

**LOAN FEASIBILITY STUDY FOR
HUERFANO COUNTY REGIONAL
AUGMENTATION PROJECT**

**Sponsored by the
HUERFANO COUNTY WATER CONSERVANCY
DISTRICT**

**In conjunction with the
COLORADO WATER CONSERVATION BOARD**

JULY 2013

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LOAN FEASIBILITY STUDY

2.0 BACKGROUND

2.1.1 Purpose

There are many water users within the Huerfano River basin that are at risk of being curtailed under the prior appropriation system due to their uses being out-of-priority to senior calling water rights, including existing plans for augmentation that have failed or are failing. These uses include domestic, commercial, school, and agricultural uses that will be eventually curtailed by the Division of Water Resources if an adequate plan for augmentation is not developed for the basin. See the July 18, 2013 letter from Steve Witte, Division Engineer, located in Appendix A concerning the need for the regional augmentation plan and curtailment of existing water users if the plan is not developed.

The Huerfano County Water Conservancy District (HCWCD) intends to use the Camp Ranch Water Rights, described in Appendix B, as the source of augmentation water to replace out-of-priority depletions in a Huerfano River basin wide regional plan for augmentation and exchange for the benefit of Huerfano County and its citizens. The intended plan for augmentation will involve a change of water rights of the Camp Ranch Water Rights from their existing agricultural use to a variety of new beneficial uses, including domestic, municipal, commercial, industrial, school, recreational, and for continued irrigation use. The historical consumptive use of the Camp Ranch Water Rights will be quantified and that consumptive use will be measured, accounted for, and returned to the stream at an augmentation station, recharge facility, or augmentation well pipeline. From these points, part of the historical consumptive use directly returning or accruing to the stream will be credited to the stream for the benefit of senior calling water rights to replace out-of-priority uses occurring within the historical irrigation season.

Portions of the historical consumptive use from the Camp Ranch will also be exchanged upstream into the Red Wing Augmentation Pond for later release back to the stream. The release of historical consumptive use credits from storage to the Huerfano River will be used to meet out-of-priority depletions accruing during the non-irrigation season, such as lagged well depletions, and also to replace delayed return flow obligations to the river associated with Camp Ranch Water Rights. These obligations for replacement of out-of-priority depletions and delayed return flows may also be met by placement of consumptive use water and return flows into a recharge facility on the Camp Ranch during the irrigation season and the later accrual of that water to the stream through the alluvial aquifer during the non-irrigation season.

The timing of depletions from the District's required augmentation plan customers will be determined as instantaneous for direct stream depletions (i.e., headgate diversions) or as lagged depletions to the river with the use of depletion zones based on distances from the stream. Lagged well depletions for customers within each depletion zone will be determined following standard engineering practices for well depletions.

The amount of depletions will be determined through use of a standardized and presumptive depletion schedule for the beneficial uses under the regional plan. In this manner, the depletions

for domestic (in-house and lawn/landscaping watering), municipal, commercial, industrial, school, irrigation, and pond evaporation (within elevation zones) will be established in a standardized manner based on generally accepted engineering principles.

All out-of-priority depletions will be replaced in time, amount and location to prevent material injury to senior water rights.

2.1.2 Study Area Description

The study area of this project includes all lands within Huerfano County that are within the Huerfano River drainage basin and within the HCWCD's service area as outlined in the Decree in Civil Action No. 4288. The study area does not include United States Forest Service lands within the Huerfano River drainage basin. The Town of Gardner is the only town in the study area and Gardner is an unincorporated town. The service area encompasses approximately 430,500 acres. The elevation ranges from approximately 10,500 feet above sea level to an elevation of approximately 5,350 feet above sea level at the point where the Huerfano River flows out of Huerfano County, Colorado. Historic populated areas located within the study area include Apache City, Badito, Farisita, Gardner, Malachite, Red Wing, and Sharpsdale. A map of the study area, including locations of existing and proposed facilities is included as Figure 1.

2.1.3 Previous Studies

TZA reviewed the following study:

Water Resources of Huerfano County, prepared by Zorich-Erker Engineering, Inc, (TZA's predecessor company) in 1978. TZA reviewed the current and past State Engineer's Office (SEO) Substitute Water Supply Plans (SWSP's) and the Division Engineer's Rule 14 Replacement Plan approvals under the Arkansas River Use Rules. We also reviewed and evaluated several potential locations for locating an augmentation pond before we chose a site near Red Wing, Colorado.

2.2 PROJECT SPONSOR

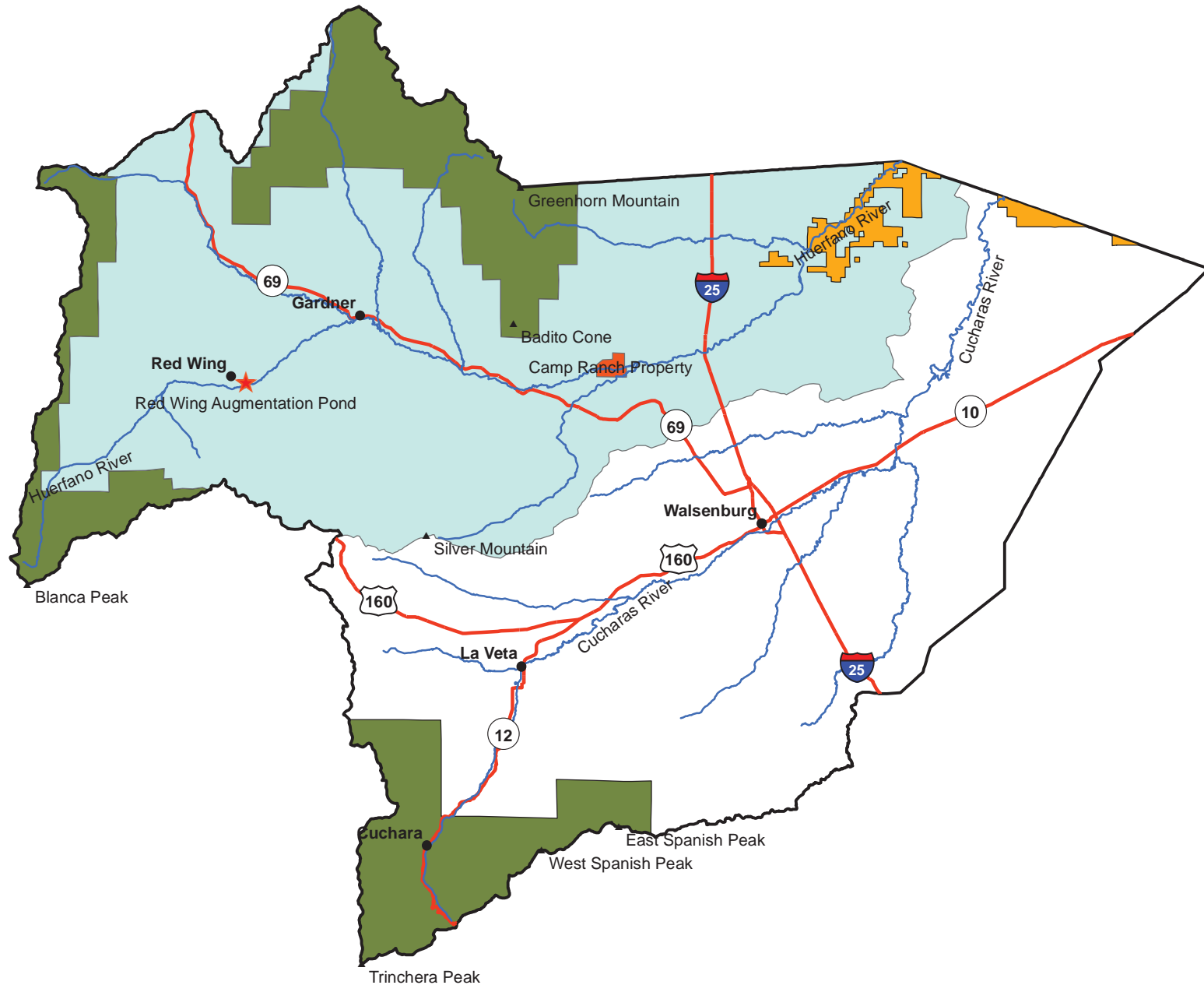
The HCWCD is the project sponsor. The mailing address for HCWCD is PO Box 442, La Veta, CO 81055. HCWCD was established, effective September 30, 1971, pursuant to the Colorado Water Conservancy Act. The Decree in Civil Action No. 4288 and the Bylaws of the HCWCD are included in Appendix C and Appendix D respectively.

The HCWCD is a Title 37 water conservancy district. The District's boundaries encompass all of Huerfano County, minus exclusions (see Figure 1). The Project encompasses the Huerfano River basin portion of the County.

HCWCD is governed by a five member board of directors, as follows:

Kent Mace, President
Dawson Jordan, Vice President

Figure 1



Legend

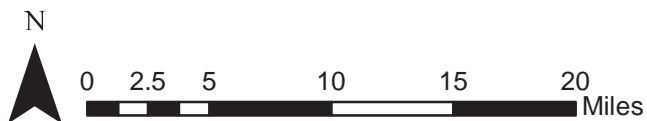
- Highways
- HCWCD Excluded Parcels
- Augmentation Plan Area
- National Forest

Huerfano Regional Augmentation Overview



TZA Water Engineers, Inc.

July 2013



Louis (Beaver) Edmundson
Scott King
Michael (Sandy) White

The Board members have a broad cross-section of experience, including businessmen, ranchers, former Huerfano County Commissioners, real estate brokers, and a water attorney.

The HCWCD received approval in the Huerfano County November 2012 elections to increase the ad valorem property tax mill levy for the HCWCD, beginning on January 1, 2013, by an additional 2.0 mills against all of the taxable property within the District. The 2.0 mill levy increase is in addition to the existing 0.128 mill levy of HCWCD. Based on the 2012 assessed valuation, the 2.128 mills will generate \$243,601 in annual tax revenues. The HCWCD also received approval in the Huerfano County November 2012 elections to incur multi-year obligations by borrowing up to a maximum of three million dollars for the purposes of acquiring and developing water storage facilities and acquiring and developing water rights.

HCWCD will utilize these tax revenues to develop a regional augmentation plan to benefit the water users of Huerfano County.

2.3 WATER RIGHTS

2.3.1 Water Availability

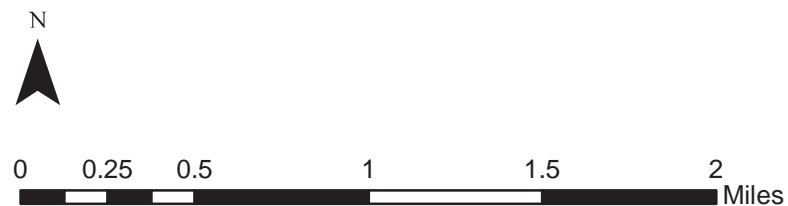
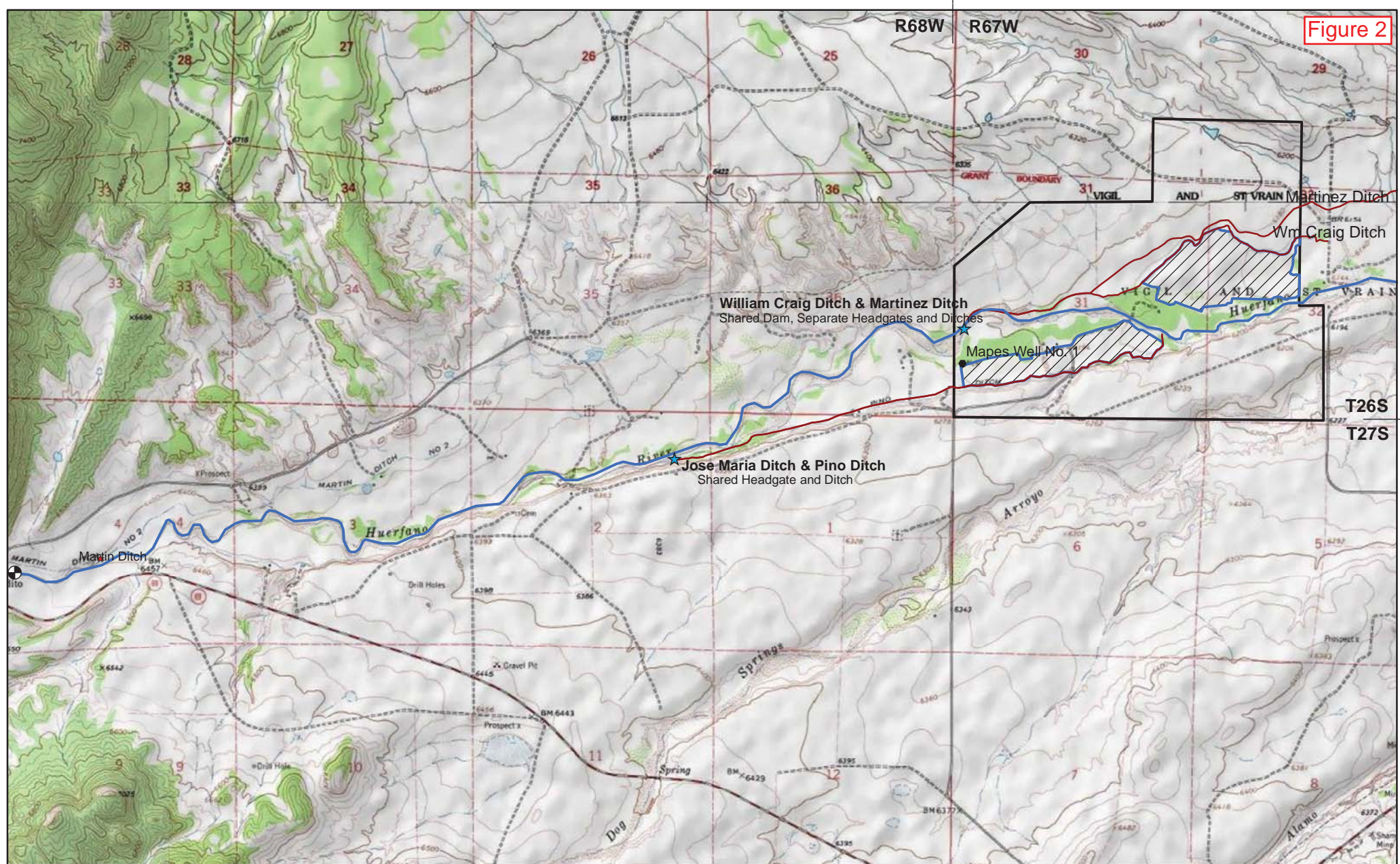
To provide a source of consumptive use credits for use in the proposed regional augmentation plan, the HCWCD has reached an agreement to purchase the Camp Ranch and associated water rights. This agreement is included in Appendix E. HCWCD is currently performing due diligence (150 day due diligence period) to evaluate the Camp Ranch land and associated water rights. The Camp Ranch is located on the Huerfano River about four miles upstream of the Interstate-25 crossing. The Camp Ranch property, the irrigation ditches which serve it, and the location of The Mapes Well No. 1 (Registration No 14474), are shown in Figure 2. In addition to the land, Camp Ranch water rights include an undivided six-sevenths interest in the William Craig Ditch, an undivided one-third interest in the Jose Maria Ditch, and the Mapes Well No. 1.

The William Craig Ditch water right is decreed for 2.4 cfs for irrigation of 120 acres with Priority No. 7 in the original (Reed) adjudication on the Huerfano River. It has an appropriation date of May 1, 1864 and an adjudication date of June 12, 1889. The William Craig Ditch Decree is attached in Appendix F.

The Jose Maria Ditch water right was decreed for 0.24 cfs for irrigation of 12 acres with Priority No. 51 in the original (Reed) adjudication. It has an appropriation date of May 1, 1873 and an adjudication date of June 12, 1889. The Jose Maria Ditch Decree is attached in Appendix G.

Mapes Well No. 1 was permitted by the Division of Water Resources and assigned Registration No. 14474. In Water Court Case No. W-2931, Mapes Well No. 1 was decreed for 1.0 cfs for irrigation on 120 acres with priority date of June 22, 1950. Mapes Well No. 1 has been assigned

Figure 2



- ★ Camp Ranch Headgates
- Ditches
- ▨ Ranch Irrigation Area
- Camp Ranch Property

HCWCD Camp Ranch Water Supplies

WDID # 7905027 for recordkeeping. The Mapes Well No. 1 Decree and well permit are attached in Appendix H.

The William Craig Ditch water right has been diverted and applied to about 110 acres, of which approximately 95 acres are located on the Camp Ranch property. Historical diversions under the William Craig Ditch water right have averaged about 365 acre-feet per year. The William Craig Ditch water right (Priority No. 7) is relatively senior. During years of low runoff on the Huerfano River, the William Craig Ditch diversions have averaged about 260 acre-feet per year.

The Jose Maria Ditch water right has been diverted at the same headgate as the Pino Ditch water right, as shown in Figure 2. After reviewing the available records, it appears that these waters have been comingled and reported as a single diversion record under the Jose Maria Ditch. The Pino Ditch has three water rights, the first two of which were decreed in the secondary (Killian) decree and the third of which was decreed on October 3, 1921, with an appropriation date of June 14, 1901. Therefore all three Pino rights are junior to the Jose Maria right. A preliminary analysis was conducted in accordance with standard engineering practice to separate out the first 0.24 cfs of the Jose Maria/Pino diversion to identify the diversion attributable to the senior Jose Maria water right. The result of this analysis indicates that average diversions under the Jose Maria right averaged about 37 acre-feet per year.

The Jose Maria water right was decreed for irrigation of 12 acres. The one-third interest owned by the Camp Ranch would allow four acres of irrigation. A review of available aerial photos shows much more than four acres irrigated on the Camp Ranch under the Jose Maria Ditch. In our preliminary analysis of historical consumptive use available for transfer to new uses, we limited the irrigated acreage under the Jose Maria right on the Camp Ranch to four acres.

A preliminary analysis has been completed by TZA so that we could estimate the historical consumptive use attributable to the Camp Ranch water rights that could be changed for use as consumptive use credits in the regional augmentation plan. This analysis was conducted in the standard manner used for water court transfers. In essence, the crop irrigation requirement was determined and compared to the respective ditch water supply upon the historically irrigated acreage to determine how much of the ditch diversions were consumed, and to determine the amount and timing of return flows. The transferrable historical consumptive use attributable to the use of the William Craig water right on the Camp Ranch was calculated to be approximately 153 acre-feet per year, generally being 1.6 acre feet of consumptive use per irrigated acre. The transferrable historical consumptive use attributable to the use of the Jose Maria water right on the Camp Ranch was calculated to be approximately 6 acre-feet per year. Additional work will be needed to develop firm transferable consumptive use numbers, and to obtain approval to transfer consumptive use credits in water court, but we are confident that the amount of available water will be adequate to meet HCWCD augmentation requirements.

Historical return flows from irrigation on the Camp Ranch that accrue to the river outside of the irrigation season averaged about 15 acre-feet per year. One method for replacing these return flows will be the construction of a recharge facility on the Camp Ranch and the diversion of some of the Camp Ranch Water Right's diversion entitlement into the recharge facility in order to replicate historical return flows outside the irrigation season and provide replacement water as

those recharged amounts reach the stream. Conceptual schematic drawings for the Camp Ranch Recharge Facility are shown in Figures 3 and 4.

