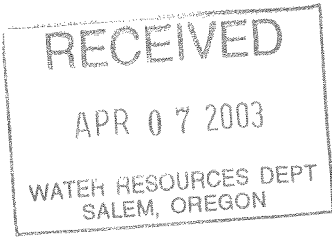


Lease Agreement Number (assigned by WRD): L-396

**STATE OF OREGON
WATER RESOURCES DEPARTMENT**



**Short-Term Water Right Lease Agreement
Pursuant to ORS 537.348(2) and OAR 690-077-0077
for
Leases of Existing Water Rights for Instream Use**

This Lease Agreement is between:

Lessor #1:

(Name) Mary Lou Purcell & Ralph Sherman
(Mailing address) 187 NW Scenic Drive
(City, State, Zip Code) Bend, Or 97701
(Telephone number) 541-382-6322

Lessor#2, 3, etc.

Central Oregon Irrigation District
2598 N. Hwy 97
Redmond, Or 97756
541-548-6047

The water right to be leased is located in Deschutes County

Lessee (if different than Oregon Water Resources Department):

(Name) Deschutes Resources Conservancy
(Mailing address) 700 NW Hill Street
(City, State, Zip Code) Bend, Or 97701
(Telephone number) 541-382-5186

Trustee:

Oregon Water Resources Department
158 12th Street NE
Salem OR 97301
(503) 378-8455

~I~

1.1 Lessor #1 is the owner, or authorized agent for owner of property located at: Township 17 N, Range 12 W, Section 26 and Tax Lot number 204 & 205. If the water right appurtenant to these lands is also appurtenant to lands owned by others, then Attachment 1, (tax lot map of lessor's property) needs to be included.

1.2 Lessor #2 is the (Check one):
 Not applicable

- Official representative of Central Oregon Irrigation District, the irrigation district which conveys water to the subject water rights.
- Another party with an interest in the subject water rights representing _____.

1.3 For the lands being leased, list all water rights appurtenant to the lessor's property. Indicate if there are any supplemental or overlying rights.

Certificate No. 76358 & 76714

Are some or all of the lands being leased part of a Conservation Reserve Enhancement Program. Yes No

1.4 Subject Water Rights. Lessor proposes to lease the water rights listed in 1.3. The right(s) to be leased are further described as follows:

Certificate No.: 76358 & ~~76714~~

Priority date: October 31, 1900, December 2, 1907 and ~~February 28, 1913~~ Type of use: Irrigation

Legal Season of Use: April 1 to November 1

Is the entire water right certificate being leased? Yes No

If no, list the acres to be leased by legal description of township, range, section, and ¼ ¼ which will be dried up as part of this lease, and include a map (Attachment 2) showing the lands which will not receive water.

Place of use: T 17, R 12, Section 26, ¼ ¼ - 30.20 acres to be leased

Enter additional places of use here, using format above:

See Exhibit #1

Page 70 (Identify page number of certificate, if certificate is greater than 10 pages.)

Number of acres being leased, if for irrigation: 30.2

Acre-feet of storage, if applicable: 0

Total rate associated with leased rights (cfs): Season 1: 0.38, Season 2: 0.50, Season 3: 0.93

(Use additional lines if there is more than one rate associated with the water right.)

Total duty associated with leased rights (AF): 299.3

(Use additional lines if there is more than one duty associated with the water right.)

Conditions or other limitations, if any: None

If you need to enter another leased right, please use the additional water rights form.

1.5 Validity of Rights. Lessor(s) attests (mark one) that:

- the water has been used over the past five years according to the terms and conditions of the owner's water right certificate or as an instream water right or
- the water has not been used over the past five years according to the terms and conditions of the owner's water right certificate, however the water right is not subject to forfeiture under ORS 540.610(2)()(include necessary supporting documentation as Attachment 3).

~II~

2.1 Public Use. This lease will increase streamflows which will benefit:

- Conservation, maintenance and enhancement of aquatic and fish life, wildlife, and fish and wildlife habitat
- Pollution abatement
- Recreation and scenic attraction

2.2 Instream use created by lease. The instream use to be created is described as follows:

Deschutes River
 Tributary to Columbia River in the Deschutes Basin.

Describe the point of diversion and any associated reach(es) of the instream use being created. If possible list the reach by river mile, if no reach is identified, the lease will be processed to be protected at the point of diversion): Point of Diversion to Lake Billy Chinook

Total volume in acre-feet: 168.23

Rate in cfs: Season 1: 0.21 , Season 2: 0.28 Season 3: 0.51

(Use the section below to indicate a more restrictive period of use than allowed by the water right.)

Conditions to prevent injury, if any:

- None
- The instream flow will be allocated on a daily average basis up to the described rate from ____ through ____.
- Other (describe): ____

If you need to enter more instream uses, please use the additional water rights form.

