800 acres within a 1075-acre place of use and a total annual volume of 3200 af.

This transfer seeks to change the water right of 100 acres of currently irrigated land to stockwater and commercial use, which is 2.0 cfs and a consumptive volume of 276 afa (2.76 ac-ft/ac, see attached FSA records, and Allen-Brockway's 1983 CU calculation for Mountain Home).

Also, this transfer adjusts the permissible place of use to reflect the retirement of 155 acres of land. The diversion rate for the remaining irrigation will be reduced from 16.0 to 14.0 cfs and the annual irrigation volume will be reduced from 3,200 to 2,800 afa. The total number of acres allowed to be irrigated in any one season will be reduced from 800 to 700. The permissible place of use for irrigation will be reduced from 1075, to 920 acres.

We have no objections to this transfer.

Sincerely,

U. S. Bank National Association
As Custodian/Trustee

By: Rabo Agrifinance, Inc.,
Attorney in Fact

G. Michael Smith
Investment Operations

GMS/bcm

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