The Mapes Well No. 1 may possibly be utilized as a retiming augmentation well. The well can be equipped so that it can pump through a pipeline that will discharge to the Huerfano River at times when the recharge facility is not able to provide the necessary accretions to the Huerfano River. Those well depletions as lagged to the stream will then later be replaced by use of the consumptive use credits from the Camp Ranch Water Rights. This process uses the Mapes Well as an augmented structure to retime and allocate the stream accretions from the recharge facility to correspond with the timing of the augmentation plan depletions to the river. Conceptual schematic drawings for the Mapes Augmentation Well are shown in Figures 3 and 4.

As previously described, the proposed project includes construction of an off channel lined reservoir of approximately 25 acre-feet near Red Wing for storage of transferable consumptive use credits and delayed return flow obligations from the historically irrigated Camp Ranch property. An appropriative right of exchange will be applied for to allow the historical consumptive use entitlement and delayed return flows at the William Craig Ditch and the Jose Maria Ditch to be diverted by exchange at the Wilson Ditch headgate for storage in the proposed Red Wing Augmentation Pond for later release to replace the augmentation plan depletions and delayed/non-irrigation season return flows. A map of the exchange reach is shown in Figure 5. A preliminary analysis of exchange potential between Camp Ranch and the Wilson Ditch headgate was conducted. This analysis was performed for the eight years for which there are gage records at both the Manzanares Crossing Near Redwing gage (USGS Gauge No. 7111000) and the Badito gage (USGS Gauge No. 7112500). These eight years include two drought years, two flood years and four average flow years. The analysis of exchange potential shows that there is not a dry-up point in the river restricting exchange potential between the Wilson Ditch headgate and William Craig Ditch headgate. In fact, during the irrigation season, the exchange potential in this reach averaged approximately 43 percent of the flow of the river at the Manzanares Crossing Near Red Wing gage. As a result, we believe the Red Wing Augmentation Pond will be able to be filled by exchange with the historical consumptive use credits and delayed flows from the senior Camp Ranch Water Rights.

2.3.2 Water Supply Demands

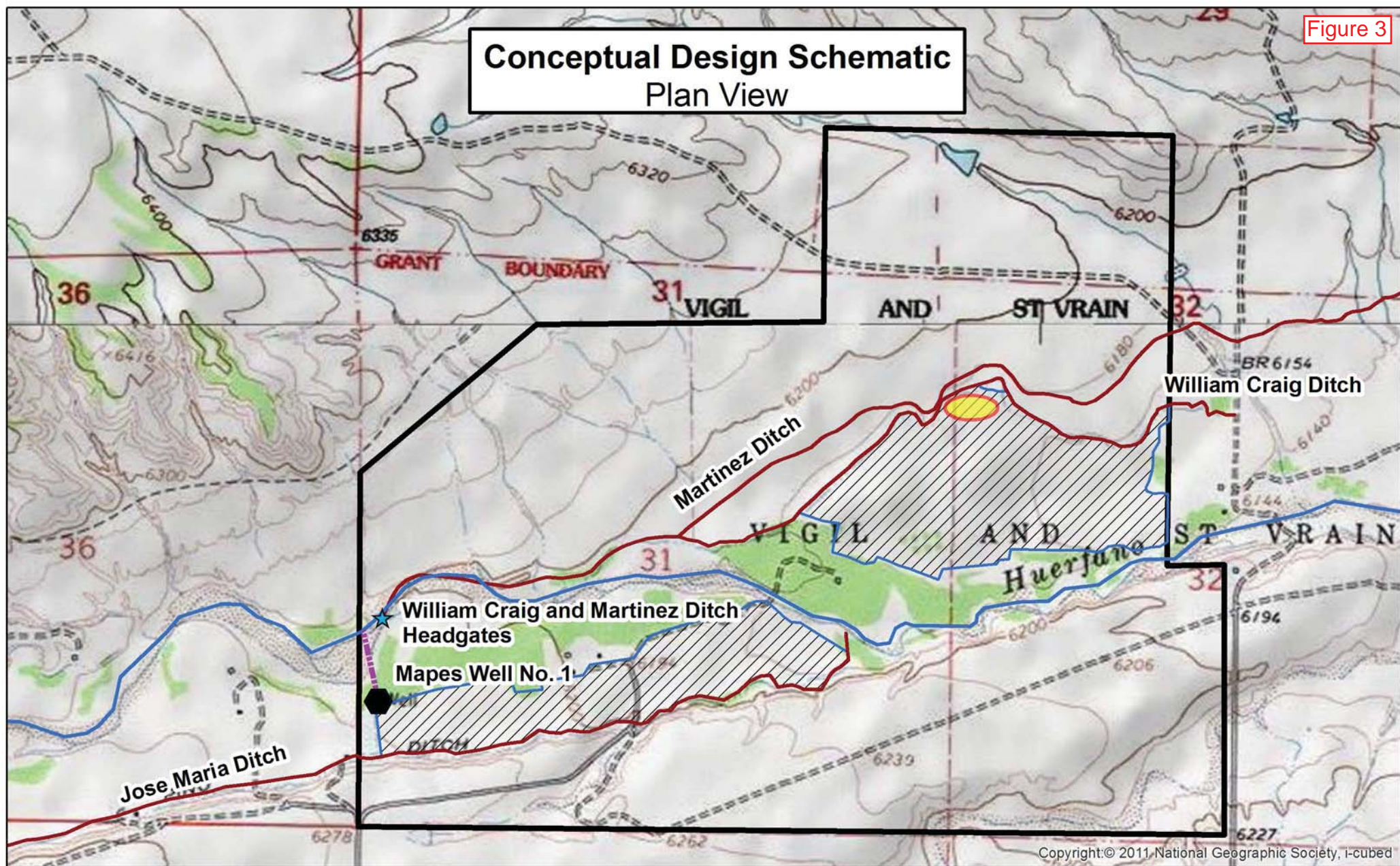
The HCWCD has utilized a Substitute Water Supply Plan and a Regional Rule 14 Replacement Plan for the last five years 2009-2013 to provide augmentation water to 5 separate entities who were in danger of having their water use curtailed due to out of priority usage. A copy of the most recent approved SWSP and Rule 14 Plan are included in Appendix I. The current entities have demands of approximately 10 acre-feet of 100% consumptively used water are as follows:

Huerfano County Road & Bridge	Malachite Spring	CO 61 Water Association	Gardner Water & Sanitation Dist.	Paradise Acres HOA
1.0	3.0	2.0	3.0	1.0

Please note that the CO 61, Gardner and Paradise Acres groups utilize water wells for their water supply. The amounts shown are the annual depletions from pumping these wells. They are not the entire amount pumped. These demands will continue for the foreseeable future with a likely

Figure 3

Conceptual Design Schematic Plan View



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★ Camp Ranch Irrigation Headgates

----- Mapes Well Pipeline to River

— Ditches

○ Recharge Pond General Location

▨ Camp Ranch Irrigated Area

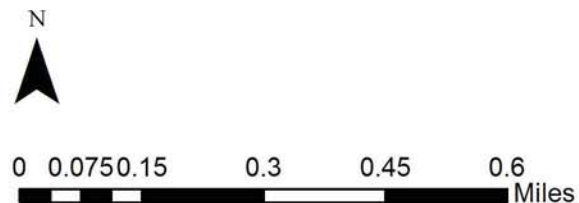
▭ Camp Ranch Property Boundary

HCWCD
Camp Ranch
Augmentation Structures
Plan View

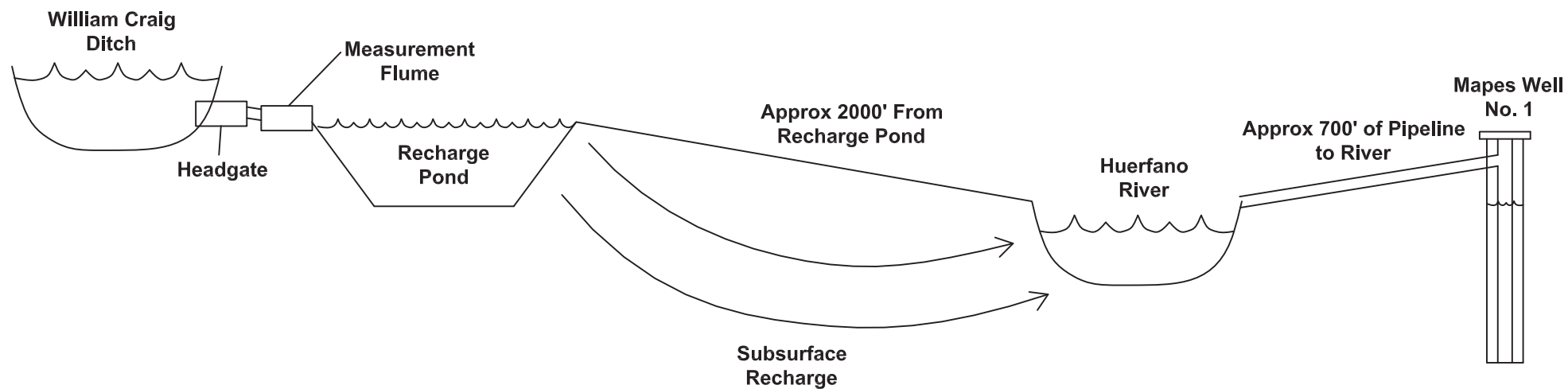


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July, 2013



Conceptual Design Schematic Profile View



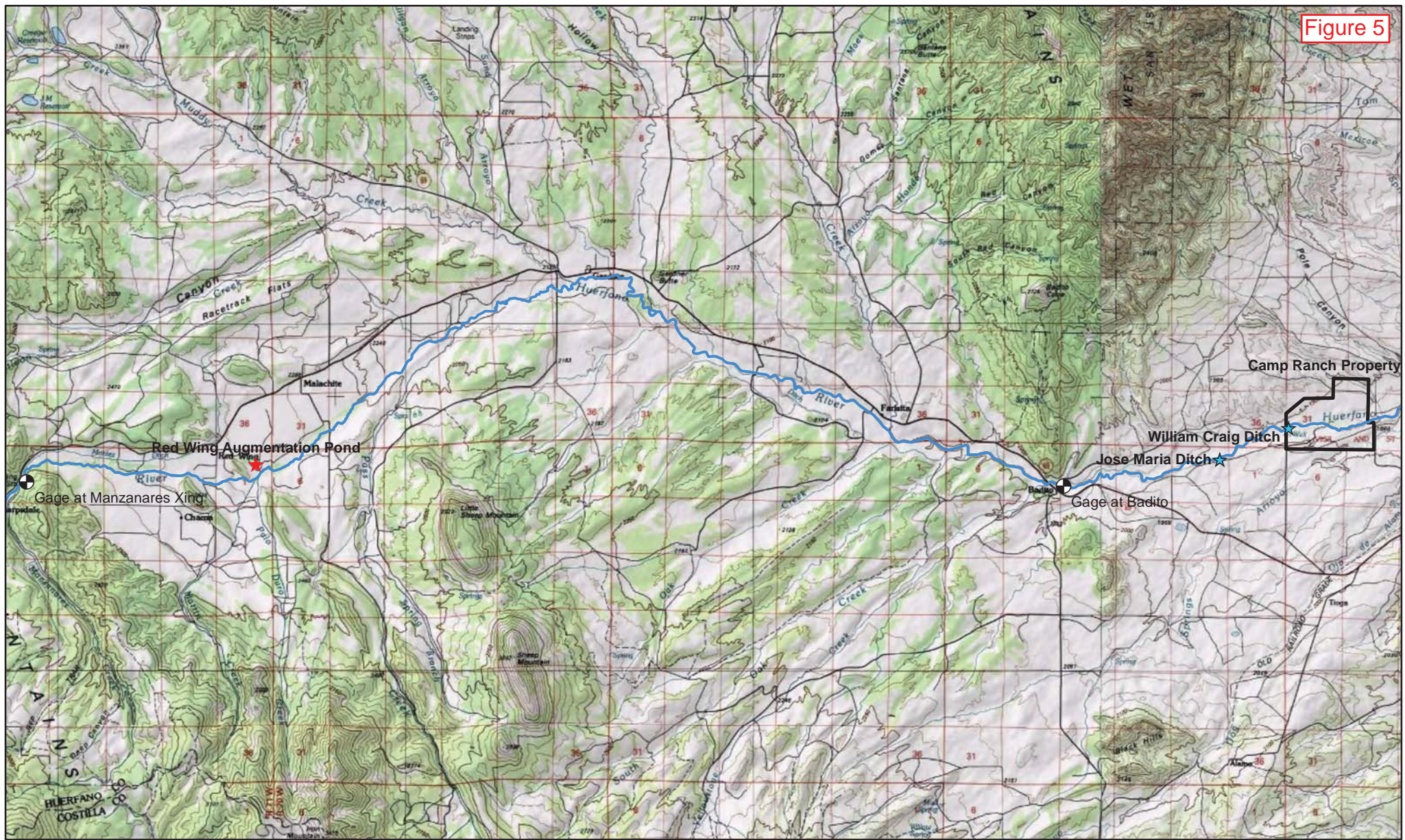
**HCWCD
Camp Ranch Augmentation
Structures Schematic**



TZA Water Engineers, Inc.

July, 2013

Figure 5



0 1 2 4 6 8 Miles

HCWCD Exchange Reach



TZA Water Engineers, Inc. July, 2013

increase possible because of the fact that four out of the five are entities that have the potential to increase residents and water use over time, because there are remaining residential lots that are not currently connected to the communities central water systems.

The District believes that other unidentified water users (including subdivisions, commercial, industrial, agricultural or recreational water users) exist that will find it necessary to participate in this augmentation plan. Please see the Appendix A letter from Steve Witte, Division Engineer, concerning the desperate and urgent need for a regional augmentation plan for the Huerfano River basin to avoid curtailment of junior water users. Additional non-irrigation water users will be identified over the next few years and we believe that the demands could be up to 25 acre-feet or more of replacement water per year during that time. In addition, junior irrigation water rights are called out on the Huerfano River every year, and the demand for supplemental irrigation water is expected to exceed the supply that can be provided from the use of the historical consumptive use credits from the Camp Ranch Water Rights.

The HCWCD intends to analyze all potential demands within the area of study, acquire senior water rights and dedicate an adequate amount of replacement water to meet those demands. This project will result in a Regional Augmentation Plan.

2.4 PROJECT DESCRIPTION – Analysis of Alternatives and Selected Alternative

The purpose of the project is to provide a reliable source of water, infrastructure and physical improvements necessary to develop an efficient regional augmentation plan for HCWCD for use in the Huerfano River drainage basin. Project improvements will consist of the following:

1. Construction of the Red Wing Augmentation Pond and associated facilities;
2. Construction of the Camp Ranch Recharge Facility onsite at the Camp Ranch;
3. Modifications to the Mapes Well No. 1 to convert it from a production well to an augmented well for continued irrigation and for use as a re-timing well to provide augmentation water directly to the Huerfano River in connection with the use of the recharge facility.

Red Wing Augmentation Pond is an approximate 25 acre-foot storage and return facility that is located off channel adjacent to the Huerfano River. The purpose of the Red Wing Augmentation Pond is to store and release water for the regional augmentation plan. The Camp Ranch Water Rights, as exchanged, will be diverted from the existing Wilson Ditch headgate, measured, and delivered via gravity flow through a pipeline to the Red Wing Augmentation Pond. Releases from the Red Wing Augmentation Pond will be delivered via gravity flow through a pipeline and measurement structure to the Huerfano River downstream of the RL Smith No. 1 Ditch headgate and upstream of the PP Gonzales ditch headgate.

The Camp Ranch Recharge Facility will be constructed at the Camp Ranch. The recharge facility will allow water to be delivered through the Wm. Craig Ditch to the structure. Water will then recharge the Huerfano River alluvium and flow through the subsurface geologic materials in order to provide augmentation water to the stream and to maintain historical non irrigation season return flows while initially meeting and later minimizing the use of the Red Wing Augmentation Pond as a source of augmentation water replacements and non-irrigation season return flows.

The conversion of the Mapes Well No. 1 to an augmentation well will allow HCWCD to pump groundwater directly to the Huerfano River if and when necessary to cover the replacement of any instantaneous depletion owed to the Huerfano River. Depletions from pumping the Mapes Well No. 1 will then be lagged utilizing acceptable engineering calculations. Any and all resulting depletions from the Mapes Well can and will be replaced by releases from either the Red Wing Augmentation Pond and/or accretions from the Camp Ranch Recharge Facility.

In addition to the project improvements, HCWCD will purchase the Camp Ranch land and water rights. HCWCD will proceed to water court to receive approval to change the water rights that have historically been used for irrigation of the Camp Ranch so that those rights can be utilized as a source of augmentation throughout the project area.

2.4.1 Analysis of Alternatives

This project has been designed to provide a reliable source of augmentation water for domestic, municipal, commercial, school, industrial and agricultural HCWCD lands that are located in the Huerfano River basin within the boundary of Huerfano County. Purchasing adequate water rights combined with construction of a recharge facility and a storage reservoir (augmentation pond) was the only feasible alternative that would allow HCWCD the ability to store transferred water rights and to subsequently release the stored water to the stream system (Huerfano River) in such a manner that it will replace out of priority depletions for water users located within the HCWCD boundary. Other structural improvements, including construction of a recharge structure (recharge facility) and equipping an augmentation well (existing Mapes No. 1 Well) on the existing irrigated Camp Ranch will benefit the project because these structures will be used to initially meet the non-irrigation season replacement requirements and return flow obligations, maximize the efficiency of the regional augmentation plan, and to insure that HCWCD prevents material injury to senior water rights.

Alternatives considered include:

1. The “do nothing” alternative
2. Condemnation of water rights alternative
3. Camp Ranch Water Rights and Red Wing Augmentation Pond

Alternative No. 1 – The “Do Nothing” alternative is considered unacceptable. The Arkansas River is an over-appropriated stream system and water in the Huerfano River is

a very precious commodity. HCWCD has relied on water leases to maintain an approved Substitute Water Supply Plan (SWSP) for the last 5 years (2009 through 2013). The use of SWSP's is at the end of its term without the support of a feasible plan for augmentation in Water Court that needs the use of the Camp Ranch Water Rights. If the HCWCD does not develop a reliable augmentation project, junior and undecreed existing water users within the HCWCD boundary will be curtailed and have to discontinue their water usage.

Alternative No. 2 - The condemnation of water rights was not selected because HCWCD was created to assist HCWCD landowners with water issues. Condemnation of water rights was determined to be politically unacceptable by the HCWCD board members. Such an alternative would still involve the implementation of the condemned water rights for use within an augmentation plan, the need for financing to pay for the condemned water and property rights, and also the construction of recharge and storage facilities, all at a greater cost and impact to the District's constituents.

Alternative No. 3 The Camp Ranch Water Rights and Red Wing Augmentation Pond was the chosen alternative because it was the only alternative that was deemed technically feasible, economically viable, and politically acceptable.

2.4.2 Selected Alternative

HCWCD has chosen Alternative No. 3 which includes purchase of the Camp Ranch Water Rights, construction of the Red Wing Augmentation Pond, construction of the Camp Ranch Recharge Pond, and conversion of the Mapes Well No. 1 to an augmentation well. Anticipated work included in Alternative no. 3 includes the following;

Camp Ranch Purchase – Land and Water Rights

HCWCD has made an offer on the Camp Ranch and that offer has been accepted (Appendix E). HCWCD has 150 days to perform due diligence on the Camp Ranch purchase. HCWCD has exhaustively investigated the acquisition of other water rights within the Huerfano River Basin and has determined that alternative senior water rights adequate for the augmentation plan are not available. The Camp Ranch purchase was the only option available to HCWCD that meets the requirements of the Project.

