

Costs and Benefits for Surface Water Lease

2006 Costs and Be	Water Available	Cost	\$/AF Cost	AF Benefit***	\$/AF benefit	Acres	\$/Acre	Inches/Ac	\$/ac-inch	Last year prices	Comparison
Irrigation District											
Frenchman Valley	6,400	\$ 400,000	\$ 63	3,672	\$ 108.93	9,292.4	\$ 43.05	4	\$ 9.65	\$2.00	
Riverside*	2,000	\$ 100,000	\$ 50	1,256	\$ 79.62	672.1	\$ 148.79	19	\$ 7.72		
Bostwick	12,500	\$ 2,564,500	\$ 205	18,404	\$ 139.35	22,446.0	\$ 114.25	2	\$ 75.99		
Total/Average	20,900	\$ 3,064,500	\$ 147	23,332	\$ 131.34	32,410.5	\$ 94.55	4	\$ 22.63		

\* \$50,000 from MRNRD

Note RF to gage is 50% of return flow

Current Bids by Irrigation Districts and Expected Benefits

2007	Water Available	Cost**	\$/AF Cost	AF Benefit***	\$/AF benefit	Acres	\$/Acre	Inches/Ac	\$/ac-inch
Frenchman Valley	8,000	\$ 640,000	\$ 80	5,638	\$ 114	9,292.4	\$ 68.87	6	\$ 12.35
Riverside	2,000	\$ 126,000	\$ 63	1,409	\$ 89	672.1	\$ 187.47	19	\$ 9.72
Bostwick	17,500	\$ 5,583,413	\$ 319	19,091	\$ 292	22,446.0	\$ 248.75	5	\$ 49.24
Frenchman Camb	26,000	\$ 7,785,000	\$ 299	12,570	\$ 619	17,663.9	\$ 440.73	10	\$ 46.21
Total/Average	53,500	\$ 14,134,413	\$ 265	38,707	\$ 365	50,074.4	\$ 282.27		

\*\* Average using midpoint of acres based on Deika vs DNR for Bostwick

\*\*\* Includes higher price because of the fact the districts taking over the NRD do not yet have the funds to pay

	ACRE Feet to Kansas	Cost per af to Kansas
Water 2006	14,690	\$ 209
Bostwick	14,963	\$ 373
Frenchman	16,673	\$ 467

\*\*\* The acre feet (AF) of benefit is the difference in how much Allocation minus Computed Beneficial Consumptive Use Nebraska would receive from not using the water for irrigation as compared to what we would receive if the water was used for irrigation according to the Compact Administration Accounting Procedures.

In August 2007 the Republican River Compact Administration will determine if Nebraska is in Compliance for the Water-Short-Year Administration for the years 2005 and 2006. Based on the Compact accounting numbers for 2005 and our estimates of the numbers for 2006, which have not yet been computed by the Compact Administration, Nebraska will be an average of 29,000 acre feet over our allocated supply. If we had not had the surface water lease program last year, we would have been over our allocation by another 11,000 acre feet. The potential 37,000 acre feet of benefit from leased water in 2007 has a good chance of offsetting the expected over use of 30,000 acre feet of over use in 2007, putting us under our allocation for that year, and contributing a little toward a reduction of our overuse in 2006.

We will need to make serious reductions in the allocations even with the buyout, but the buyout will ease the burden.

# BOSTWICK IRRIGATION DISTRICT IN NEBRASKA

P.O. Box 446 • Red Cloud, Nebraska 68970-0446 • Ph./Fax (402) 746-3424

March 9, 2007

Ann Bleed

Dear Ms. Bleed,

One topic of the conference call at 10:00 a.m. Monday will be paragraph IV.B. of last years agreement. This is not a final draft because it is still evolving with the Board.

- B. The State agrees to regulate the allocation of wells through the NRD's at a level that will enhance the stream flows upstream of the Harlan County Reservoir in such a manner that it will annually supply an adequate water supply to the Bostwick Irrigation District in Nebraska. This supply will be such that a patron of the Bostwick Irrigation District will have a supply at the farm that is equal to <sup>at least</sup> or greater than any well irrigator ~~in the basin~~ <sup>in the same area.</sup>

Respectfully,

Mike Delka, Manager  
Bostwick Irrigation District in Nebraska

*Maint*

COPY

MEMORANDUM OF AGREEMENT

THIS AGREEMENT entered into on this 10th day of May in the year of 2006 by and between; The STATE OF NEBRASKA, NEBRASKA DEPARTMENT OF NATURAL RESOURCES hereinafter referred to as the "STATE", and BOSTWICK IRRIGATION DISTRICT IN NEBRASKA hereinafter referred to as the "DISTRICT."

WITNESSETH:

WHEREAS, the District has the rights to natural flow and storage use rights for an identified Water Supply as hereinafter defined in Paragraph II(A) for the year 2006; and

WHEREAS, the State desires to "purchase" and/or "lease" the use of the District's Water Supply for the calendar year 2006; and

WHEREAS, the District is willing to "sell" and/or "lease" the use of its identified Water Supply for the year 2006 to the State for the 2006 Irrigation Season.

NOW THEREFORE, in consideration of these facts, the parties agree as follows:

I. DURATION OF AGREEMENT

This agreement is for the period from the execution of this Memorandum of Agreement (hereinafter "Agreement") to the end of the Irrigation Season as hereinafter defined in Paragraph II(B). There will be no extension or renewal of this Agreement unless further agreed to in writing by the parties.

II. DEFINITIONS

For purposes of the Agreement, the following terms are defined as follows:

12,500 acre feet of

A. "Water Supply" shall mean the Water Supply determined by the U.S. Bureau of Reclamation (hereinafter "Bureau") under its water storage permit for Harlan County Lake as calculated and published by the Bureau for January 2006 according to the Harlan County Lake Operation Consensus Plan (hereinafter "Consensus Plan"); and natural flow that may become available for diversion at the Superior-Courtland Diversion Dam during the Irrigation Season.

B. "Irrigation Season" shall mean the date beginning with the commencement of water deliveries for direct irrigation at the Superior-Courtland Diversion Dam and ending on the date of the last water delivery for direct irrigation, which date shall be no later than September 1, 2006.

III. THE DISTRICT AGREES TO PERFORM AS FOLLOWS:

A. The District agrees to sell and/or lease the rights to the use of its Water Supply as herein defined in Paragraph II(A) for the period from the date of the execution of this Agreement to the end of the Irrigation Season as herein defined in Paragraph II(B).

B. The District agrees to consult and collaborate with the State, the Natural Resources Districts and other basin water resource interests during the modification of the Integrated