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A PROFESSIONAL CORPORATION

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March 18, 2004

RECEIVED

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DEPARTMENT OF  
NATURAL RESOURCES

Board of Directors  
Lower Republican Natural Resources District  
P.O. Box 618  
Alma, NE 68920

Dear Directors:

When I was first asked by the Board of Directors to provide services as legal counsel with regard to Republican River Compact ("Compact") compliance issues, I believed each Natural Resources District ("NRD") within the Republican River Basin would receive a streamflow depletion amount established by the Nebraska Department of Natural Resources ("DNR"). This streamflow depletion would effectively establish the relative shares of Nebraska's Compact allocation that each of the NRDs would be entitled to consume. It was my understanding that this streamflow depletion amount would be based on the historical streamflow depletions caused by each of the NRDs at the time the Republican River Compact Settlement was entered.

By this standard, each NRD within the Basin would be responsible for regulating ground water use only to the extent necessary to avoid exceeding their relative share of the state's allocation. In preparing a joint action plan, I believed the NRD would be able to submit a variety of regulatory options to the DNR that would then be evaluated in a critical fashion to assess the impact to stream flow and determine whether Compact compliance would be achieved. To that end, I did not anticipate any conflicts arising between the DNR and this NRD nor did I expect there to be competition between NRDs for water beyond their historical usage.

Unfortunately, it now appears that I was mistaken in my analysis. From what I have learned in recent days and my efforts to find creative water management solutions, it appears that I may not be able to fully advocate on behalf of the NRD without creating the appearance of a conflict with the state or another NRD. It is, therefore, with great regret that I must withdraw as your legal counsel.

# FENNEMORE CRAIG

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I am pleased to have served the NRD and hold each of you in high regard. To the extent possible, I will do my best to assist you in finding capable replacement counsel and help assist in the transition in any way possible. I thank you for allowing me to serve the NRD and I wish each of you and all of the residents of the NRD the best.

Sincerely,

FENNEMORE CRAIG

A handwritten signature in black ink, appearing to read "D. Blankenau", with a horizontal line extending to the left.

Donald G. Blankenau

cc: David D. Cookson  
Roger K. Patterson