Red Wing Augmentation Pond

The Red Wing Augmentation pond will be constructed on land owned by Christie Wyckoff. HCWCD has entered into a Letter of Intent to permanently lease land and obtain easements from Ms. Wyckoff to allow construction of the Red Wing Augmentation Pond. The Letter of Intent with Ms. Wyckoff is included in Appendix J. Water will be diverted at the existing Wilson Ditch headgate which is located on Ms. Wyckoff's property. HCWCD will install a splitter box and a measurement flume so that all water entering the Red Wing Augmentation Pond pipeline can be separately measured

before entering the inflow pipeline. The pipeline will gravity feed an off channel lined non jurisdictional water reservoir that will be constructed with approximately 25 acre-feet of storage space. Releases from the Red Wing Augmentation Pond back to the Huerfano River will be by gravity feed through a pipeline and subsurface control and measurement vault located near the Huerfano River. Schematic plan and profile drawings are shown in figure included in Figures 6 and 7.

Camp Ranch Recharge Facility

The Camp Ranch Recharge Pond will be constructed down gradient of the Wm. Craig Ditch on the Camp Ranch property. A measurement flume will be installed to measure the amount of consumptive use and delayed return flow water diverted from the Wm. Craig Ditch to the Camp Ranch Recharge Facility. An engineering analysis will be performed to determine the timing for water flowing subsurface between the Camp Ranch Recharge Facility and the Huerfano River. Plan and Profile schematic drawings for the Camp Ranch Recharge Facility are shown in Figures 3 and 4.

Mapes Well No. 1

The Mapes Well No. 1 will be tested and converted to an augmentation well in addition to an augmented structure for irrigation upon the Camp Ranch. The well will be equipped with a flow meter and control valves. A pipeline will be installed from the well to the Huerfano River so that pumping can instantaneously deliver groundwater to the Huerfano River for the replacement of plan depletions, with those lagged well depletions later replaced by the consumptive use credits directly from diversions, as released from the Red Wing Augmentation Pond, and/or as accrued to the stream from the Camp Ranch Recharge Facility. Plan and Profile schematic drawings for the Mapes Well No. 1 are shown in Figures 3 and 4.

2.4.3 Social, Economic, and Physical Impacts

The project will have no significant negative social impacts. However, there will be positive social and economic impacts. None of the facilities will be utilized for active recreation, but the project will provide wildlife habitat benefits at the augmentation pond whenever it has water in it. The pond is located off channel near Red Wing, Colorado, which is a known area for waterfowl and wildlife. The project will provide augmentation supplies which will allow HCWCD water users the ability to continue utilizing their junior and undecreed out-of-priority depletions. If the project is not implemented the State and Division Engineer's offices will curtail and eliminate junior water use, which would have an immediate and devastating impact on water users in Huerfano County and on the economics of Huerfano County. (See Appendix A, Division Engineer's letter).

The project will have a positive economic impact for Huerfano County by supporting and improving the County's tax base through providing a reliable source of augmentation water to residents of the County (including towns, subdivisions, industrial users, individuals and agricultural users) that are part of the HCWCD. The augmentation

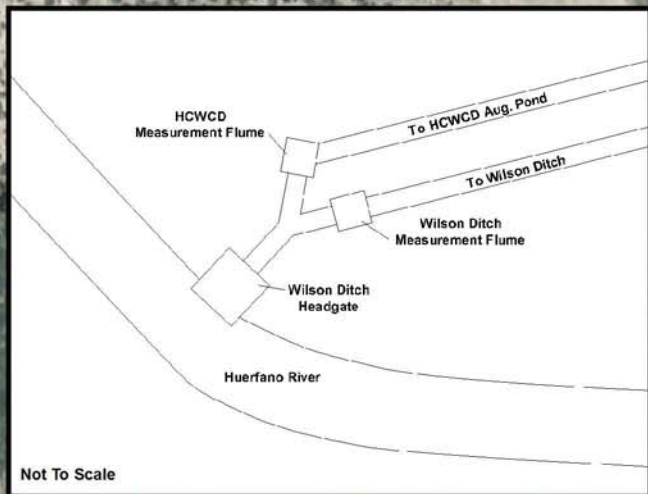


Section 1
Township 27 S
Range 71 W

Conceptual Design Schematic Plan View

Figure 6

Huerfano River
Diversion Detail



0 150 300 600 Feet

Wilson Ditch Headgate

General Location
Red Wing Augmentation Pond

RL Smith Ditch No. 1
Headgate

Huerfano River

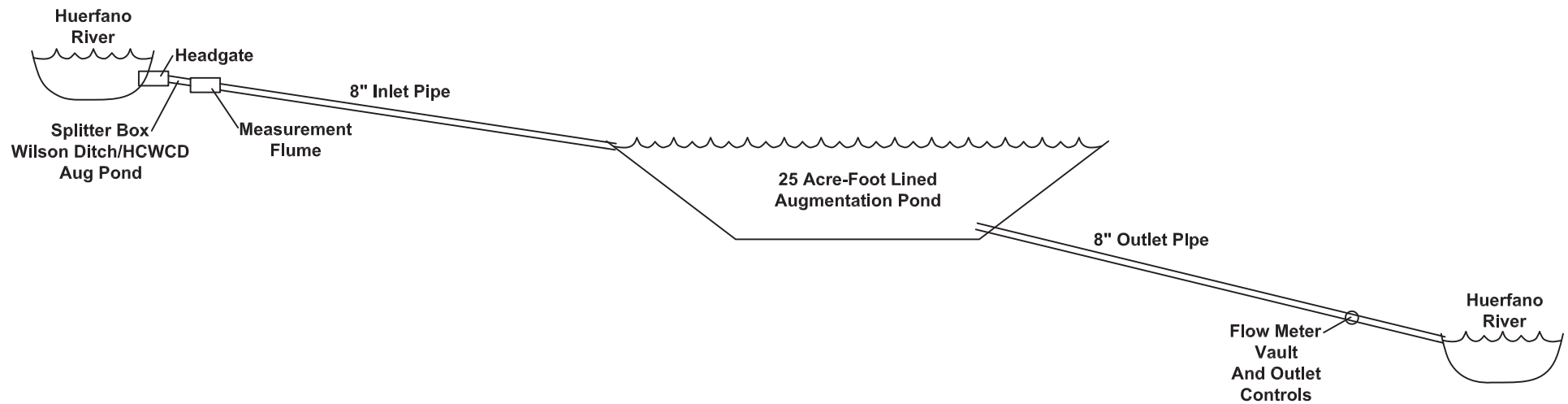
HCWCD
Red Wing Augmentation Pond
General Location Map



July 2013

Aerial Photo: 6/17/2005

Conceptual Design Schematic Profile View



<p>HCWCD Red Wing Augmentation Pond Schematic</p>	
 <p>TZA Water Engineers, Inc.</p>	<p>July, 2013</p>

project will provide replacement water, enhance the reliability of such replacement supplies, and further agricultural use within the service area of the basin.

The project will have few significant physical impacts as it will consist of buried pipelines in and out of the augmentation pond (located on private property), with some related infrastructure. Most of these impacts will be minor in nature, all impacts will be on private lands that are either owned or leased by HCWCD, and the project will only affect a small area of land. There will be some minor impacts on private lands during construction of the augmentation pond, recharge pond, and pipelines, but they will be temporary. Easements for the pipeline route at the Red Wing Augmentation Pond site are being negotiated in accordance with landowner in accordance with the Letter of Intent (Appendix J).

A negative impact is that some or all of the Camp Ranch irrigated land will be dried up. The amount of land that will be converted from irrigated to dry land ranching will be up to approximately 100 acres. However, the regional augmentation plan will allow for continued irrigation use of the Camp Creek Water Rights upon the Camp Ranch and other ranches. A water court decree will be needed to determine the amount of water available for augmentation and the corresponding amount of land that needs to be retired from irrigation to enable that change of use.

2.4.4 Permitting

HCWCD and TZA believe that no Environmental Assessment (EA) or Environmental Impact Statement (EIS) will be required. We will obtain a 1041 Permit from Huerfano County. Wetland mapping will be completed and The Corps of Engineers will be contacted concerning 404 permitting. HCWCD and TZA anticipate that the work will either not require a formal 404 permit, or that work will fall within the existing nationwide permits.

2.4.5 Institutional Considerations

No institutional considerations exist other than the proposed loan from the CWCB.

2.5. FINANCIAL FEASIBILITY ANALYSIS. As discussed with CWCB Staff prior to the submission of the Application, the District is limited by the terms of the 2012 election to a maximum loan term of 15 years. For that reason, the District is proposing three separate options relative to the CWCB loan for the Project. Those options are set forth below:

2.5.1 Loan Amount

Option 1.

Loan Amount: \$2,200,000.00.

Loan Term: 30 year amortization with a 15 year balloon payment.

The total anticipated cost of the Project under Option 1 is approximately 3.1 million dollars, which includes the following components:

Balance due for Camp Ranch and Water Rights:	\$1,800,000
Construction of Redwing Reservoir:	\$600,000
Consultant and attorney's fees incurred in 2013 for acquisitions, water court filings, diligence and planning:	\$100,000
Earnest Money paid in 2013 for Camp Ranch and Water Rights	\$50,000
Construction of recharge facility on Camp Ranch	\$50,000
Attorney's fees for water court proceedings, transactions, SWSP's and Rule 14 plans, and permitting:	\$250,000
Engineering and consultant costs for due diligence on Camp Ranch water rights, water court proceedings to change the water rights, transactions and permitting:	<u>\$250,000</u>
Total:	\$3,100,000

** The District has paid \$50,000 in earnest money for the Camp Ranch which will reduce the total due at closing to the \$1.8 million shown here.

Pursuant to CWCB guidelines, a maximum of 90% of the total Project costs can be borrowed, which in this case would be a maximum loan amount of \$2.79 million dollars. With the 2.2 million dollar loan requested by the District, the District's contribution would be \$900,000, or 29% of the total project costs.

The District intends to apply for Arkansas Basin Roundtable grants for portions of the project and it is anticipated that the District will receive between \$250,000 and \$500,000 in grants. Additional project costs will be paid by the District from its reserves and free cash flow from its annual tax revenues, as discussed in Section 2 below. In addition, though the District is not including income generated from the sale of augmentation certificates to participants as income to serve as the basis for the repayment of the loan, because the District has an existing customer base that will be expanding, there will be revenue generated from plan operations. (See discussion at paragraph 2.5.8). This demonstrates the conservative assumptions that have been made in this feasibility analysis

Matching Funds. The District's 10% matching funds will easily be met through cash contributions from the District over time, even if grant funds are not available. For example, if the District receives \$250,000 in grants for the project, then its cash contribution over the life of the project would be \$450,000.00. If \$500,000 in grants are received, then the District's cash match would be approximately \$200,000.00.

The District can meet its cash match obligations either with or without grants because: (1) \$150,000 of the District cash contribution will be paid in 2013 from the District's existing funds and this is allocated to the \$50,000 down payment on the Camp Ranch closing and \$100,000 for engineering and attorney costs as itemized above; (2) \$600,000.00 of the project costs are allocated to the construction of the Reservoir and the

bulk of this expense will likely occur in 2014-2015 if the District proceeds to construct the reservoir in the short term. The District anticipates also constructing recharge pit(s) on the Camp Ranch property at a cost of approximately \$50,000, which structures could be used in the short run to provide the augmentation credits necessary to operate the SWSP and Rule 14 plans and to replace non-irrigation season return flows from the Camp Ranch water rights dry up. Thus, the District could postpone for several years the construction of the Redwing Reservoir which would provide time to save additional funds to contribute to this component of the Project's costs; and (3) substantial portions of the attorneys and engineering fees for the various project components will be paid over time in 2014 through 2016 as various components are completed.

In addition to the above sources of District contributions, an additional approximate \$50,000 is being contributed to the Project by the District through the land acquisition for the Redwing Reservoir site. A perpetual lease and easement for the Redwing Reservoir is being acquired by donation from a local property owner. In addition to the reservoir site, the landowner is granting the District easements for the pipelines to fill and drain the reservoir, and the right to use the existing Wilson Ditch headgate as the point of diversion. The District valued this component of the project at \$50,000 based on the following:

5 acres of donated land at \$1000 per acre	\$5,000
Value of easements for road and river access and pipelines	\$5,000
Value of headgate and point of diversion:	<u>\$40,000**</u>
Total:	\$50,000

** The District estimates the value of the headgate and point of diversion primarily utilizing the replacement cost approach. The District estimates it would cost approximately \$40,000 to obtain permitting for a new diversion point and constructing a new river diversion dam and headgate. If the District were forced to acquire the easements for the Redwing Reservoir site by eminent domain, the costs would be substantially in excess of the above estimated costs.

Loan terms for Option 1. The projected loan terms for Option 1 are as follows: \$2.2 million dollars in principal, a 2.25% fixed rate of interest and a 30 year amortization with a balloon payment due in 15 years. Attached in Appendix K is an amortization schedule for Option 1. The annual payment of principal and interest for the Option 1 loan will be \$101,638.55 and the balloon payment due in year 15 would be \$1,281,883.00.

The District has no other debt and the \$101,638 annual payment is 41.7% of the District's annual tax revenues. The debt/revenue ratios used in this analysis assume that the District's income will not increase at all from the 2013 baseline amount during the loan term even though the County's assessed valuation is at a relative historic low as discussed below in Section 2.5.3.

Pursuant to the CWCB loan guidelines, the District is required to accumulate the equivalent of one annual loan payment into a restricted reserve account over the first 10

years of the loan. The reserve requirement amounts to an additional \$10,164 per year to be deposited into the reserve account, thus total debt service, including the annual payment and the 10% contribution to the reserve account will amount to \$111,802 per year for the first ten years of the loan term. This leaves the District with free cash flow of approximately \$134,000 per year. This amount is sufficient for the District to conduct and fund its ongoing operations.

In addition, per the CWCB loan guidelines, the District is required to accumulate the equivalent of one annual loan payment into a restricted reserve account over the first 10 years of the loan. The reserve requirement amounts to an additional \$10,164 per year to be deposited into the reserve account, thus total debt service, including the annual payment and the 10% contribution to the reserve account will amount to \$111,802 per year. This leaves the District with free cash flow of approximately \$134,000 per year.

Ability to pay the balloon payment. During discussions with CWCB staff prior to submitting this loan application, the CWCB requested that the District demonstrate that it will have the ability to pay the balloon payment. At the end of the 15 year term, the balance due on the Loan will be \$1,281,883.00 (*See*, Appendix K).

At the present time, the District does not know what portion of the Camp Ranch property it will retain and what part may be capable of being sold to a third party. At a minimum, the District anticipates that it will need to retain rights to some acreage to ensure completion of the Water Court and 1041 permitting processes, and to construct and operate the recharge facilities. At some point in the future before the expiration of the 15 year loan term, however, it is likely that the District will be able to separate approximately 90% of the acreage (approximately 900 acres) for sale to third parties. Based upon discussions with area real estate brokers and ranchers, we expect that re-sale of portions of the property will generate between \$500,000 and \$600,000. The District proposes, if the CWCB approves Option 1, that the District will sell that portion of the Camp Ranch property determined by the District in the future to not be needed for operation of the Project and to pay the net proceeds generated from such sale to the CWCB as principal reduction on the Loan.

For purposes of this calculation, we will conservatively assume that a portion of the Camp Ranch is resold for \$500,000 by the District after seven years of regular loan payments. At that time, the principal balance on the loan would be \$1,809,450.00 and then would be further reduced to \$1,309,450 with the \$500,000 principal reduction payment. If the annual payment were kept at the original \$101,638.55 for the remaining 8 years of the 15 year term, the balloon payment due after 8 more annual payments would be \$684,457. With annual tax revenues of approximately \$244,000, the District expects to have no difficulty in refinancing the \$684,457 balance without compromising its financial position or other operations and that there will be no issue with fully paying the balloon payment by the due date.

Collateral. The District's 2.128 mills will generate \$243,601.00 in *ad valorem* revenue per year (based on the 2012 assessed valuation). The District proposes to pledge as

collateral for the loan unpledged general fund revenues equal to the annual loan payment, plus the 10% reserve account required by CWCB policies for years 1-10.

Option 2. As a second option, the District proposes that the CWCB approve a 2.2 million dollar loan, subject to the condition that the District will obtain voter approval in the November, 2013 election to extend the loan for a 30 year term.

The project budget, loan terms, annual payment, local matching contribution and collateral are the same as discussed above for Option 1 except there would be no balloon payment and no principal reduction payment if any portion of the Camp Ranch is re-sold as the loan would be repaid over the full 30 year term.

Option 3. As a third option, the District proposes to reduce the amount borrowed from the CWCB to 1.8 million dollars with a 15 year amortization. Option 3 would be used if the CWCB does not approve Option 1, and the voters do not approve Option 2. As discussed above in Option 1, the Project is still financially and technically feasible with Option 3 because the District will postpone the construction of the Redwing Reservoir for as long as required to raise the additional capital needed, and in-lieu of surface storage, will utilize the recharge facilities to be constructed within the Camp Ranch to meet non-irrigation season augmentation and irrigation return flow requirements.

Removal of the Redwing Reservoir from the Project reduces the total budget from 3.1 million dollars to 2.5 million dollars. With 1.8 million dollars in proceeds from the CWCB Loan, the District match from a combination of cash and grants would be approximately \$700,000, or 28%. As discussed above for Option 1, if the District does not receive grants as anticipated, the Project is still feasible with the 1.8 million dollar loan as the District will have adequate free cash flow from its tax revenues to fund the balance of the Project's costs.

With a 1.8 million dollar loan, a 2.25% annual interest rate and a 15 year amortization, the annual principal and interest payment would be \$142,719.34. A copy of the amortization schedule for Option 3 is attached as Appendix L. The annual payment for Option 3 would amount to 58.6% of the District's annual tax revenues. During years 1-10, the additional 10% escrow requirement would be \$14,272 for a total loan payment, including the escrow, of \$156,991.00. Though the 15 year amortization would require dedication of a larger share of the District's income than either Option 1 or Option 2, the District believes it can still operate effectively with the amount of free cash flow available under Option 3 and that a temporary postponement of construction of Redwing Reservoir will not impact the overall feasibility of the Project or the augmentation plan.

The collateral for Option 3 would be the same as for Option 1 and Option 2.

2.5.2. Additional Financing Sources. The District intends to apply for grants, primarily through the Arkansas Basin Roundtable and we have had substantive discussions with the Roundtable. As discussed in the Option 1 section above, the grants will be between \$250,000 and \$500,000. In addition, the District has had favorable

discussions with one local financial institution regarding borrowing for a portion of the project costs. The remainder of the costs will be paid by the District from its free cash flow.

