

Law Offices of  
**STANLEY C. GOODWIN**  
Attorney at Law

Telephone  
308-345-2580  
308-345-2581 (FAX)

March 11, 2008

116 West C Street  
P.O. Box 607  
McCook, NE 69001

RECEIVED

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DEPARTMENT OF  
NATURAL RESOURCES

Ann Bleed, Director  
Nebraska Department of Natural Resources  
301 Centennial Mall South  
4<sup>th</sup> Floor  
P.O. Box 94676  
Lincoln, NE 68509-4676

Re: Frenchman/Cambridge Irrigation District  
2008 Water Contract Proposal with  
Nebraska Department of Natural Resources

Dear Director Bleed:

In an attempt to assist the State of Nebraska in avoiding a water-short year within the terms of the Republican River Compact, the Frenchman/Cambridge Irrigation District is agreeable to enter into negotiations with the Nebraska Department of Natural Resources for water forbearance contracts for water year 2008, but will not approve or execute any water agreements or sales contract for water year 2008 until the District has received full payment for their 2007 surface water sales. This proposal has been drafted with time constraints in mind and must be duly ratified by the Board of Directors of Frenchman Cambridge Irrigation District. However, I believe the details contained in the proposal accurately represent the substance of discussions of the Board of Directors with the Bureau of Reclamation and your office at meetings called for that purpose.

Proposal 1: The Frenchman/Cambridge Irrigation District agrees not to exercise its right to divert natural stream flows or begin delivering irrigation water to the Cambridge Canal until June 16, 2008.

- a. Compensation will be \$294,000. 294,000
- b. Contract must be signed by all parties by April 1, 2008. 176,640
- c. Payment will be made within 30 days of Contract agreement. 470,640
- d. There will be no impact to water allocations, water rights, or any other irrigation assessment impediments to individual users under the canal.
- e. Appropriate oversight will be maintained by the Bureau of Reclamation.

Proposal 2: In addition to proposal 1, the Frenchman/Cambridge Irrigation District will sell a non-refundable option contract to delay diverting natural stream flows to the Cambridge Canal until June 23, 2008 or until it is determined that Nebraska has achieved avoidance of water-short year status, whichever comes first.

- a. Compensation will be \$10/acre for all 17,664 acres or \$176,640. 17,232
- b. Contract must be signed by all parties by April 1, 2008.
- c. Payment will be made within 30 days of Contract agreement.

up to 183.89 CFS/day  
all natural flow

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- d. There will be no impact to water allocations, water rights, or any other irrigation assessment impediments to individual users under the canal.
  - e. Appropriate oversight will be maintained by the Bureau of Reclamation.

Proposal 3: *(This proposal is optional and not subject to the April 1, 2008 restriction)* In the event proposal 1 and 2 do not provide adequate storage in Harlan County Reservoir to avoid a water-short year, the Frenchman/Cambridge Irrigation District will allow up to 500 Acre/Feet to be released from Harry Strunk Reservoir, and this water will not be diverted by the District.

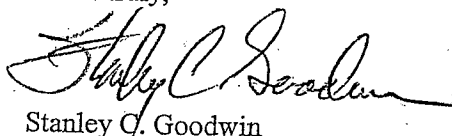
- a. Compensation will be \$500 per acre/foot.
- b. Intent to request delivery will be made by June 1, 2008.
- c. Releases from Harry Strunk Lake of up to 500 acre-feet will be made between June 23 to June 27, or modified to meet NEPA requirements and Harlan County Reservoir delivery requirements.
- d. Payment will be made by July 31, 2008.
- e. There will be no impact to water allocations, water rights, or any other irrigation assessment impediments to individual users under the canal.
- f. Appropriate assignments and accounting must be approved by the Bureau of Reclamation.

*The purpose of this document is to outline the components of the contract only. Approval of the specific provisions will be subject to amendments by the Bureau of Reclamation, Nebraska Department of Natural Resources, and Frenchman/Cambridge Irrigation District Legal Council.*

I believe the foregoing indicates Frenchman Cambridge Irrigation District's intention to assist DNR and the State of Nebraska in avoiding a water short year for Compact Compliance. Please let me hear from you at your earliest convenience regarding this proposal since the details of any formal agreement must meet the approval of the Bureau of Reclamation as well as the full Board of the District.

Thank you.

Yours truly,



Stanley C. Goodwin

SCG:cjl