2.3 Term of lease. This lease shall terminate on October 31, 2007.

2.4 Compensation. The Lessor has agreed to lease subject water right for the sum of \$1.00, or other valuable considerations and for the benefit of the state of Oregon.

2.5 Flow protection. The Trustee will regulate use of water from the source, subject to prior appropriation and the agency enforcement guidance, to assure the water is delivered to the point of diversion, and through the reach past junior downstream users, so long as flow is sufficient to meet the demand under priority date of the new instream use (see section 2.2). No party is required to continuously measure the flow of the waterway described in Section 2.2.

2.6 Termination provision.

- For multiyear leases, lessor *shall* have the option of terminating the lease each year, prior to the lease being exercised, with 30 day written notice to the Department.
- For multiyear leases, lessor *shall not* have the option of terminating the lease each year, prior to the lease being exercised, with written notice to the Department.

~III~

3.1 Accuracy. The Undersigned Lessor/s, Lessee and Trustee declare that, to the best of their knowledge and belief, the information contained in this lease is true, correct and complete. If after the lease is signed, any information is determined to be false, the lease may be modified or terminated. This lease only exercises the water rights being leased;

for the term of the lease; it shall not be construed to overcome any claim that the water right may otherwise be subject to forfeiture for nonuse pursuant to ORS 540.610 during the period of time prior to the execution of the lease.

3.2 Lease. All Lessors agree to lease the water rights listed in 1.4 for instream use for the term of this Agreement through Lessee to Trustee, the Oregon Water Resources Department, pursuant to the provisions of ORS 537.348(2) and OAR 690-077-0077.

3.3 Precedent. If a right which has been leased is later proposed to be leased again or transferred to an instream use under ORS 537.348 and OAR 690-077- 0070 or OAR 690-077-0075 a new injury review shall be required, and a prior short term lease shall not set a precedent for the amount of water to be leased or transferred instream.

3.4 Suspension of original use. During the period of the lease, the owner agrees to suspend use of water allowed under the subject water rights and under any water right that is supplemental to the subject water rights. In the event that a supplemental water right is not part of this lease, it may be subject to forfeiture.

Lessor #1: May L. Furrer - Ralph R. Sherman Date: 1/21/02

For additional Lessors, type in space for signature and date

Lessor # 2:

John H. Herlocker Date: 2.03.03
Central Oregon Irrigation District

Lessee: Bruce Hylton Date: 4-14-03

3.5 Allocation of water to the instream use described in Section 2.2 during the term of this lease is not reasonably expected to cause injury to other rights to use water from the same source. If injury is found after this lease is signed, the lease may be modified or terminated to prevent injury.

Other Attachments As Needed:

Attachment 1: Tax Lot Map of Lessor's Property (required if landowner is not the sole landowner to lands for which the subject water rights are appurtenant)

Attachment 2: Detailed map illustrating lands under subject rights to be leased (required if only part of a right is being leased instream).

Attachment 3: Supporting documentation indicating why a right is valid and not subject to forfeiture even though the right has not been exercised for five or more consecutive years (required if the second box in Section 1.5 is checked)

Attachment 4: Split Season Instream Use Form

EXHIBIT #1

Mary Lou Purcell & Ralph Sherman

T	S	R	¼ ¼	tax lot	Acres	Type	Certificate	Page #
17-12-26	SW	NE	204	3.0	IRR	76358	70	
17-12-26	SW	NE	205	0.1	IRR	76358	70	
17-12-26	SE	NE	204	10.5	IRR	76358	70	
17-12-26	SE	NE	205	6.0	IRR	76358	70	
17-12-26	SE	NE	205	10.6	IRR	76358	70	
TOTAL					30.20 Acres			

Purcell + Sherman

Additional Information

Section 1.4, (Standard Leasing Form) cont.

Subject Water Rights. Lessor proposes to lease the water rights listed in 1.3. The right(s) to be leased are further described as follows:

Certificate No.: 76714

Priority date: February 28, 1913 Type of use: Supplemental Irrigation

Legal Season of Use (if not listed on the certificate): April 1 to November 1

Is the entire water right certificate being leased? Yes No

If no, list the acres to be leased by legal description of township, range, section, and 1/4 1/4 which will be dried up as part of this lease, and include a map (Attachment 3) showing the lands which will not receive water.

Place of use: T 17, R 12, Section 26, 1/4 1/4 - _____ acres to be leased

Enter additional places of use here, using format above:

See Exhibit #1

Page 73 (Identify page number of certificate, if certificate is greater than 10 pages.)

Number of acres, if for irrigation: 30.20

Acre-feet of storage, if applicable: _____

Rate associated with leased rights (cfs): Season 1: 0.38, Season 2: 0.50, Season 3: 0.93

(Use additional lines if there is more than one rate associated with the water right.)