2.5.3. Revenue and Expenditure Projections. In 2012, the voters of Huerfano County approved a 2.0 mill levy increase for HCWCD for the purposes of acquiring water rights and building storage facilities. The 2.0 mill levy increase was in addition to the 0.128 mills that were already authorized. Commencing in 2013, the District will receive \$243,601 per year in ad valorem tax revenues from its 2.128 mill levy. The District intends to place a referred measure on the 2013 ballot in November requesting that the District be “de-Bruced.” De-Brucing would allow the District to retain all revenues from any source regardless of the Tabor limitations. In addition, as discussed regarding Loan Option 2, at the November, 2013 election, the District will ask the voters for the authority to enter into 30 year loans.

It is anticipated that the Applicant will have additional revenues in future years from the sale of water under the augmentation plan; however, for purposes of this Loan Application, the District assumes that it will not be “de-Bruced” and that only the revenues generated by the 2.128 mills is available for repayment of the CWCBL Loan.

We have consulted with the Huerfano County Assessor and there was a decrease in the County’s assessed valuation from the 2010 high of \$132,000,000 to the 2012 assessed valuation of \$114,000,000. The reduction was primarily due to a reduction in the assessed value of the private prison. For loan repayment projection purposes, it is reasonable that the 2013 revenue of \$243,601 (based on 2012 assessed valuation) be used as a floor figure. It is probable that the County will experience increases in the assessed valuation in the future from the new wind farm and oil well drilling and production activity. Accordingly, though no specific increase in assessed valuation is calculated herein, future increases in the County’s assessed valuation will automatically result in an increase in the District’s tax revenues.

2.5.4. Loan Repayment Sources. Tax revenues generated from the District’s 2.128 mill levy on all taxable property in Huerfano County. The annual estimate of revenue is \$243,601.00.

2.5.5. Financial Impacts. The District is not a treated water provider nor does it have any debt. Loan repayment and Project feasibility is predicated upon the current annual revenues generated by the 2.128 mill property tax. No increase in the mill levy is anticipated. As discussed in Section 2.5.8 below, there will be revenues generated from the customers of the regional augmentation plan but those revenues are not included for loan repayment purposes.

2.5.6. TABOR (Taxpayer Bill of Rights) Issues.

In 2012, the voters of Huerfano County approved two ballot measures. The first was to authorize the mill levy increase by 2.0 mills for a total of 2.128 mills, which generates

\$243,601 in tax revenues each year. The second measure granted the District authorization to incur indebtedness up to a total of 3.0 million dollars, upon repayment terms to be negotiated by the District; subject, however, to the condition that the loan repayment terms could not exceed fifteen years.

As discussed above for Option 2, the District intends to place a question on the 2013 ballot requesting authorization to increase the borrowing term from 15 years to 30 years. If that request is not approved by the voters, then the Project will proceed under either Option 1 or Option 3.

2.5.7. Collateral. As discussed above for Options 1, 2 and 3, the collateral will be a pledge of unpledged tax revenues equal to the amount of the annual loan payment, including the 10% reserve payment during the first 10 years of the loan term.

2.5.8. Sponsor Creditworthiness. As discussed above, the District's 2.0 mill levy will generate a minimum of \$243,601 per year in revenues. The District has no debt and the County's assessed valuation is anticipated to be at a relative floor. Thus, it is not anticipated that there will be a reduction in annual tax revenues available to the District. In addition, the District has assumed for purposes of demonstrating its creditworthiness that revenues over the full loan term will not increase from the 2013 baseline.

The primary purpose of the Project is development of a regional augmentation plan for the Huerfano River Basin. Once the Project is completed, the District anticipates that additional revenues will be generated from the sale of shares in the augmentation plan and from leases of water.

For purposes of this loan application, and demonstration of economic feasibility, the District is not relying upon any revenue source other than the 2.128 mill property tax revenues. However, the District currently has 5 customers requiring approximately 10 acre feet of augmentation water per year. At current projected rate for sale of shares in the augmentation plan of \$20,000 per acre foot, the District will generate from its current customers in the SWSP approximately \$200,000 in revenues. In addition, the District will require all customers in the plan to pay a one-time application fee for admission into the plan and an annual administrative fee so that administrative costs of the plan are covered by the Project participants and are approximately revenue neutral to the District.

Due to revenue limitations, the District was not required by Colorado Law to conduct an annual audit of its finances. Thus, it does not have annual audit reports to provide with this Application. Attached in Appendix M are copies of the District's budgets for 2010 through 2013, a certification of tax revenues for 2013.

OPINION OF FEASIBILITY

There do not appear to be significant roadblocks that would keep the HCWCD from successfully completing this project. Based on our preliminary analysis, we believe that under the anticipated change of water rights and plan for augmentation it is feasible and reasonable: (1) to convert the Camp Ranch Water Rights from agricultural use to

augmentation and replacement purposes (including some continued irrigation on the Camp Ranch) for the regional plan for augmentation, (2) to quantify regional depletions and replacement requirements for participants in a standardized manner under the augmentation plan, (3) to construct the Camp Ranch Recharge Facility and the Red Wing Augmentation Pond, and (4) that sufficient quantities of augmentation water will be available from the Camp Ranch Water Rights by direct stream credits, accretions from the recharge facility, and by storage release (after exchanged into storage) to replace the augmentation plan depletions of participants in time quantity, and location. The benefit of this project is that all out-of-priority depletions for domestic, municipal, commercial, industrial, school, irrigation, and pond evaporation will be replaced in time, amount and location so as to prevent material injury to senior water rights.

APPENDIX A

Letter of support from Steve Witte



DEPARTMENT OF NATURAL RESOURCES

DIVISION OF WATER RESOURCES

John W. Hickenlooper
Governor

Mike King
Executive Director

Dick Wolfe, P.E.
Director/State Engineer

Steven J. Witte, P.E.
Division Engineer

July 18, 2013

Huerfano County Water Conservancy District
Kent Mace, President
P.O. Box 1213
LaVeta, CO 81055

Dear President Mace and District Board Members,

This is written in support of the District's application for a loan from the Colorado Water Conservation Board in order to acquire water rights and construct a reservoir needed to develop a regional augmentation plan for the Huerfano River basin.

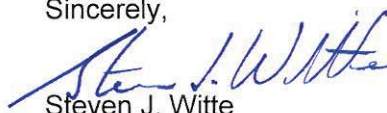
I have greatly appreciated the District's willingness to work with my office over the last several years to provide a temporary remedy for out of priority depletions caused by well pumping and direct withdrawals for construction and other purposes for the benefit of your constituents. Without the leadership and support of the District it is quite likely that it would have been necessary to restrict water usage by the community of Gardner and others in order to protect the interests of senior water right owners.

However, the recent drought which began in earnest in southern Colorado in 2011 has shown the necessity of owning a very senior water right to ensure the effectiveness of an augmentation plan and the need for storage to maintain return flow patterns and to extend the period of availability to provide reliable and more permanent replacement water for year round uses.

Undoubtedly your commitment to this enterprise placed a significant strain on District resources prior to the mill levy increase which Huerfano County voters approved in 2012, but now hopefully, with the backing of the Conservation Board, you will be able to complete measures necessary to secure present and future uses within the region.

I want to not only express my support to the District in its efforts to develop the regional augmentation plan, through the acquisition of senior water rights and storage, but to also provide my strong recommendation to the CWCB for favorable action on your loan and grant applications in order to help this greatly needed regional replacement plan become a reality. Without such a plan, the risk of curtailment of existing water users will continue to be present with the potential for great impact upon this community. If I can be of any further service to you in persuading members of the Conservation Board of the value of your regional augmentation project and its importance to Huerfano County, I will be pleased to do so. And, please feel free to use this letter for that purpose, if you think it will be helpful.

Sincerely,


Steven J. Witte
Division Engineer, Div.2

Water Division 2 • Pueblo

310 E. Abriendo Ave., Suite B • Pueblo, CO 81004 • Phone: 719-542-3368 • Fax: 719-544-0400

www.water.state.co.us

APPENDIX B

Camp Ranch Water Rights

Camp Ranch Water Rights

The Camp Ranch water rights are located in Huerfano County, Colorado, and diverted out of the Huerfano River, tributary to the Arkansas River, in Water Division 2, State of Colorado. The Camp Ranch Water Rights are further described as follows:

The William Craig Ditch: Camp Ranch owns an undivided $\frac{6}{7}$ ths of the William Craig Ditch which was adjudicated for 2.4 c.f.s. to irrigate 120 acres under the Huerfano River Priority No. 7.

The Jose Maria Ditch: The Camp Ranch owns an undivided $\frac{1}{3}$ interest in the Jose Maria Ditch which was adjudicated for 0.24 c.f.s. to irrigate 12 acres under Huerfano River Priority No. 51.

Mapes Well No. 1: Mapes Well No. 1 was permitted by the division of Water Resources as Registration No. 14474-R and decreed on May 10, 1974 by the District Court for Water Division 2 in Case No. W-2931 for the diversion of 1.0 c.f.s. for irrigation purposes with an appropriation date of June 22, 1950.

The existing domestic well for the improvements upon the Camp Property is included with the Camp Ranch Water Rights.

APPENDIX C

HCWCD Decree – Civil Action Case No. 4288

IN THE DISTRICT COURT
IN AND FOR THE COUNTY OF HUERFANO AND
STATE OF COLORADO

Civil Action No. 4288

IN THE MATTER OF THE)
)
HUERFANO COUNTY WATER) FINDINGS, JUDGMENT AND DECREE.
)
CONSERVANCY DISTRICT)

This matter coming on to be heard September 27, 1971, upon petition for creation and organization of the Huerfano County Water Conservancy District, and the Court having examined the files herein, having heard testimony herein, and having heard statements of counsel, and having afforded all persons present at said hearing an opportunity to be heard in this matter, and now being fully advised in the premises,

FINDS:

That notice of hearing on the petition requesting the organization and formation of the Huerfano County Water Conservancy District was given in the manner and form prescribed by law;

That the petition for organization of the district has been signed and presented in conformity with Chap. 150, Art. 5, Colorado Revised Statutes 1963, as amended, known as the Colorado Water Conservancy Act;

That as certified by the County Treasurer of Huerfano County, Colorado, more than 25 per cent of the owners of

irrigated lands to be included in the district, having an assessed value of more than \$1,000.00, but not embraced within the incorporated limits of any city or town, signed the petition; that more than five per cent of the owners of non-irrigated land, having an assessed value of more than \$1,000.00, signed the petition; that more than five per cent of the owners of lands, having an assessed value of more than \$1,000.00, embraced in the incorporated limits of the City of Walsenburg, and town of La Veta, being the only incorporated municipalities in the County of Huerfano, with populations under 25,000, signed the petition;

That the irrigated land within the boundaries of the district, together with improvements thereon, has an assessed valuation of less than \$20,000,000.00,

That no objections were filed herein, or presented in open court, objecting to the organization and incorporation of the District; that the allegations of the petition are true; that the Court has jurisdiction of this matter; therefore

IT IS ORDERED, ADJUDGED AND DECREED That the Huerfano County Water Conservancy District is hereby organized, established and incorporated under said corporate name; that said District shall be comprised of all of the real property, situated within the boundaries of the County of Huerfano, State of Colorado, excepting and excluding therefrom the following real property:

Township 25 South, Range 63 West

All those portions of Sections 19, 27, 20 and 26 south of the County line.

Township 25 South, Range 64 West

All those portions of Sections 14, 15, 23 and 24 south of the County line.

NE/4 Section 22.

Township 25 South, Range 65 West

All those portions of Sections 2 and 3 south of the County line.

SE/4 SW/4, SE/4 NE/4, SE/4 Section 9.
NW/4, NW/4 NE/4 Section 10.
NW/4 SW/4, NW/4 Section 16.
S/2 S/2 Section 19.
SW/4, SW/4 NW/4, W/2 NE/4, E/2 NW/4 Section 20.
N/2, N/2 SW/4 Section 30.
SE/4, SE/4 NE/4 Section 17.

Township 25 South, Range 66 West

Section 25.
N/2 N/2 Section 36.
SE/4 Section 24.

Township 25 South, Range 65 West

S/2 Section 10
S/2, S/2 N/2, NE/4 NW/4, N/2 NE/4 Section 11
Pt. of NW/4 NE/4, NW/4 NW/4, NE/4 NW/4, S/2 NE/4, SE/4 NW/4
Section 12.
All Section 14
E/2 NE/4, SE/4 Section 20
All of Section 21
N/2 Section 23
SW/4 SW/4 Section 26
N/2, SW/4, W/2 SE/4 Section 27
N/2, SW/4, N/2 SE/4 Section 28
E/2 SE/4, SW/4 SE/4, SE/4 SW/4, N/2 NE/4, SW/4 NE/4,
NE/4 NW/4 Section 29
S/2 SW/4 Section 30
W/2, W/2 SE/4, SE/4 SE/4, NE/4 SE/4, Section 31
W/2 W/2, NW/4 SE/4 Section 32

Township 25 South, Range 66 West

NE/4 SW/4 Section 24

S/2 SE/4 Section 33

S/2 SE/4, W/2 SW/4, SW/4 NW/4, SE/4 NW/4, E/2 SW/4,

N/2 SE/4 Section 34

SW/4 SW/4 Section 35

Township 26 South, Range 65 West

N/2, NW/4 SE/4, NE/4 SW/4 Section 6

Township 26 South, Range 66 West

N/2 N/2 Section 1

IT IS FURTHER ORDERED, ADJUDGED AND DECREED That the following territories within the District are designated and established as Director Districts for the appointment of directors of said district;

Director District No. 1 - the territory within the incorporated limits of the City of Walsenburg,

Director District No. 2 - the territory within the incorporated limits of the Town of La Veta,

Director District No. 3 - the territory within the District irrigated by ditches taking water from the Cucharas River and its tributaries,

Director District No. 4 - the territory within the District taking water from the Huerfano River and its tributaries,

Director District No. 5 - the territory within the District irrigated by ditches taking water out of reservoirs having decrees for the storage of water,

One director resident within each of said Director

Districts to be appointed and to serve on the Board of Directors of the District.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED That 500 Main Street, Walsenburg, Colorado, is designated as the place where the office or the principal place of business of the District shall be located.

IT IS FURTHER ORDERED, ADJUDGED AND DECREED That said Huerfano County Water Conservancy District shall be a political subdivision of the State of Colorado, and body corporate with all the powers of a public or municipal corporation, and as provided by law.

Done in Open Court, this 27th day of September, A. D. 1971.

BY THE COURT:

Albert J. Tomsic
Albert J. Tomsic
District Judge

APPENDIX D

HCWCD Bylaws

**BYLAWS OF THE
HUERFANO COUNTY WATER CONSERVANCY DISTRICT**

**ARTICLE ONE
OFFICES**

The principal office of the District shall be located at 775 County Road 103, Walsenburg, Colorado 81089. The District may have such other offices as the board of directors may determine from time to time.

**ARTICLE TWO
BOARD OF DIRECTORS AND OFFICERS**

SECTION 1. General Powers. The affairs of the district shall be managed by its board of directors. Directors must be residents and owners of real property within the district for which they represent as defined in the District's Decree, Huerfano County Civil Action No. 4288.

SECTION 2. Number, Tenure, and Qualifications. The number of directors shall be five appointed by the District Court in and for the County of Huerfano, State of Colorado, in accordance or compliance with the decree organizing the district, the District Court shall also fill vacancies on the board as provided in 37-45-114 C.R.S. as amended.

SECTION 3. Regular Meetings. The regular meetings of the board of directors shall be held with notice on the last Monday of each month. The time and place of the meetings may be set by the board from time to time. Directors may provide, the time and place for holding additional regular meetings with notice.

SECTION 4. Special Meetings. Special meetings of the board of directors may be called with notice by or at the request of the president or any three directors, and shall be held at the principal office of the district or at such other place as the directors may determine.

SECTION 5. Notice. Notice of any special meeting of the board of directors shall be given at least three days previously thereto by notice delivered personally or sent by mail, telephone, fax or e-mail, to each director at his address as shown by the records of the district. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. The business to be transacted at the meeting need not be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these bylaws.

SECTION 6. Quorum. A majority of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board; but if less than a majority of the directors are present at any meeting, a majority of the directors present may adjourn the meeting.

SECTION 7. Board Decisions. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law or by these bylaws. On questions of procedure not covered by these bylaws, Roberts' Rules of Order shall govern.

SECTION 8. Organization of the board of Directors.

(1) Before entering upon his official duties, each director shall take and subscribe to an oath before an officer authorized to administer oaths, that he will support the Constitution of the United States and of the State of Colorado, and will honestly, faithfully, and impartially perform the duties of his office, and that he will not be interested directly or indirectly in any contract let by said district, which oath shall be filed in the office of the clerk of said court in the original case.

(2) Upon taking the oath, the board shall choose one of their number chairman of the board and president of the district, and shall elect from the board a vice chairman who shall also be the vice-president, and shall elect some suitable person as secretary of the board and of the district, who may or may not be a member of the board. The secretary shall serve as treasurer of the district,

unless a treasurer is otherwise provided for by the board. Such board shall adopt a seal and shall keep in a well-bound book a record of all of its proceedings, minutes of all meetings, certificates, contracts, bonds given by employees, and all district acts which shall be open to inspection of all owners of property in the district, as well as to all other interested parties.

(3) Each member of the board shall receive as compensation for their service; such sum as shall be ordered by the court, not in excess of one-thousand two-hundred dollars per annum, or payable monthly, or annually, at the discretion of the board; and necessary traveling expenses actually expended while engaged in the performance of his/her duties. *Directors may be compensated for attendance of regularly scheduled meetings only.*

SECTION 9. Employment of Agents. The secretary shall be custodian of the records of the district and its seal, and shall assist the board in such particulars as it may direct in the performance of its duties. The secretary shall attest, under the seal of the district, all certified copies of the official records and files of the district that may be required by this article, or by any person ordering the same and paying the reasonable cost of transcription, and any portion of the record so certified and attested shall prima facie import verity. The board may also employ a chief engineer who may be an individual, partnership, or corporation; an attorney and such other engineers, attorneys, and other agents and assistants as may be necessary; and may provide for their compensation which, with all other necessary expenditures, shall be taken as part of the cost of operation of the district. The secretary and treasurer and such other agents or employees of the district as the court may direct, shall furnish corporate surety bonds at the expense of the district, in amount and form fixed and approved by the court, conditioned upon the faithful performance of their respective duties.

ARTICLE THREE COMMITTEES

SECTION 1. Committees of Directors. The board of directors, by resolution adopted by a majority of the directors in office, may designate one or

more committees, each of which shall consist of two or more directors, which committees, to the extent provided in such resolution, shall have and exercise the authority of the board of directors in the management of the district; but the designation of such committees and the delegation thereto of authority shall not operate to relieve the board of directors, or any individual director, or any responsibility imposed on it or him by law.

SECTION 2. Consultants. The board of directors shall have the power to appoint consultants to the board who shall serve at the pleasure of the board and shall receive such compensation, and travel expense as the board from time to time deems proper.

SECTION 3. Other Committees. Other committees not having and exercising the authority of the board of directors in the management of the district may be designated by the president of the district. Except as otherwise provided in such resolution, members of each such committee shall be members or consultants to the district, and the president of the district shall appoint the members thereof. Any member thereof may be removed by the person or persons authorized to appoint such member whenever in his or their judgment the best interests of the district shall be served by such removal.

ARTICLE FOUR CONTRACTS, CHECKS, DEPOSITS, AND GIFTS

SECTION 1. Contracts. The board of directors may authorize any officer or officers or agent or agents of the district, in addition to the officers so authorized by these bylaws, to enter into any contract or execute and deliver any instruments in the name of and on behalf of the district, and such authority may be general or may be confined to specific instances.

