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April 13, 2007

Sent Via E-Mail

David Tuthill
Idaho Department of Water Resources
P.O. Box 83720
Boise, Idaho 83720-0098

Re: Dairyman's Mitigation Agreement

Dear Director,

Attached please find a jointly submitted Mitigation Agreement for your consideration and action. This Agreement is the result of extensive negotiations on the part of the parties to this Agreement in an effort to move management of Idaho's water resource on the Eastern Snake Plain Aquifer in a positive direction. If approved, this Agreement will provide the Idaho Dairy Association's participating members with the certainty that their commercial operations will not be curtailed as a result of the Idaho Department of Water Resources on-going conjunctive administration of the ESPA and hydraulically connected reaches of the Snake River. It is anticipated that the mitigation provided herein will more than adequately mitigate for the depletions occurring as a result of the operations. Moreover, senior water right holders will be mitigated for those effects and welcome the initiative of the Association to step forward with such a complete plan.

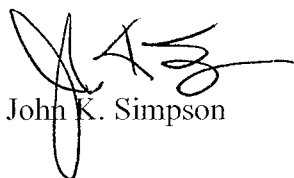
The parties look forward to the expeditious processing of this Agreement and hope that it can form the framework for additional mitigation agreements in the near future. Solutions like

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this one will hopefully lead to a resolution of the conjunctive management issues facing the State.

Very truly yours,

BARKER ROSHOLT & SIMPSON LLP

A handwritten signature in black ink, appearing to read 'JKS', with a large, stylized flourish extending to the right.

John K. Simpson

JKS/jm
Enclosure
cc: Bob Naerebout
Governor C.L. Otter