Duty associated with leased rights (AF): 299.3

(Use additional lines if there is more than one duty associated with the water right.)

Conditions or other limitations, if any: _____

Section 2.2, cont.

Instream use created by lease. The instream use to be created is described as follows:

Deschutes River

Tributary to Columbia River in the Deschutes Basin.

Describe the point of diversion and any associated reach(es) of the instream use being created. If possible list the reach by river mile, if no reach is identified, the lease will be processed to be protected at the point of diversion): _____

Total volume in acre-feet: _____

Rate in cfs: _____

Conditions to prevent injury, if any:

None

The instream flow will be allocated on a daily average basis up to the described rate from _____ through _____.

Other (describe): _____

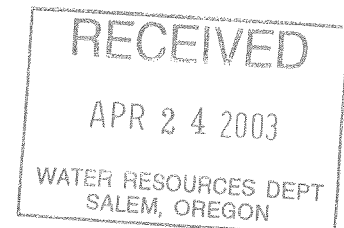
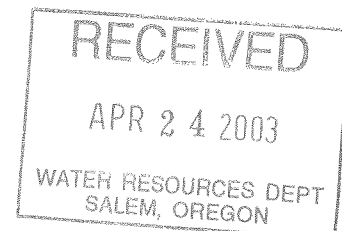


EXHIBIT #1 Supplemental

Mary Lou Purcell & Ralph Sherman

T	S	R	¼ ¼	tax lot	Acres	Type	Certificate	Page #
17-12-26	SW	NE	204	3.0	IRR	76714	73	
17-12-26	SW	NE	205	0.1	IRR	76714	73	
17-12-26	SE	NE	204	10.5	IRR	76714	73	
17-12-26	SE	NE	205	6.0	IRR	76714	73	
17-12-26	SE	NE	205	10.6	IRR	76714	73	
TOTAL					30.20 Acres			



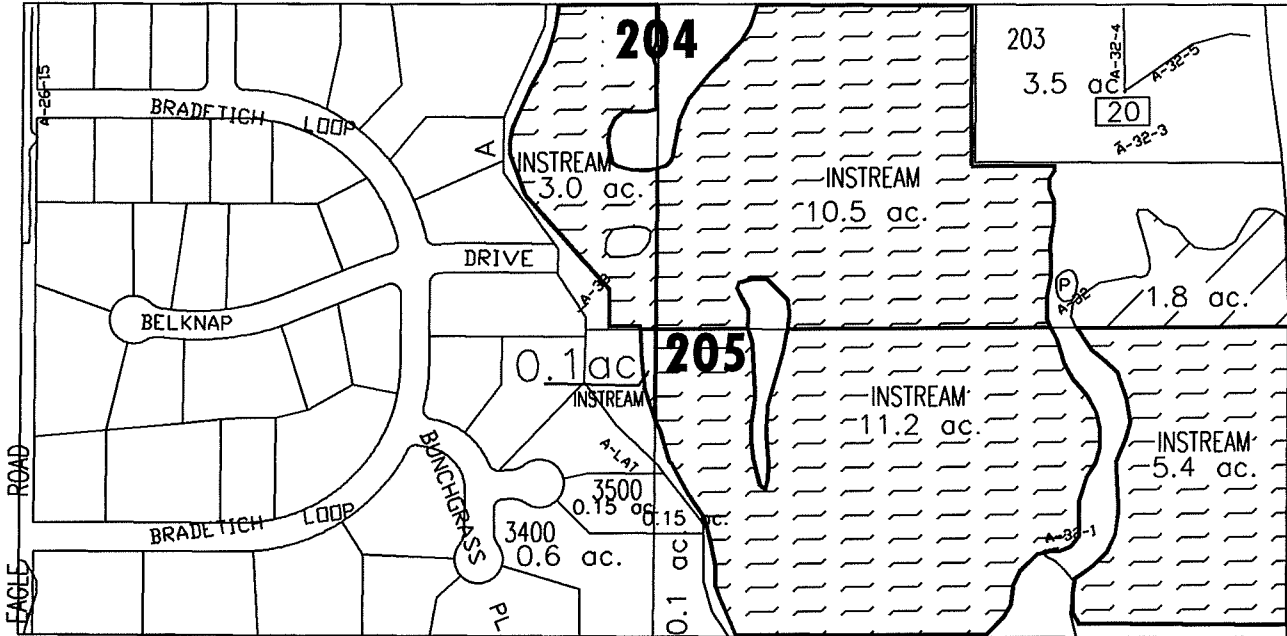
DESCHUTES COUNTY
SEC.26 T 17 S. R 12 E. W.M.

SCALE - 1" = 400'



SW 1/4 OF THE NE 1/4

SE1/4 OF THE NE1/4



APPLICATION FOR IN STREAM LEASE

NAME: PURCELL
TAXLOT #: 204 & 205
30.2 ACRES