SECTION 2. Checks, Drafts, or Orders. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the District, shall be signed by such officer or officers or agent or agents of the district, and in such manner as shall from time to time be determined by resolution of the board of directors. In the absence of such determination by the board of directors, such instruments shall be signed by the treasurer or an

assistant treasurer and countersigned by the president or a vice president of the district.

SECTION 3. Gifts. The board of directors may accept on behalf of the district any contribution, gift, bequest, or devise for any purpose of the district.

ARTICLE FIVE BOOKS AND RECORDS

The district shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, board of directors and committees having and exercising any of the authority of the board of directors; and shall keep at the principal office a record giving the name and addresses of the directors, consultants, agents and employees. All books and records of the district may be inspected by any director, or his agent or attorney, for any proper purpose at any reasonable time.

ARTICLE SIX FISCAL YEAR

The fiscal year of the district shall be the calendar year.

ARTICLE SEVEN AMENDMENT OF BYLAWS

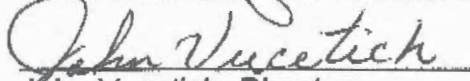
These bylaws may be altered, amended, or repealed, and new bylaws may be adopted by a majority of the directors present at any regular meeting or at any special meeting, if at least 30 days written notice is given of intention to alter, amend, or repeal or to adopt new bylaws at such meeting.

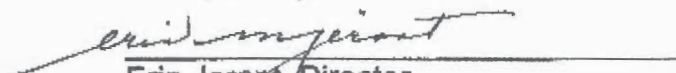
APPROVED this 24th day of January, 2005, A.D.


Raymond Harriman, President


Dawson Jordan, Vice-President


Ray Ryan, Director


John Vucetich, Director


Erin Jerant, Director

APPENDIX E

Camp Ranch Purchase Agreement

RANCH AND WATER RIGHTS PURCHASE AGREEMENT

This Water Rights Purchase Agreement is entered into this 18th day of July, 2013 between Roxie L. Camp Revocable Trust and Len L. Camp Revocable Trust, (collectively, "Seller"), and the Huerfano County Water Conservancy District, ("Purchaser").

RECITALS

A. Seller is the owner of the following water rights in Huerfano County, Colorado, and diverted out of the Huerfano River, tributary to the Arkansas River, in Water Division 2, State of Colorado (hereinafter the "Water Rights"):

The William Craig Ditch: Seller owns 6/7ths of the Wilson Craig Ditch which was adjudicated for 2.4 c.f.s. to irrigate 120 acres under Huerfano River Priority No. 7.

The Jose Maria Ditch: Seller owns a 1/3 interest in the Jose Maria Ditch which was adjudicated for 0.24 c.f.s. to irrigate 12 acres under Huerfano River Priority No. 51.

Mapes Well No.1 permitted by the Division of Water Resources as Registration No. 14474-R and decreed on May 10, 1974 by the District Court for Water Division 2 in Case No. W-2931 for the diversion of 1.0 cfs for irrigation purposes with an appropriation date of June 22, 1950.

The existing domestic well for the improvements upon the Camp Property is included within the Water Rights.

B. Seller is the owner of approximately 997.70 acres of land located within Huerfano County, Colorado more particularly described in Exhibit A attached hereto and incorporated by this reference (hereinafter referred to as the "Camp Property").

C. The Water Rights historically irrigated lands within the Camp Property.

D. Purchaser is interested in acquiring the Camp Property and the Water Rights and the Seller is willing to sell such property to Purchaser under the terms and conditions of this agreement.

NOW, THEREFORE, in consideration of the above recitals, the terms and provisions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Purchase and Sale. Seller hereby agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, the Camp Property and the Water Rights. The conveyance of the Camp Property to Purchaser will include all sand and gravel and all property improvements currently existing as of the time of this Agreement, including but not limited to buildings, sheds,

structures, piping, pumps, wells, pivot sprinklers, flumes, meters, electrical equipment, fencing, and any and all other personal property associated with ranching operations except vehicles and farm machinery. The conveyance of the Water Rights to Purchaser includes the Seller's property interest in the use and ownership of the existing diversion structures, easements and appurtenances and all other water and water rights, including groundwater and surface water, that are appurtenant to or associated with the Camp Property. Seller will retain the oil and gas and mineral rights and the oil and gas and mineral rights will be expressly reserved by Seller in the General Warranty Deed conveying title of the Camp Property to Purchaser.

2. Purchase Price. The purchase price for the Camp Property and the Water Rights shall be \$1,850,000.00. The purchase of the Camp Property and the Water Rights will occur at the Closing as set forth in paragraph 2.B below.

A. Earnest Money. An earnest money deposit of \$50,000 shall be paid into an escrow account established by the parties with said amounts to be paid out and used in accordance with the terms of this Agreement. The earnest money deposit shall secure the Purchaser's faithful performance of this Agreement and shall be credited towards the purchase price due hereunder at the Closing.

B. Closing. The remaining purchase price shall be paid by Purchaser to Seller in certified funds at the time of closing. The Closing will be held in Colorado Springs, Colorado on a date mutually agreeable between the parties within thirty (30) days following conclusion of the Purchaser's due diligence deadline.

3. Representations of Seller. Seller warrants and represents as follows at the time of this Agreement and closing:

A. Seller is the owner of the Water Rights and the Camp Property free and clear of all liens, claims, leases, tenancies, and encumbrances.

B. Seller has not intended to abandon the Water Rights during its ownership and no such abandonment has been caused by Seller, nor to Seller's knowledge, during the ownership of any of Seller's grantors or predecessors in interest.

C. There is no existing or threatened litigation, condemnation action or administrative proceeding pending or threatened against or affecting the ownership or use of the Water Rights or any portion thereof which may have an adverse effect on the value, use, or title to the water rights by the Purchaser.

D. Execution of this Agreement will not result in the breach of any of the terms and conditions of or constitute a default under any mortgage, lease, encumbrance or any agreement or instrument to which Seller is party or to which Seller is bound.

E. Seller is not aware of any dispute with any co-owners of the Water Rights regarding ownership or use of the Water Right nor of any claims by said co-owners or any other party for adverse possession of all or any part of the Water Rights.

F. Seller has used the water rights for irrigation of not less than 102.85 acres under the historical William Craig Ditch within the Camp Property.

4. Conditions to Sales Agreement/Due Diligence. This Agreement shall be subject to the following conditions, the exercise of which by Purchaser will terminate the Agreement and release both Purchaser and Seller from all future obligations hereunder. Upon any such termination, all earnest money paid by Purchaser, except as may be governed by Paragraph 4.A, shall be returned to Purchaser and the parties shall be placed back in their original positions prior to entering into this Agreement. Any expenditures by Purchaser as part of its due diligence shall not be refundable if the Agreement is terminated, except that reimbursement owed under Paragraph 5.C. shall be owed in all events.

A. Within fifteen (15) calendar days after execution of the Purchase and Sale Agreement, Seller shall provide Purchaser with all information and material regarding the Camp Property and the Water Rights, in Seller's possession, including, but not limited to copies of all contracts, assessments, decrees, claims, court orders, title abstracts, water commissioner correspondence, deeds, title documents, leases, diversion records, irrigation records, crop records, engineering reports, surveys, maps, or aerial photography. Purchaser shall have a period ("***Due Diligence Period***") of one-hundred and fifty (150) calendar days, beginning upon the later of the Water Rights Title Objection Deadline or the Water Rights Title Resolution Deadline, at its expense to review and examine the Camp Property, Water Rights, and associated information, during which time Purchaser shall have access to the Property, including structures, historical irrigated areas, existing reservoirs or storage ponds, diversion structures, pumping facilities, and ditch rights-of-way for onsite investigations and testing, including the drilling of test holes and installation of piezometers for the purpose of determining water table and alluvial aquifer characteristics and conditions, potential dry-up acreage, and other factors. Within the 150-day Due Diligence Period, Purchaser may terminate this contract for any reason in Purchaser's discretion. Upon such termination as result of the Purchaser's good faith concerns that its estimated historical consumptive use yield of the Water Rights under the William Craig Ditch, based on its legal and/or engineering analysis within the Due Diligence Period, is less than a reasonably expected yield typically equated with a full and legal beneficial use of the Water Rights under the William Craig Ditch upon its entire historically irrigated property, the full Earnest Money Deposit will be refunded to Purchaser. The full Earnest Money Deposit shall also be refunded to the Purchaser in the event that Purchaser's loan application to the Colorado Water Conservation Board for the purchase monies under this Contract is not approved within the Due Diligence Period upon terms and conditions acceptable to Purchaser. In any other event of termination under this paragraph, except for good cause as a result of deficiencies in the property (i.e. environmental contamination, boundary disputes, lack of public access, etc.), the Earnest Money Deposit shall be returned to Purchaser less the sum of \$10,000 that will be retained by Seller. The \$10,000 that may be retained by Seller is to compensate Seller for the

period of time that its property was kept off of the market for sale to another party. The full Earnest Money Deposit shall be returned to Purchaser in the event of termination for good cause due to deficiencies in the property as discussed above. The 150-day Due Diligence Period may be extended as provided in 7.A and 7.B below in the event title issues exist for the Camp Property and Water Rights. To facilitate Purchaser's evaluation of the Water Rights and dry-up issues, Seller agrees to cease irrigation of the Camp Property promptly at Purchaser's request. Any hay crop generated from irrigation during 2013 will belong solely to Seller.

5. Title.

A. Title to Camp Property. At the Closing, title to the Camp Property shall be conveyed to Purchaser by general warranty deed free and clear of any and all liens and/or encumbrances. Seller shall be required to provide a title insurance commitment as to merchantable title to the Camp Property within fifteen (15) days of contract date. Purchaser will have fifteen (15) days after receipt of title commitment to object to title, or title for the Camp Property will be deemed to be accepted. In the event Purchaser objects to any portion of the title of the Camp Property, then it shall provide Seller with written notice detailing such objections and Seller shall have thirty (30) days in which to cure the objectionable title issues or this Agreement will terminate and the Earnest Money Deposit shall be refunded to Purchaser. In the alternative, Purchase may upon notice to Seller waive the title defects and proceed under this Contract. If Purchaser objects to the title of the Camp Property and Seller cures such issues, then the Purchaser's due diligence deadline will be extended from the 150 days specified above by the number of days from the date of Purchaser's notice of title defect through the date of Purchaser's acceptance of Seller's cure of the title objections or Purchaser's waiver of the title defects.

B. Title to Water Rights. Title to the Water Rights shall be conveyed by special warranty deed at the Closing free and clear of all liens and encumbrances. Purchaser's water rights counsel shall within 60 days from the mutual execution of this Contract provide Purchaser with an attorney's title opinion regarding merchantable title to the Water Rights. A copy shall be provided to seller. Purchaser will have fifteen (15) days after receipt of the title opinion to object to title or the title for the Water Rights will be deemed to be acceptable ("the Water Rights Title Objection Deadline"). In the event Purchaser deems the title to be unacceptable, then on or before the Water Rights Title Objection Deadline, it shall provide Seller with written notice detailing such objections and Seller shall have thirty (30) days to correct the deficiencies in title ("Water Rights Title Resolution Deadline"), or the contract shall be terminated and the Earnest Money Deposit shall be refunded to Purchaser. In the alternative, Purchase may upon notice to Seller waive the title defects and proceed under this Contract. If Purchaser objects to the title of the Water Rights and Seller cures such issues, then the Purchaser's due diligence deadline will be extended from the 150 days specified above by the number of days from the date of Purchaser's notice of title defect through the date of Purchaser's acceptance of Seller's cure of the title objections or Purchaser's waiver of the title defects.

C. Reimbursement for Water Rights Title Opinion. Seller shall reimburse Purchaser for the actual costs and legal fees in providing the water rights title opinion, with reimbursement for the legal fees not to exceed \$15,000.00. Said reimbursement shall be paid by Seller within 15 days of invoice as the work proceeds.

6. Condition of Property. Except as may be set forth in writing in this Agreement, the Seller and its agents have not made and do not make any representations, warranties or guarantees as to the physical or legal condition of the Water Rights, their suitability for Purchaser's desired or intended uses, water quality, or any other matters. Purchaser is not relying upon any statement, warranties, guarantees, or representations made by the Seller, or its agents not expressly stated in this Agreement. Purchaser hereby expressly acknowledges that no representations or warranties outside of this Agreement have been made to it. All such matters concerning the Water Rights shall be independently investigated and verified by Purchaser, and Purchaser acknowledges that Purchaser's purchase of the Water Rights is based upon its own investigations, inspections, examinations and opinions.

7. Cooperation. The parties shall cooperate with one another in good faith to accomplish the investigation and purchase of the Water Rights and the Camp Property as contemplated by this Agreement and to otherwise fulfill the terms of this Agreement. Seller further agrees to aid and assist Purchaser, both prior to closing and after, in the processing of the Water Court application as may reasonably be necessary including issues on the historical operations and practices in the use of the Water Rights, and Seller shall be reimbursed its reasonable out-of-pocket expenses incurred in rendering such aid and assistance.

8. Purchaser to determine entities to receive title. Purchaser may elect at or prior to closing which of Purchaser's entities will be conveyed title to the Water Rights and the Camp Property.

9. Possession. Following the Closing, except for Seller's rights to the cutting of any the hay crop pursuant to Paragraph 6.A above, Purchaser will have sole possession of the Camp Property and the Water Rights.

10. Access for Mineral Rights. Access and use by Seller upon the Camp Property for purposes of the retained oil, gas, and mineral rights shall not damage or impair any improvements to the property and shall consist of reasonable access and use to be coordinated with the owner of the property with the objective of minimizing the impact to the property while still allowing the use and benefit of the reserved minerals. These provisions shall be included in the reservation of the mineral rights within the Warranty Deed to the Camp Property by Seller to Purchaser.

11. Default. If any payment due hereunder is not paid, honored or tendered when due, or if any other obligation hereunder is not performed as herein provided, and if any such nonmonetary noncompliance is not cured within 20 days of written notice, then such party shall be in default and there shall be the following remedies.

A. If Purchaser is in default, then Seller may elect to (i) treat this Agreement as terminated, in which case \$50,000 of the earnest money deposit shall be retained as liquidated damages, or (ii) treat this Agreement as being in full force and effect and Seller shall have the right to an action for damages. Seller expressly waives the remedy of specific performance.

B. If Seller is in default, then Purchaser may elect to (1) treat this Agreement as terminated, in which case all payments and things of value recited hereunder shall be returned to Purchaser and Purchaser may recover such damages as may be proper, or (2) treat this Agreement as being in full force and effect and Purchaser shall have the right to specific performance or damages, or both.

12. Notices. All notices or other communications given or made hereunder shall be deemed given or made if delivered by hand or deposited in the United States mail, certified or registered, addressed to the other party at its address as set forth below, or at such other address as each party may indicate by notice given hereunder:

Seller: Roxie L. Camp and Len L. Camp Revocable Trusts
Attn: Roxie L. Camp and Len L. Camp, Trustees
550 Spears Avenue,
Evansville, Wyoming, 82636

Purchaser: Huerfano County Water Conservancy District
Attn: Kent Mace, President
P.O. Box 1213
La Veta, Colorado, 810551055

13. Entire Agreement. This Agreement represents the entire agreement of the parties with respect to the subject matter covered herein. All negotiations, consideration, representations and understandings between the parties are incorporated and merged herein. This Agreement may be modified or altered only by the parties' written agreement.

14. Broker's Commission. Purchaser warrants that it has not retained any real estate broker or real estate agent that would be due a commission or other fee as a result of the closing of this transaction and agrees to indemnify Seller against any such claims. Seller warrants that they have not retained any real estate broker or real estate agent that would be due a commission or other fee as a result of the closing of this transaction and Seller agree to indemnify Purchaser against any such claims.

15. Attorney's Fees. In the event of any dispute between the parties concerning this Agreement or in the event of any action to enforce this Agreement or to collect damages on account of any breach of the obligations provided for herein, the prevailing party shall be entitled to recover from the other party, all costs and expenses, including reasonable attorneys' fees, incurred in such litigation as well as all additional costs of enforcing and collecting any judgment

rendered in such action.

16. Governing Law/Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado. Proper venue shall be in the District Court of Huerfano County, Colorado.

17. Survival of Provisions. The provisions of this Agreement shall be deemed to survive the closing and conveyances to be delivered pursuant to the terms of this Agreement.

18. Severability. Unenforceability of any provision contained in this Agreement shall not affect or impair the validity of any other provision of this Agreement so long as the primary purpose(s) of this Agreement remain effectuated thereby.

19. Time is of the Essence. Time is of the essence in the performance of the parties obligations hereunder.

20. Authority. All parties to this Agreement represent that they have the full power and authority to enter into and perform this Agreement, and when executed and delivered this Agreement shall constitute the valid and binding obligation of the parties enforceable in accordance with its terms.

21. No Third Party Beneficiary. This Agreement shall be for the sole benefit of the parties hereto, and no other party is entitled to have any rights or benefits by reason of this Agreement as a third party beneficiary or otherwise.

22. Effective Date. The effective date of this Agreement shall be the last date signed by Seller or Purchaser.

23. Binding Effect. The covenants, agreements and obligations herein contained shall extend to, bind and inure to the benefit not only of the parties hereto but their respective personal representative, heirs, successors and assigns.

24. Term of Offer. Purchaser's offer to purchase the Camp Property and Water Rights under the terms of this Contract shall expire at 5:00 p.m. on July 18, 2013, unless accepted prior to that time by Seller's signature hereto with notice of such acceptance provided to Purchaser as evidenced by a copy of the fully signed Contract.

25. Counterparts. This Agreement may be executed in counterparts.

26. Existing Ranch Manager. The Camp Property and Water rights are currently managed and operated by the Seller's ranch manager, Bud Adams. Upon closing Purchaser will likely need a ranch manager in place for the operation and preservation of the property. The Seller has been very satisfied with the ranch management by Mr. Adams, and Purchaser, without an obligation to retain Mr. Adams as the ranch manager, agrees to give due consideration to continuing Mr. Adams as the ranch manager for Purchaser.

THIS AGREEMENT is executed the date and year set forth above.

SELLER:

Roxie L. Camp Revocable Trust

By: _____
Roxie L. Camp, Trustee

Len L. Camp Revocable Trust

By: _____
Len L. Camp, Trustee

PURCHASER:

Huerfano County Water Conservancy
District

By: Kent Mace, PRESIDENT
Kent Mace, President

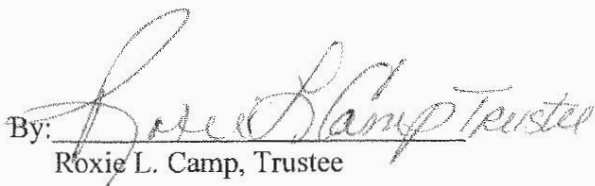
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THIS AGREEMENT is executed the date and year set forth above.

