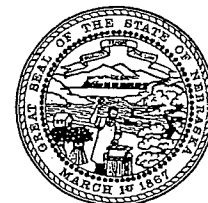


STATE OF NEBRASKA

OFFICE OF THE GOVERNOR
P.O. Box 94848
Lincoln, Nebraska 68509-4848
Phone: (402) 471-2244



October 1, 2004

Mike Johanns
Governor

Dear Upper Republican NRD Water User:

We are writing to make sure you are aware of ongoing efforts being made by the State and your local Natural Resources District to assure Nebraska continues to comply with the Republican River Compact. We are also writing to ask for your cooperation and assistance in that regard.

We entered into the Compact in 1943 with our neighboring states of Colorado and Kansas. By terms of the Compact, Nebraska receives 49% of the annual water supply; Kansas receives 40% and Colorado the remaining 11%.

The Compact has served us well over the years. It laid the foundation for substantial development in the Basin, particularly irrigated agriculture. The Compact worked for many years without significant controversy. However, beginning in the 1980's Kansas began to raise concerns that Nebraska was using more than our Compact share. They were especially concerned with the expansion of ground water irrigation and its effect on stream flow. This concern eventually led to the lawsuit Kansas filed in 1998.

During the litigation, the Special Master ruled that ground water use is counted against the State's share. We petitioned the U.S. Supreme Court to reverse this decision, but the Court affirmed the Special Master's ruling. That ruling and others led to the parties reaching a negotiated settlement. The settlement included many positive aspects that help us avoid the serious cut backs Kansas sought.

Having successfully resolved the Kansas lawsuit, we are faced with the current challenge of developing management plans that will control our use of water to no more than our share under the Compact. We would point out that Nebraska is not overusing by a significant amount in most years. It is only in dry years, when the allocation we receive under the Compact is much less, that we have a problem.

The Upper Republican NRD is carrying out their responsibilities by moving ahead in developing a management plan and associated regulations. As you know, in Nebraska, NRD's are in charge of groundwater management and regulation. Only in the event that the NRD fails to appropriately exercise this responsibility would the State be forced to step in. By moving ahead as they are, the Upper Republican NRD is maintaining the local control we value so highly in Nebraska.

Upper Republican NRD Water User
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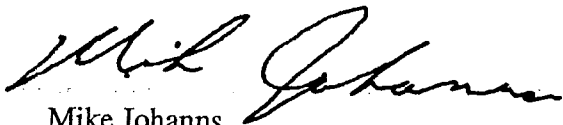
As part of its management plan the URNRD will need to allocate water and limit uses during normal years. To lessen the need for additional regulation for dry years, it is the intent of the NRD and the State to pursue the additional dry year reductions we need to make through the use of incentive programs. The CREP application we recently sent to USDA is a good example of such a program.

We gave our word in 1943 that we would use no more than our share of the Republican River water supply. It's important that we maintain that commitment; just as we expect Colorado and Kansas to live up to the agreement.

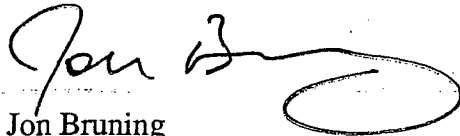
Please work with and support your NRD as they put plans and regulations in place. They are doing only what is required of the Compact and no more.

We can get through this time of transition if we work together. Again, thank you for your understanding and cooperation.

Sincerely,



Mike Johanns
Governor



Jon Bruning
Attorney General