SELLER:

Roxie L. Camp Revocable Trust

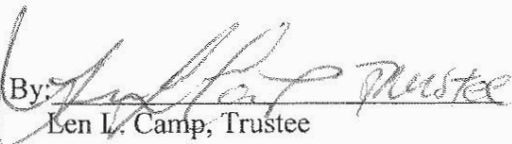
By: 
Roxie L. Camp, Trustee

PURCHASER:

Huerfano County Water Conservancy
District

By: _____
Kent Mace, President

Len L. Camp Revocable Trust

By: 
Len L. Camp, Trustee

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EXHIBIT

tabbles

A

Parcel A:

Township 26 South, Range 67 West of the 6th P.M., Huerfano County, Colorado

Section 29: W/2SESW, SWSW

Section 30: SESE

Section 31: A tract of land in the E/2 more particularly describes as follows: Point of beginning is the NE corner of said Section 31; thence North 89°52' West a distance of 1505 feet; thence South 0°32' West a distance of 3,430 feet; thence South 63°30' East a distance of 540 feet; thence South 0°32' West a distance of 1,650 feet; thence South 89°52' East a distance of 1,020 feet said point being the SE corner of Section 31; thence 0°32' East a distance of 5,280 feet to the point of beginning.

Section 32: SWNW, W/2SESW, SW, NWNW, W/2NENW

Parcel B

Township 26 South, Range 67 West of the 6th P.M., Huerfano County, Colorado

Section 31: A tract of land in the E/2 more particularly described as follows: Point of beginning is the North Quarter corner of said Section 31; thence South 89°52' East, a distance of 1135 feet; thence South 0°32' West, a distance of 3430 feet; thence South 63°30' East, a distance of 540 feet; thence South 0°32' West, a distance of 1650 feet; thence North 89°52' West, a distance of 1620 feet; thence North 0°32' East, a distance of 5280 feet to the point of beginning.

Section 31: W/2, except a tract of land in the NW of said Section 31, described as follows; Beginning at the northwest corner of said Section 31; thence East 1727 feet; thence South 48° West, 2670 feet; thence North 1890 feet to the point of beginning

APPENDIX F

William Craig Ditch Decree

No. Six. - Wm. Craig Ditch: That said ditch is entitled to priority No. 7, and is claimed by Nathan Hughes and O. J. Kimball; it is supplied with water from the Kougafang river; the head-gate is located on Section 31. Twp. 26 S. R. 67 W. and 120 acres of land are irrigated therefrom. And it is hereby adjudged and decreed, that there be allowed to flow into said ditch from said river, for the purpose of irrigation, for the benefit of the parties lawfully entitled thereto, under and by virtue and priority of appropriation No. 7, a sufficient amount of water to irrigate 120 acres of land, computed at 2.40 cubic feet per second of time.

No. Seven. Pedro Gomez Ditch: That said ditch is entitled to priorities Nos. 10 and 45, and is claimed by Pedro J. Gomez, Henry B. Jones, Franz S. Moutch, and William L. Proffitt; it is supplied with water from the Kougafang river; the head-gate is located on NW 1/4 SE 1/4 Sec. 26. Twp. 26 S. R. 67 W. and 75 acres of land are irrigated therefrom. And it is hereby adjudged and decreed that there be allowed to flow into said ditch from said river, for the purpose of irrigation, for the benefit of the parties lawfully entitled thereto, under and by virtue of priority of appropriation No. 10, a sufficient amount of water to irrigate 16 acres of land, computed at .32 of a cubic foot per second of time; and that there be further allowed to flow into

APPENDIX G

Jose Maria Ditch Decree

- No. 43. ✓ Jaques Ditch, original appropriation
May 3rd 1871
- No. 44. ✓ Meadow Ditch, original appropriation
May 15th 1871
- No. 45. ✓ ~~Old~~ ^{New} Horns Ditch, first enlargement, June 11 1871
- No. 46. ✓ Bradford & Swire Ditch, original appropriation
June 6th 1871
- No. 47. ✓ Bradford & Swire Ditch, first enlargement
May 1st 1872
- No. 48. ✓ Wilson Ditch, original appropriation
May 20th 1872
- No. 49. ✓ Gimlet Ditch, original appropriation
June 8th 1872
- No. 50. ✓ Medina alias Filipa alias Karango &
Archuleta Ditch, appropriation by
construction of lateral, May 1st 1873.
- No. 51. ✓ Joas Maria Ditch, original appropriation
May 1st 1873
- No. 52. ✓ Ojo Ditch, original appropriation
May 25th 1873
- No. 53. ✓ Spier web Ditch, original appropriation
April 24th 1873
- No. 54. ✓ Dens Pioneer Ditch, original appropriation
June 15th 1874
- No. 55. ✓ Meas y Company Ditch, original appropriation
June 15th 1874
- No. 56. ✓ Palmer Ditch, first enlargement,
April 1st 1875
- No. 57. ✓ South Side Ditch, original appropriation
April 10th 1875
- No. 58. ✓ Lincoln Ditch No. 1, original appropriation
June 1st 1875
- No. 59. ✓ Lincoln Ditch No. 2, original construction
June 1st 1875.

No. Forty. Jose Maria Ditch: That said ditch is entitled to priority No. 51, and is claimed by Jose Maria de Herrera, Encarnacion Martin and Joz Paulilio Solos; it is supplied with water from the Huerfano river; the head-gate is located on NW 1/4 Sec. 3. Twp. 27 S. R. 68 W, and 12 acres of land are irrigated therefrom;

And it is hereby adjudged and decreed, that there be allowed to flow into said ditch, from said river, for the purpose of irrigation for the use of the parties lawfully entitled thereto, under and by virtue of priority of appropriation No. 51, a sufficient amount of water to irrigate 12 acres of land, Computed at 24 ft. a cubic foot per second of time.

No. Forty-One. Ojo Ditch: That said ditch is entitled to priority No. 51, and is claimed by Pablo Maes, Martin Maes, Nicolas Cruz, and Antonio Lujan; it is supplied with water from a spring on Sec. 25. Twp. 25 S. R. 69 W and from Rito de las Maesas or Trujillo Cañon, a tributary of Turkey Creek, a tributary of the Huerfano river; the head-gate is located on SW 1/4 Sec. 24 and NW 1/4 Sec. 25. Twp. 25 S. R. 69 W, and 100 acres of land are irrigated therefrom;

And it is hereby adjudged and decreed that there be allowed to flow into said ditch, from said stream, for the purpose of irrigation for the use of the parties lawfully entitled thereto, under and by virtue of ¹¹⁵priority of appropriation No. 52, a sufficient amount of water to irrigate 100 acres of land, Computed at ¹¹⁶two cubic feet per second of time.

APPENDIX H

Mapes Well No. 1 Decree and Permit

IN THE DISTRICT COURT IN AND FOR
WATER DIVISION NO. 2
STATE OF COLORADO
CASE NO. W-2931

Filed in the office of the Clerk,
District Court Water Division
No. 2, State of Colorado

MAY 10 74 PM



Russell J. Lynn
CLERK

IN THE MATTER OF THE APPLICATION)
FOR WATER RIGHTS OF)

NORTEK PROPERTIES, INC.)

JUDGMENT AND DECREE

IN THE HUERFANO RIVER OR ITS)
TRIBUTARIES)

TRIBUTARY INVOLVED: UNDERGROUND)
ACQUIFER)

IN HUERFANO COUNTY)

THE COURT FINDS That no protest has been filed to the
Ruling of the Water Referee in the above case within the
time provided by law, and that the said Ruling should be
confirmed, approved and adopted,

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED That
the Ruling of the Water Referee entered on April 5, 1974,
be and the same is incorporated herein by reference and is
hereby confirmed, approved and adopted as the judgment of
this Court.

Done this 10th day of May, A. D. 19 74.

BY THE COURT:

William L. Lohin
WATER JUDGE

cc: Moses, Wittemyer and Harrison P.C. (2 copies)
Attorneys for Applicant
P. O. Box 1440
Boulder, Colorado 80302

Division Engineer

State Engineer

IN THE DISTRICT COURT IN AND FOR
WATER DIVISION NO. 2
STATE OF COLORADO

CASE NO. W-2931

IN THE MATTER OF THE APPLICATION)
FOR WATER RIGHTS OF)
NORTEK PROPERTIES, INC.)
IN THE HUERFANO RIVER)
OR ITS TRIBUTARIES)
TRIBUTARY INVOLVED:)
UNDERGROUND ACQUIFER)
IN HUERFANO COUNTY)

Filed in the office of the Clerk,
District Court Water Division
No. 2, State of Colorado

APR -5 74 AM



Richard A. [Signature]
CLERK

RULING OF REFEREE

Pursuant to Order of Referral filed and entered in the above case on June 30, 1972, and a subsequent Order Transferring case to the undersigned Water Referee filed and entered on January 22, 1974, the undersigned having investigated the matter of the application on file herein, hereby makes the following findings and ruling thereon:

FINDINGS OF FACT

1. That the said application was filed on June 30, 1972.
2. That the Water Clerk caused publication of such filing as provided by statute; that the time for filing Statements of Opposition expired on the last day of August, 1972, and that none has been filed.
3. That the said application concerns 15 wells located in Huerfano County, Colorado, and used for irrigation, stock watering, municipal, industrial and domestic purposes.
4. That the applicant has requested certain rights which were not completely proven, and such rights were therefore granted conditionally.
5. That applicant has furnished acceptable proof as to the water rights awarded herein.

IT IS, THEREFORE, ORDERED AS FOLLOWS: That applicant be, and is hereby, awarded certain absolute and conditional underground water rights to-wit:

NAME AND ADDRESS: Nortek Properties, Inc.
11575 N.W. 7th Avenue
Miami, Florida 33168

UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 1.
LOCATION OF WELL: NW 1/4 SW 1/4, Sec. 31, T. 26S.,
R. 67W. of the 6th P.M., in
Huerfano County, Colorado.
DEPTH: 45 feet.
PRIORITY DATE: June 22, 1950.
AMOUNT OF WATER: 1.0 c.f.s., or 450 g.p.m.
USE OF WATER: Irrigation purposes on 120 acres
of land in the SE 1/4 of said
Section 31.

STATE ENGINEER'S WELL NUMBER: 14474.

MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 2.
LOCATION OF WELL: NE 1/4 SW 1/4, Sec. 31, T. 27S.,
R. 67W. of the 6th P.M., in
Huerfano County, Colorado.
DEPTH: 30 feet.
PRIORITY DATE: June 22, 1950.
AMOUNT OF WATER: 0.022 c.f.s., or 10 g.p.m.
USE OF WATER: Domestic purposes.

STATE ENGINEER'S WELL NUMBER: Not registered.

MEANS OF DIVERSION: Well and pump.

ABSOLUTE AND CONDITIONAL
UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 3.
LOCATION OF WELL: SW 1/4 NW 1/4, Sec. 25, T. 27S., R.
68W. of the 6th P.M., in Huerfano
County, Colorado.
DEPTH: 35 feet.

PRIORITY DATE: December 31, 1922.
AMOUNT OF WATER: 0.22 c.f.s., or 100 g.p.m. absolute
0.56 c.f.s., or 250 g.p.m. conditional.
USE OF WATER: Stock watering, municipal and industrial
purposes for absolute right.
Irrigation purposes for conditional right.
STATE ENGINEER'S WELL NUMBER: 49917.
MEANS OF DIVERSION: Well and pump.

ABSOLUTE AND CONDITIONAL
UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 4.
LOCATION OF WELL: SW 1/4 SW 1/4, Sec. 25, T. 27S., R.
68W. of the 6th P.M., in Huerfano
County, Colorado.
DEPTH: 35 feet.
PRIORITY DATE: December 31, 1926.
AMOUNT OF WATER: 0.133 c.f.s., or 60 g.p.m. absolute.
0.65 c.f.s., or 290 g.p.m. conditional.
USE OF WATER: Municipal, industrial, domestic and
stock watering purposes for absolute
right.
Irrigation purposes for conditional
right.
STATE ENGINEER'S WELL NUMBER: 49916.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 5.
LOCATION OF WELL: SE 1/4 SW 1/4, Sec. 32, T. 27S., R.
67W. of the 6th P.M., in Huerfano
County, Colorado.
DEPTH: 20 feet.
PRIORITY DATE: December 31, 1908.
AMOUNT OF WATER: 0.033 c.f.s., or 15 g.p.m.
USE OF WATER: Domestic purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 6.
LOCATION OF WELL: SE 1/4 SW 1/4, Sec. 32, T. 27S., R. 67W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 15 feet.
PRIORITY DATE: December 31, 1952.
AMOUNT OF WATER: 0.033 c.f.s., or 15 g.p.m.
USE OF WATER: Domestic purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Alley Well No. 1.
LOCATION OF WELL: NW 1/4 SE 1/4, Sec. 35, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 80 feet.
PRIORITY DATE: November 21, 1952.
AMOUNT OF WATER: 0.022 c.f.s., or 10 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and windmill.

UNDERGROUND WATER RIGHT

NAME OF WELL: Alley Well No. 2.
LOCATION OF WELL: SE 1/4 SW 1/4, Sec. 4, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 36 feet.
PRIORITY DATE: July 31, 1955.
AMOUNT OF WATER: 0.022 c.f.s., or 10 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and windmill.

UNDERGROUND WATER RIGHT

NAME OF WELL: Alley Well No. 3.
LOCATION OF WELL: SW 1/4 NW 1/4, Sec. 20, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 50 feet.
PRIORITY DATE: June 22, 1961.
AMOUNT OF WATER: 0.11 c.f.s., or 50 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Alley Well No. 4.
LOCATION OF WELL: NE 1/4 SW 1/4, Sec. 20, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 20 feet.
PRIORITY DATE: December 31, 1905.
AMOUNT OF WATER: 0.022 c.f.s., or 10 g.p.m.
USE OF WATER: Domestic purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 1.
LOCATION OF WELL: SW 1/4 SW 1/4, Sec. 7, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 30 feet.
PRIORITY DATE: December 31, 1930.
AMOUNT OF WATER: 0.011 c.f.s., or 5 g.p.m.
USE OF WATER: Domestic purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 2.
LOCATION OF WELL: NE 1/4 NW 1/4, Sec. 18, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 80 feet.
PRIORITY DATE: June 22, 1963.
AMOUNT OF WATER: 0.013 c.f.s., or 6 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 3.
LOCATION OF WELL: SW 1/4 SE 1/4, Sec. 7, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 90 feet.
PRIORITY DATE: June 22, 1963.
AMOUNT OF WATER: 0.011 c.f.s., or 5 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 4.
LOCATION OF WELL: SE 1/4 NE 1/4, Sec. 14, T. 26S., R. 67W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 20 feet.
PRIORITY DATE: December 31, 1920.
AMOUNT OF WATER: 0.013 c.f.s., or 6 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 5.
LOCATION OF WELL: SE 1/4 NE 1/4, Sec. 14, T. 26S., R. 67W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 17 feet.
PRIORITY DATE: December 31, 1930.
AMOUNT OF WATER: 0.004 c.f.s., or 2 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.


IT IS FURTHER ORDERED That, as to any conditional right awarded hereunder, the owner thereof if he desires to maintain the same, shall file an application for quadrennial finding of reasonable diligence with the Water Clerk of this Court during the month of April, 1978, and every four (4) years thereafter until the right is decreed final, such application to be filed pursuant to C.R.S. 1963, 148-21-18, as amended.

IT IS FURTHER ORDERED That applicant shall install and maintain such water measurement devices, recording devices, content gauges and inlet and outlet measurement and recording devices, as the case may be, as are deemed essential by the Office of the State Engineer, and the same shall be installed and operated in accordance with instructions from said Office.

IT IS FURTHER ORDERED That copies of this ruling shall be mailed as provided by statute.

Dated and filed with the Water Clerk this 5th day of April, A. D. 1974.

BY THE REFEREE:


Water Referee, Water Division No. 2
State of Colorado

CENTRAL FILES

IN THE DISTRICT COURT IN AND FOR

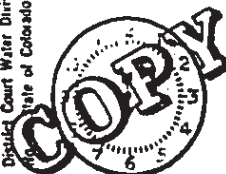
WATER DIVISION NO. 2

STATE OF COLORADO

CASE NO. W-2931

Filed in the office of the Clerk
District Court Water Division
State of Colorado

MAY 10 74 PM



Priscilla S. Lucero
CLERK

IN THE MATTER OF THE APPLICATION)
FOR WATER RIGHTS OF)

NORTEK PROPERTIES, INC.)

JUDGMENT AND DECREE

IN THE HUERFANO RIVER OR ITS)
TRIBUTARIES)

TRIBUTARY INVOLVED: UNDERGROUND)
ACQUIFER)

IN HUERFANO COUNTY)

THE COURT FINDS That no protest has been filed to the Ruling of the Water Referee in the above case within the time provided by law, and that the said Ruling should be confirmed, approved and adopted,

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED That the Ruling of the Water Referee entered on April 5, 1974, be and the same is incorporated herein by reference and is hereby confirmed, approved and adopted as the judgment of this Court.

Done this 10th day of May, A. D. 19 74.

BY THE COURT:

William L. Gobin
WATER JUDGE

cc: Moses, Wittemyer and Harrison P.C. (2 copies)
Attorneys for Applicant
P. O. Box 1440
Boulder, Colorado 80302

Division Engineer

State Engineer

DISTRICT COURT
WATER DIVISION NO. 2
STATE OF COLORADO
Certified to be a full, true
and correct copy of original
on file.

Date: MAY 10 1974

PRISCILLA S. LUCERO, CLERK

By: *Priscilla S. Lucero*
Deputy Clerk

IN THE DISTRICT COURT IN AND FOR
WATER DIVISION NO. 2
STATE OF COLORADO

CASE NO. W-2931

IN THE MATTER OF THE APPLICATION)
FOR WATER RIGHTS OF)

NORTEK PROPERTIES, INC.)

IN THE HUERFANO RIVER)
OR ITS TRIBUTARIES)

TRIBUTARY INVOLVED:)
UNDERGROUND ACQUIFER)

IN HUERFANO COUNTY)

Filed in the office of the Clerk
District Court, Water Division
No. 2, State of Colorado

APR -5 74 AM



RULING OF REFEREE

Pursuant to Order of Referral filed and entered in the above case on June 30, 1972, and a subsequent Order Transferring case to the undersigned Water Referee filed and entered on January 22, 1974, the undersigned having investigated the matter of the application on file herein, hereby makes the following findings and ruling thereon:

FINDINGS OF FACT

1. That the said application was filed on June 30, 1972.
2. That the Water Clerk caused publication of such filing as provided by statute; that the time for filing Statements of Opposition expired on the last day of August, 1972, and that none has been filed.
3. That the said application concerns 15 wells located in Huerfano County, Colorado, and used for irrigation, stock watering, municipal, industrial and domestic purposes.
4. That the applicant has requested certain rights which were not completely proven, and such rights were therefore granted conditionally.
5. That applicant has furnished acceptable proof as to the water rights awarded herein.

IT IS, THEREFORE, ORDERED AS FOLLOWS: That applicant be, and is hereby, awarded certain absolute and conditional underground water rights to-wit:

NAME AND ADDRESS: Nortek Properties, Inc.
11575 N.W. 7th Avenue
Miami, Florida 33168

UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 1.
LOCATION OF WELL: NW 1/4 SW 1/4, Sec. 31, T. 26S.,
R. 67W. of the 6th P.M., in
Huerfano County, Colorado.
DEPTH: 45 feet.
PRIORITY DATE: June 22, 1950.
AMOUNT OF WATER: 1.0 c.f.s., or 450 g.p.m.
USE OF WATER: Irrigation purposes on 120 acres
of land in the SE 1/4 of said
Section 31.

STATE ENGINEER'S WELL NUMBER: 14474.

MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 2.
LOCATION OF WELL: NE 1/4 SW 1/4, Sec. 31, T. 27S.,
R. 67W. of the 6th P.M., in
Huerfano County, Colorado.
DEPTH: 30 feet.
PRIORITY DATE: June 22, 1950.
AMOUNT OF WATER: 0.022 c.f.s., or 10 g.p.m.
USE OF WATER: Domestic purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

ABSOLUTE AND CONDITIONAL
UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 3.
LOCATION OF WELL: SW 1/4 NW 1/4, Sec. 25, T. 27S., R.
68W. of the 6th P.M., in Huerfano
County, Colorado.
DEPTH: 35 feet.

PRIORITY DATE: December 31, 1922.
AMOUNT OF WATER: 0.22 c.f.s., or 100 g.p.m. absolute
0.56 c.f.s., or 250 g.p.m. conditional.
USE OF WATER: Stock watering, municipal and industrial
purposes for absolute right.
Irrigation purposes for conditional right.
STATE ENGINEER'S WELL NUMBER: 49917.
MEANS OF DIVERSION: Well and pump.

ABSOLUTE AND CONDITIONAL
UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 4.
LOCATION OF WELL: SW 1/4 SW 1/4, Sec. 25, T. 27S., R.
68W. of the 6th P.M., in Huerfano
County, Colorado.
DEPTH: 35 feet.
PRIORITY DATE: December 31, 1926.
AMOUNT OF WATER: 0.133 c.f.s., or 60 g.p.m. absolute.
0.65 c.f.s., or 290 g.p.m. conditional.
USE OF WATER: Municipal, industrial, domestic and
stock watering purposes for absolute
right.
Irrigation purposes for conditional
right.
STATE ENGINEER'S WELL NUMBER: 49916.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 5.
LOCATION OF WELL: SE 1/4 SW 1/4, Sec. 32, T. 27S., R.
67W. of the 6th P.M., in Huerfano
County, Colorado.
DEPTH: 20 feet.
PRIORITY DATE: December 31, 1908.
AMOUNT OF WATER: 0.033 c.f.s., or 15 g.p.m.
USE OF WATER: Domestic purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Mapes Well No. 6.
LOCATION OF WELL: SE 1/4 SW 1/4, Sec. 32, T. 27S., R. 67W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 15 feet.
PRIORITY DATE: December 31, 1952.
AMOUNT OF WATER: 0.033 c.f.s., or 15 g.p.m.
USE OF WATER: Domestic purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Alley Well No. 1.
LOCATION OF WELL: NW 1/4 SE 1/4, Sec. 35, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 80 feet.
PRIORITY DATE: November 21, 1952.
AMOUNT OF WATER: 0.022 c.f.s., or 10 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and windmill.

UNDERGROUND WATER RIGHT

NAME OF WELL: Alley Well No. 2.
LOCATION OF WELL: SE 1/4 SW 1/4, Sec. 4, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 36 feet.
PRIORITY DATE: July 31, 1955.
AMOUNT OF WATER: 0.022 c.f.s., or 10 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and windmill.

UNDERGROUND WATER RIGHT

NAME OF WELL: Alley Well No. 3.
LOCATION OF WELL: SW 1/4 NW 1/4, Sec. 20, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 50 feet.
PRIORITY DATE: June 22, 1961.
AMOUNT OF WATER: 0.11 c.f.s., or 50 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Alley Well No. 4.
LOCATION OF WELL: NE 1/4 SW 1/4, Sec. 20, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 20 feet.
PRIORITY DATE: December 31, 1905.
AMOUNT OF WATER: 0.022 c.f.s., or 10 g.p.m.
USE OF WATER: Domestic purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 1.
LOCATION OF WELL: SW 1/4 SW 1/4, Sec. 7, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 30 feet.
PRIORITY DATE: December 31, 1930.
AMOUNT OF WATER: 0.011 c.f.s., or 5 g.p.m.
USE OF WATER: Domestic purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 2.
LOCATION OF WELL: NE 1/4 NW 1/4, Sec. 18, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 80 feet.
PRIORITY DATE: June 22, 1963.
AMOUNT OF WATER: 0.013 c.f.s., or 6 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 3.
LOCATION OF WELL: SW 1/4 SE 1/4, Sec. 7, T. 26S., R. 66W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 90 feet.
PRIORITY DATE: June 22, 1963.
AMOUNT OF WATER: 0.011 c.f.s., or 5 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 4.
LOCATION OF WELL: SE 1/4 NE 1/4, Sec. 14, T. 26S., R. 67W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 20 feet.
PRIORITY DATE: December 31, 1920.
AMOUNT OF WATER: 0.013 c.f.s., or 6 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.

UNDERGROUND WATER RIGHT

NAME OF WELL: Shade Well No. 5.
LOCATION OF WELL: SE 1/4 NE 1/4, Sec. 14, T. 26S., R. 67W. of the 6th P.M., in Huerfano County, Colorado.
DEPTH: 17 feet.
PRIORITY DATE: December 31, 1930.
AMOUNT OF WATER: 0.004 c.f.s., or 2 g.p.m.
USE OF WATER: Stock watering purposes.
STATE ENGINEER'S WELL NUMBER: Not registered.
MEANS OF DIVERSION: Well and pump.


IT IS FURTHER ORDERED That, as to any conditional right awarded hereunder, the owner thereof if he desires to maintain the same, shall file an application for quadrennial finding of reasonable diligence with the Water Clerk of this Court during the month of April, 1978, and every four (4) years thereafter until the right is decreed final, such application to be filed pursuant to C.R.S. 1963, 148-21-18, as amended.

IT IS FURTHER ORDERED That applicant shall install and maintain such water measurement devices, recording devices, content gauges and inlet and outlet measurement and recording devices, as the case may be, as are deemed essential by the Office of the State Engineer, and the same shall be installed and operated in accordance with instructions from said Office.

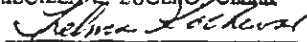
IT IS FURTHER ORDERED That copies of this ruling shall be mailed as provided by statute.

Dated and filed with the Water Clerk this 5th day of April, A. D. 1974.

BY THE REFEREE:


Water Referee, Water Division No. 2
State of Colorado

DISTRICT COURT
WATER DIVISION NO. 2
STATE OF COLORADO
Certified to be a full, true
and correct copy of original
on file. APR - 5 1974

THECILLA LUCERO CLERK
By: 
County Clerk

APPENDIX I

HCWCD 2013 Approved Substitute Water Supply Plan



DEPARTMENT OF NATURAL RESOURCES

DIVISION OF WATER RESOURCES

March 1, 2013

John W. Hickenlooper
Governor

Mike King
Executive Director

Dick Wolfe, P.E.
Director/State Engineer

Felt, Monson, and Culichia, LLC
Steven T. Monson
319 N Weber St
Colorado Springs, CO 80903

**RE: Huerfano County Water Conservancy District Water Activity Enterprise
Substitute Water Supply Plan
Sections 24 and 31, T26S, R70W
Division 2, Water District 79**

PLAN PERIOD: January 1, 2012 – December 31, 2012

Dear Mr. Monson:

We have reviewed your December 21, 2012 request for a substitute water supply plan (SWSP) pursuant to C.R.S. 37-92-308(5) on behalf of Huerfano County Water Conservancy District (District) for use of the water from the Huerfano River for road maintenance, dust suppression, domestic and livestock uses. You submitted the SWSP request to the Water Division 2 SWSP notification list on December 21, 2012. The \$300 filing fee has been paid (Receipt No. 3658205). No objections were received during the statutory 35 day objection period.

Plan Operation

This plan is to be used to replace depletions from the Huerfano River and Turkey Creek from pumping by Huerfano County (County) and from the Malachite Spring, which is tributary to the Huerfano River and is used as a community spring for water supply by approximately 50 families for domestic and/or livestock watering uses. This plan will also be used to replace depletions from Well Permit No. 276173 of the CO 61 Water Association, which will be used for domestic purposes for numerous single family dwellings.

County trucks will be directly diverting from a point where County Road 560 crosses the Huerfano River in the NW1/4 of the NW1/4 of Section 24, Township 26 South, Range 70 West. Each truck holds approximately 4000 gallons, and 81.5 water truckloads comprise 1 acre-foot. The County will institute a load sheet for each truck to account for its uses of water on a monthly basis. The usage will be augmented on a real-time basis.

Malachite Spring has been serving as a community spring for domestic and livestock uses for more than 100 years. It is located in the NE1/4 of the SE1/4 of Section 31, Township 26 South, Range 70 West. It is estimated that up to 50 families utilize the spring. The depletions are also considered instantaneous and 100% consumptive. A totalizing flow meter has been installed at the spring and monthly readings will be taken and reported. The Malachite Spring, LLC, was recently

Office of the State Engineer

1313 Sherman Street, Suite 818 • Denver, CO 80203 • Phone: 303-866-3581 • Fax: 303-866-3589
www.water.state.co.us

adjudicated (05CW11) for 0.0511 cfs (36.9AF/yr) absolute. However, the water right is quite junior and will seldom be in priority; therefore necessitating an augmentation plan.

The CO 61 Water Association consists of owners of properties near the CO 61 Airfield located near Sec. 27, T25S, R70W. Numerous attempts to drill wells on many of these properties were non-productive. Approximately 16 members of the CO 61 Water Association will be using the structure presently permitted under Well Permit No. 276173 (the Terry well) for domestic use, with the intention of constructing a distribution system for a permanent water source for these properties. The estimated annual water use is less than 2 acre-feet. These properties have non-evaporative septic systems which insure return flows; however, for the purposes of this SWSP, the water is considered to be 100% consumed.

Depletions

The majority of the depletions that will be covered by this plan are considered instantaneous depletions (County trucks and Malachite Spring). The County anticipates that it will use up to 1 acre-foot of water per year for road maintenance and dust suppression. The trucks will pump directly from the river at the indicated diversion point.

Malachite Spring is located within 200 feet of the Huerfano River, and therefore the depletions are considered to be instantaneous. Estimated depletions are given in the table below.

**Estimated Depletions for Huerfano County and Malachite Springs
Acre-Feet**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
County	0.025	0.012	0.000	0.000	0.025	0.000	0.200	0.233	0.000	0.221	0.233	0.051	1.000
Malachite	0.255	0.230	0.255	0.247	0.255	0.247	0.255	0.255	0.247	0.255	0.247	0.255	3.000
CO61	0.069	0.060	0.069	0.116	0.115	0.122	0.113	0.115	0.113	0.119	0.116	0.116	1.242
Total	0.348	0.303	0.323	0.362	0.395	0.369	0.568	0.603	0.359	0.595	0.595	0.422	5.242

The depletions associated with the use of the CO 61 Water Association well, Permit No. 276173, are not instantaneous, but are assumed to be at a steady state due to the number of years the well has been in operation. A Glover analysis performed by TZA Water Engineers, using AWAS and the following input data showed that 100% of the depletions reached the Huerfano River within 4 months of the diversion.

- Transmissivity = 35,000 gdp/ft
- Distance to centroid of parcel from river = 400 feet
- Distance to impermeable boundary = 1,360 feet

For the purposes of this SWSP, all diversions are considered to be 100% consumptive, and will be replaced in their entirety.

Replacement

The source of replacement water is consumptive use credits from the Martin Ditch. The District has leased a 1/10 interest in the Martin Ditch from SWEPI LP. SWEPI LP is the owner of the 1.4 cfs decreed to the Martin Ditch under Huerfano River Priority No. 4 and the 1.6 cfs decreed under Priority No. 11. Preliminary historic consumptive use analysis performed by the State Engineer's Office (SEO) resulted in an average consumptive use of 1.6 acre-feet per acre under the Martin Ditch. Pursuant to the terms of the lease, the applicant has removed 8.5 acres from irrigation.

The Martin Ditch consumable credits will be diverted at the Vigil and Chavez Ditch and measured through an augmentation station before being returned to the Huerfano River. A 27% depletion factor will be applied to the augmentation diversions to determine the consumptive use available to this plan. These consumable credits are only generated during the irrigation season from March 1 through October 31.

Consumable credits in excess of what is required to replace the instantaneous depletions may be exchanged up river and stored in Paradise Acres pond in conjunction with the Water Storage Agreement between the District and Paradise Acres Homeowners Association. Pond releases are intended to replace depletions caused by Malachite Springs for the months of November through February. When conditions are appropriate as determined by the water commissioner, this water will be released to Pass Creek.

The District has also leased 5 acre feet of fully consumable water from the Pueblo Board of Water Works (PBWW) for the period of February 1, 2012 through December 31, 2012. The PBWW water will come from their storage accounts in Turquoise, Twin Lakes, Clear Creek or Pueblo Reservoir pursuant to PBWW decrees. When exchange potential and river calls allow this source to be effective in replacing depletions this water may be utilized at times when the instantaneous depletions cannot be covered by the augmentation station credits or pond release..

Conditions of Approval

This substitute water supply plan is hereby approved pursuant to C.R.S. 37-92-308(5), subject to the following conditions **in addition to the conditions imposed by the Rule 14 Plan approval:**

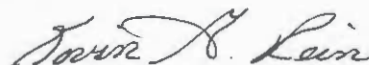
1. This SWSP shall be valid for the period of January 1, 2012 through December 31, 2012, unless otherwise revoked, modified, or superceded by decree. Additional SWSP's are required until a court decreed plan for augmentation is obtained for the proposed uses. Should an additional SWSP be requested, the provisions of CRS 37-92-308(4) and 37-92-308(5) shall apply. The statutory fee of \$300 will be required pursuant to CRS 37-92-308(8). Any request for an additional SWSP must be submitted to this office no later than 90 days prior to the expiration of the plan.
2. Water pumped from the Malachite Spring must be measured in accordance with the "Amended Rules Governing the Measurement of Tributary Ground Water Diversions Located in the Arkansas River Basin". The Water Commissioner will verify that the flow meter on the Malachite Spring has been installed and verified for accuracy, and that the flow meter test was submitted to the Division Engineer.

3. The assumption of a steady state for lagged depletions for the well previously used for the CO 61 Water association will be valid for the plan period for this SWSP only. Future SWSP applications, which must be submitted under C.R.S. 37-92-308(4), shall include modeling proving this premise.
4. Irrigated acreage under the Martin Ditch must not exceed the decreed 150 acres minus the acreage of dry-up that is dedicated to this plan and any other plan. No water, from any source, is to be applied for irrigation on the area specified for dry-up. The Martin Ditch augmentation station has not been installed and augmentation flows are temporarily being returned to the river through the sluice gate at the direction of the water commissioner. Once installed, the augmentation station accounting for the applicant's portion of the Martin Ditch must include daily headgate diversions, augmentation station deliveries and computation of expected pro-rata deliveries to the augmentation station versus actual deliveries. Credits for the applicant's share of the Martin Ditch shall be limited to the lesser of the actual augmentation station delivery reduced to consumptive use or the expected pro-rata delivery of the applicant's share of the Martin Ditch reduced to consumptive use. Credits for this plan shall be limited to March-October and shall not exceed an annual limit of 5.242 acre-feet based on the results of the Zorich analysis.
5. Exchanges of excess consumptive use credits from March to October will be exchanged up to Paradise Acres pond only when an exchange potential exists as verified by the water commissioner.
6. Accounting of water in this plan, including monthly load sheets from the County trucks, diversions from the flow meter on Malachite Spring, and replacement water deliveries (time interval for check measurement data to be coordinated with the Water Commissioner) must be provided to the Water Commissioner and Division Engineer by the 10th of the month following the end of each month. The accounting must be emailed to the Division Engineer (Augmentation.Coordinator@state.co.us) and the Water Commissioner (Peter.Kasper@state.co.us), within 10 days after the end of the month for which the accounting applies. Accounting and reporting procedures are subject to approval and modification by the Division Engineer. **NOTE: Monthly accounting, even during the winter season, is required.**
7. The name, address, and phone number of the contact person who will be responsible for the operation and accounting of this SWSP must be provided with the accounting forms to the Division Engineer and Water Commissioner.
8. This plan may be revoked or modified at any time should it be determined that injury to other vested water rights has or will occur as a result of the operation of this plan.
9. Should this substitute water supply plan expire without renewal or be revoked prior to adjudication of a permanent plan for augmentation, all out of priority diversions must cease immediately.
10. The decision of the State Engineer shall have no precedential or evidentiary force, shall not create any presumptions, shift the burden of proof, or serve as a defense in the pending water court case or any other legal action that may be initiated concerning the SWSP. This decision

shall not bind the State Engineer to act in a similar manner in any other applications involving SWSPs or in any proposed renewal of this SWSP, and shall not imply concurrence with any findings of fact or conclusions of law contained herein, or with the engineering methodologies used by the Applicant. Any appeal of a decision made by the State Engineer concerning a SWSP pursuant to C.R.S. §37-92-308(5) shall be to the Division 2 water judge within thirty days of the date of this decision and shall be consolidated with the application for approval of the plan for augmentation.

Should you have any questions, please contact Melissa Peterson of this office or Charlie DiDomenico, Augmentation Coordinator, in our Division 2 office in Pueblo at (719) 542-3368.

Sincerely,



Kevin G. Rein, P.E.
Deputy State Engineer

Attachments: Tables A and B

cc: Steve Kastner, Assistant Division Engineer
Bill Tyner, Assistant Division Engineer
Pete Kasper, Water Commissioner
HCWCD Water Activity Enterprise
Charlie DiDomenico, Augmentation Coordinator
Julie Pearson, Engineering Technical Support Supervisor

KGR/map: Huerfano County 2012.doc

Huerfano County Water Conservancy District Water Activity Enterprise Substitute Water Supply Plan 2010 - 2011
Table A - Summary of Stream Depletions and Woods Ditch Consumptive Use Credits (acre-feet)

Month	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
Malachite Spring Depletions	-0.057	-0.120	-0.120	-0.120	-0.120	-0.120	-0.057	-0.057	-0.057	-0.057	-0.057	-0.057	-1.000
Huerfano County Depletions	-0.100	-0.100	-0.200	-0.200	-0.200	-0.100	-0.100	0.000	0.000	0.000	0.000	0.000	-1.000
WSG Farasita Bridge Depletions	0.000	0.000	-1.250	-1.250	-0.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-3.000
Total SWSP Depletions	-0.157	-0.220	-1.570	-1.570	-0.820	-0.220	-0.157	-0.057	-0.057	-0.057	-0.057	-0.057	-5.000
HCWCD Rule 14 Plan Depletions	-0.257	-0.252	-0.300	-0.285	-0.260	-0.289	-0.276	-0.256	-0.239	-0.213	-0.225	-0.333	-3.185
Total Stream Depletions	-0.414	-0.472	-1.870	-1.855	-1.080	-0.509	-0.433	-0.313	-0.296	-0.270	-0.282	-0.390	-8.185
Consumptive Use Credits	0.891	1.220	2.705	2.216	2.126	0.632	0.104	0.000	0.000	0.000	0.000	0.092	9.986
Credit Surplus (+) or Credit Deficit (-)	0.477	0.748	0.835	0.361	1.046	0.123	-0.329	-0.313	-0.296	-0.270	-0.282	-0.298	na
PAHA Pond Storage Releases	0.000	0.000	0.000	0.000	0.000	0.000	0.330	0.320	0.300	0.280	0.290	0.300	1.820
PBWW Storage Releases	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Notes:

1. Consumptive Use Credits provided by Jehn Water Consultants, Inc. report dated 3/27/2009 from Sheep Mtn. Ranch irrigation dry-up.
- Dry-up acreage as calculated will be at least 6.0 acres. Proportional monthly amounts have been calculated in the tables.*
2. Negative numbers indicate credit deficits. Positive numbers indicate credit surpluses. *Monthly surpluses indicate amounts that should be stored.*
3. Huerfano County depletions from the HCWCD SWSP Plan are actual amounts diverted from the river at 4000 gallon per truck load with 100% consumption.
4. Malachite Spring depletions from the HCWCD SWSP Plan assume a distribution of 60% during May - September and 40% during October - April with 100% consumption of 1.00 af. A meter will be installed as soon as possible.
5. Farasita Bridge depletions will be actual amounts diverted from the river at 4000 gallon per truck load with 100% consumption.
6. HCWCD Rule 14 Plan depletions are from pumping of Gardner and Paradise Acres wells April 2010 - March 2011 and lagged depletions from previous years.
7. The depletions shown above represent the maximum usage as proposed. The actual usage will be less than the maximum.

**Huerfano County Water Conservation District Water Activity Enterprise
Substitute Water Supply Plan Accounting 2010-2011**

**Table B - Monthly Water Use Summary
(Values in Acre-Feet)**

2010-2011 SWSP Month	(1) Malachite Spring Monthly Use	(2) Huerfano County Monthly Use	(3) WSG Farasita Bridge Monthly Use	(4) Total Combined Depletions
Apr-09	0.057	0.100	0.000	0.157
May-09	0.120	0.100	0.000	0.220
Jun-09	0.120	0.200	1.250	1.570
Jul-09	0.120	0.200	1.250	1.570
Aug-09	0.120	0.200	0.500	0.820
Sep-09	0.120	0.100	0.000	0.220
Oct-09	0.057	0.100	0.000	0.157
Nov-09	0.057	0.000	0.000	0.057
Dec-09	0.057	0.000	0.000	0.057
Jan-10	0.057	0.000	0.000	0.057
Feb-10	0.057	0.000	0.000	0.057
Mar-10	0.057	0.000	0.000	0.057
Total	1.000	1.000	3.000	5.000

Notes:

- (1) One acre-foot distributed 60% during May-Sept. and 40% during October-April.
- (2) From monthly load sheets for water trucks provided by Huerfano County.
- (3) From monthly load sheets for water trucks provided by Walsenburg Sand and Gravel.
- (4) Total of (1) + (2) + (3). Total use is assumed to be 100% consumptively used.
The total use is equal to total combined depletions.

APPENDIX J

Red Wing Augmentation Pond – Wyckoff Letter of Intent

FELT, MONSON & CULICHIA, LLC
ATTORNEYS AT LAW

319 N. WEBER STREET
COLORADO SPRINGS, CO 80903

JAMES G. FELT
STEVEN T. MONSON
JAMES W. CULICHIA
CHRISTOPHER D. CUMMINS
DAVID M. SHOHE

Telephone: (719) 471-1212
Facsimile: (719) 471-1234

May 10, 2013

Christy Wyckoff
P.O. Box 874
Ft. Collins, CO 80522

Re: Re: HCWCD Augmentation Pond

Dear Ms. Wyckoff:

Our firm represents the Huerfano County Water Conservancy District ("District") concerning its efforts to maintain and use the water resources of Huerfano County for the benefit of Huerfano County. The District is pursuing the development of a plan for augmentation with water storage in the County for HCWCD's public purposes. We had been looking at the feasibility of a storage site on Kent Mace's property, but Kent has relayed to me his discussions with you as his new adjoining neighbor. Your property appears to constitute a better storage site for water diverted from the Huerfano River, and we understand that you have been so gracious as to consider making property available for the construction and operation of the storage structure.

The District would like to explore this opportunity and thought that it would be best to try to generally set forth our thoughts and some of the material points on this matter. If both sides are able to reach a consensus in the future, then the District would like to proceed with a formal agreement. We understand that this letter does not set forth all of the material matters that the parties will need to address, that the areas that we have set forth below are still subject to review and further consideration by you, and that commitments are not being made at this time by either party as a result of this non-binding letter of intent.

1. District's Plan for Augmentation. The District's primary objective at this time is to develop a regional plan for augmentation for the Huerfano River drainage in order that existing out-of-priory water users can continue to be provided with replacement water and thereby continue their diversions. Several water users were not in compliance with the current administration of the Division of Water Resources, and their water use was therefore at risk of being curtailed. These users included the Town of Gardner (through the Gardner Water District),

Huerfano County for road maintenance, Malachite Spring for the area water supply, CO 61 Homeowners Association for their entire domestic uses, and Paradise Acres HOA for additional domestic diversions beyond those allowed by its existing augmentation plan. These uses have only been allowed to continue because of the temporary plans that the District has implemented over the last few years until a Water Court approved plan for augmentation can be put in place. The District is now at a point where it must proceed in Water Court with a more permanent plan for augmentation.

2. Need for Storage. In order for the District to proceed with its plan for augmentation, it needs to acquire the ownership or use of a senior decreed water right. The historical use of that water right would be changed from agricultural use to replacement and augmentation purposes. For a viable augmentation plan to replace junior diversions within the basin, the District must have the ability to store a portion of those acquired water rights for later release to the river to replace the plan depletions in time, place, and amount. The District's use of the purchased water will be available at the time and in an amount corresponding to the historical irrigation use, and the District needs to store that water when available to spread its use throughout the entire year to meet return flow obligations and the needs of its plan participants.

3. Location for Storage. Storage of water for a plan for augmentation is best suited, and is often required, to be located high in the basin so that augmentation water can be provided to as many participants or users as possible, as the replacement water must be released or provided above the calling water right. It is for this reason that the District was exploring storage space upon the Mace Property.

4. Wyckoff Property. The District believes, based on its initial engineering analysis, that your property offers a superior storage site for several reasons, including (1) proximity to the river and therefore the ability to fill and release from the reservoir, (2) a better natural topography suitable for storage and reducing the amount of excavation, (3) a lower water table so that groundwater is not encountered, (4) better physical access to the site, and (5) easier access to existing utilities. The District believes that these beneficial factors translate into a more practical and efficient storage site and important cost savings for the District.

5. Characteristics of the Pond. The District wants to plan for its current and future storage needs, and to also achieve economies of scale as much as possible in the construction of the augmentation pond. The District's intended storage capacity for the pond is therefore about 25 acre feet, with an anticipated surface area, including embankments and necessary infrastructure, of approximately 5 acres. Based on the District's preliminary investigations, the pond could be fed by a diversion structure on the Huerfano River that would pump water into the pond by a buried pipeline, with releases by the same or parallel pipeline back to the river by gravity flow. The District would want to line the pond to reduce the amount of the stored water rights lost to seepage. Ordinarily for augmentation plan ponds, the pond levels would fluctuate with the filling of the pond and later release of water at times when needed by the District.

6. Donation of Site. The District understands that due to your great generosity and

community involvement, that you may be willing to donate the site necessary for the pond and its operations. The District would work with you and your tax advisor so that the donation of the property could be treated by you as a deductible charitable donation, less any benefits to be received by you from the transaction. We understand that you have not made a decision yet as to any donation to the District.

7. Legal Structure. The District's thoughts are that, considering compliance with land use and subdivision requirements, the best way to accomplish the transfer of the property interests to the District may be a grant by you to the District of (1) an easement for the reservoir site, and (2) an easement for access, utilities, and the pipeline to fill and vacate the pond. The District would need the ability to control and secure the pond area and access to the site. Additionally, the District will still need to go through some permitting with Huerfano County for the siting and construction of the water supply facility under the County's Section 1041 regulations, and will need your cooperation in that process. We realize that the legal structuring of any transaction will be subject to review and approval by you and your legal counsel.

8. Access. The District would like to explore sharing existing access roads and utility corridors as much as possible and the District would bear its fair share of maintenance.

9. Construction. If an agreement can be reached, all reasonable efforts would be taken by the District to minimize the extent of your property used for pond purposes and the impact to your remaining property. The District would commit that the construction of the pond, pipelines, pump station, and other appurtenances would be performed in a workmanlike manner in accordance with generally accepted construction and engineering principles, following approved construction plans. The District proposes that you would have a reasonable right of review and approval of the construction plans to make sure they complied with the future agreed upon scope of the project. Your property would be restored after construction and maintenance activities.

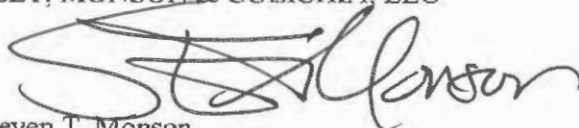
10. Diligence Work. In order to determine that the pond is feasible for the District from an engineering and cost perspective, the District would like to coordinate with you for a mutually agreeable site location. We suggest this be done by our engineers and board member(s) meeting with you at the site. If a site can be agreed upon, the District's engineers would perform some testing at that site, including surveying, monitoring wells for groundwater level monitoring, obtain soil samples from the monitoring holes, construct four to five test pits that would be dug upon the property, and possibly some other geological sampling.

If we can confirm by this letter a general framework for proceeding forward with the potential future agreement for the donation of the property, and the construction and operation of the augmentation pond, our suggestion is that we proceed with the site location visit and then a formal contract to serve as the agreement between you and the District. Again, we understand that all of these matters are subject to your further consideration, review, revision, and approval as we both proceed forward with this potential transaction. We are requesting that you sign this non-binding letter of intent below where indicated to signify your understanding as to how the parties will generally proceed forward. The District will do the same upon receipt

of your signed copy, and I will then supply you with a fully executed letter. Thank you for your attention to this matter. Your willingness to consider making such a generous donation to the District and the constituents of Huerfano County is greatly appreciated and would be of tremendous benefit to the District.

Sincerely,

FELT, MONSON & CULICHIA, LLC

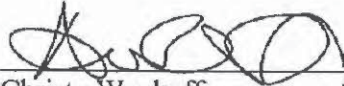
A handwritten signature in black ink, appearing to read "S. T. Monson", written over the printed name.

Steven T. Monson

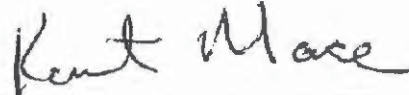
STM:mcg

cc: Board Members - Huerfano County Water Conservancy District
Tom Dea

AGREED UPON BY:

 5.14.13

Christy Wyckoff



Kent Mace, President
Huerfano County Water Conservancy
District

APPENDIX K

CWCB Loan Amortization Schedule – Option 1 and 2

Loan Amortization Calculator

Almost any data field on this form may be calculated. Enter the appropriate numbers in each slot, leaving blank (or zero) the value that you wish to determine, and then click "Calculate" to update the page.

Principal

2200000.00

Payments per Year

1

Annual Interest Rate

2.2500

Number of Regular Payments

30

Balloon Payment

0.12

Payment Amount

101638.55

☒ Show Amortization Schedule

This loan calculator is written and maintained by Bret Whissel.
See [Bret's Blog](#) for help, a spreadsheet, derivations, calculator news, and more information.

Summary

Principal borrowed: \$2,200,000.00
Regular Payment amount: \$101,638.55
Final Balloon Payment: \$0.12
Interest-only payment: \$49,500.00
*Total Repaid: \$3,049,156.62
*Total Interest Paid: \$849,156.62

Annual Payments: 1
Total Payments: 31 (31.00 years)
Annual interest rate: 2.25%
Periodic interest rate: 2.2500%
*Total interest paid as a percentage of Principal: 38.598%

**These results are estimates which do not account for accumulated error of payments being rounded to the nearest cent. See the amortization schedule for more accurate values.*

OPTION
1
AND
OPTION
2

Pmt	Principal	Interest	Cum Prin	Cum Int	Prin Bal
1	52,138.55	49,500.00	52,138.55	49,500.00	2,147,861.45
2	53,311.67	48,326.88	105,450.22	97,826.88	2,094,549.78
3	54,511.18	47,127.37	159,961.40	144,954.25	2,040,038.60
4	55,737.68	45,900.87	215,699.08	190,855.12	1,984,300.92
5	56,991.78	44,646.77	272,690.86	235,501.89	1,927,309.14
6	58,274.09	43,364.46	330,964.95	278,866.35	1,869,035.05
7	59,585.26	42,053.29	390,550.21	320,919.64	1,809,449.79
8	60,925.93	40,712.62	451,476.14	361,632.26	1,748,523.86
9	62,296.76	39,341.79	513,772.90	400,974.05	1,686,227.10
10	63,698.44	37,940.11	577,471.34	438,914.16	1,622,528.66
11	65,131.66	36,506.89	642,603.00	475,421.05	1,557,397.00
12	66,597.12	35,041.43	709,200.12	510,462.48	1,490,799.88
13	68,095.55	33,543.00	777,295.67	544,005.48	1,422,704.33
14	69,627.70	32,010.85	846,923.37	576,016.33	1,353,076.63
15	71,194.33	30,444.22	918,117.70	606,460.55	1,281,882.30
16	72,796.20	28,842.35	990,913.90	635,302.90	1,209,086.10
17	74,434.11	27,204.44	1,065,348.01	662,507.34	1,134,651.99
18	76,108.88	25,529.67	1,141,456.89	688,037.01	1,058,543.11
19	77,821.33	23,817.22	1,219,278.22	711,854.23	980,721.78
20	79,572.31	22,066.24	1,298,850.53	733,920.47	901,149.47
21	81,362.69	20,275.86	1,380,213.22	754,196.33	819,786.78
22	83,193.35	18,445.20	1,463,406.57	772,641.53	736,593.43
23	85,065.20	16,573.35	1,548,471.77	789,214.88	651,528.23
24	86,979.16	14,659.39	1,635,450.93	803,874.27	564,549.07
25	88,936.20	12,702.35	1,724,387.13	816,576.62	475,612.87
26	90,937.26	10,701.29	1,815,324.39	827,277.91	384,675.61
27	92,983.35	8,655.20	1,908,307.74	835,933.11	291,692.26
28	95,075.47	6,563.08	2,003,383.21	842,496.19	196,616.79
29	97,214.67	4,423.88	2,100,597.88	846,920.07	99,402.12
30	99,402.00	2,236.55	2,199,999.88	849,156.62	0.12

OPTION 1
Balloon
15 YEAR

Pmt	Principal	Interest	Cum Prin	Cum Int	Prin Bal
31	*0.12	0.00	2,200,000.00	849,156.62	0.00

*The final payment has been adjusted to account for payments having been rounded to the nearest cent.

APPENDIX L

CWCB Loan Amortization Schedule – Option 3

OPTION 3

Loan Amortization Calculator

Almost any data field on this form may be calculated. Enter the appropriate numbers in each slot, leaving blank (or zero) the value that you wish to determine, and then click "Calculate" to update the page.

1,800,000 LOAN - 15 YEAR AM

Principal

1800000.00

Payments per Year

1

Annual Interest Rate

2.2500

Number of Regular Payments

15

Balloon Payment

Payment Amount

142719.34

☒ Show Amortization Schedule

This loan calculator is written and maintained by Bret Whissel.
See [Bret's Blog](#) for help, a spreadsheet, derivations, calculator news, and more information.

Summary

Principal borrowed: \$1,800,000.00
Regular Payment amount: \$142,719.34
Final Balloon Payment: \$0.00
Interest-only payment: \$40,500.00
*Total Repaid: \$2,140,790.10
*Total Interest Paid: \$340,790.10

Annual Payments: 1
Total Payments: 15 (15.00 years)
Annual interest rate: 2.25%
Periodic interest rate: 2.2500%
Debt Service Constant: 7.9289%
*Total interest paid as a percentage of Principal: 18.933%

**These results are estimates which do not account for accumulated error of payments being rounded to the nearest cent. See the amortization schedule for more accurate values.*

Pmt	Principal	Interest	Cum Prin	Cum Int	Prin Bal
1	102,219.34	40,500.00	102,219.34	40,500.00	1,697,780.66
2	104,519.28	38,200.06	206,738.62	78,700.06	1,593,261.38
3	106,870.96	35,848.38	313,609.58	114,548.44	1,486,390.42
4	109,275.56	33,443.78	422,885.14	147,992.22	1,377,114.86
5	111,734.26	30,985.08	534,619.40	178,977.30	1,265,380.60
6	114,248.28	28,471.06	648,867.68	207,448.36	1,151,132.32
7	116,818.86	25,900.48	765,686.54	233,348.84	1,034,313.46
8	119,447.29	23,272.05	885,133.83	256,620.89	914,866.17
9	122,134.85	20,584.49	1,007,268.68	277,205.38	792,731.32
10	124,882.89	17,836.45	1,132,151.57	295,041.83	667,848.43
11	127,692.75	15,026.59	1,259,844.32	310,068.42	540,155.68
12	130,565.84	12,153.50	1,390,410.16	322,221.92	409,589.84
13	133,503.57	9,215.77	1,523,913.73	331,437.69	276,086.27
14	136,507.40	6,211.94	1,660,421.13	337,649.63	139,578.87
15	*139,578.87	3,140.52	1,800,000.00	340,790.15	0.00

*The final payment has been adjusted to account for payments having been rounded to the nearest cent.

APPENDIX M

CWCB District Budgets

**GENERAL FUND BUDGET
HUERFANO COUNTY WATER CONSERVANCY DISTRICT**

JANUARY 1 - DECEMBER 31, 2013

DESCRIPTION	ACTUAL PRIOR YEAR 2011	ESTIMATED CURRENT YEAR 2012	BUDGET YEAR 2013
Beginning Balance January 1	\$ -	\$ -	\$ -
ESTIMATED REVENUES & RESOURCES			
Resources			
Resources:			
Emergency Reserve	\$ 687.00	\$ 687.00	\$ 687.00
Operating Reserve	\$ 72,983.00	\$ 66,748.00	\$ 48,679.00
Total Resources	\$ 73,670.00	\$ 67,435.00	\$ 49,366.00
Revenues			
General Property Tax (Mil Levy)	\$ 14,079.00	\$ 15,078.00	\$ 243,601.00
S.O. Tax	\$ 1,171.00	\$ 1,261.00	\$ 1,600.00
Net of Other Tax Categories		\$ 27.00	\$ -
Interest	\$ 552.00	\$ 400.00	\$ 500.00
Transfers from Enterprise Fund	\$ -	\$ -	\$ -
Other & cashed CD	\$ 204.00	\$ -	\$ 500.00
Total Revenues	\$ 16,006.00	\$ 16,766.00	\$ 246,201.00
TOTAL RESOURCES & REVENUES	\$ 89,676.00	\$ 84,201.00	\$ 295,567.00
EXPENDITURES			
Professional Services	\$ 7,082.00	\$ 20,000.00	\$ 76,000.00
Directors' Fees	\$ 6,997.00	\$ 7,000.00	\$ 7,000.00
Clerical	\$ 3,600.00	\$ 3,600.00	\$ 16,100.00
Bonds & Insurance	\$ 625.00	\$ 525.00	\$ 700.00
Membership & Publications	\$ 250.00	\$ 250.00	\$ 300.00
Office Supplies & Equipment	\$ 721.00	\$ 425.00	\$ 1,214.00
Telephone	\$ -	\$ -	\$ -
Treasurer's Fees	\$ 429.00	\$ 460.00	\$ 1,975.00
Travel	\$ 137.00	\$ 175.00	\$ 200.00
Misc. & Tax Refunds/Abatements	\$ -	\$ -	\$ 300.00
Engineering & Consulting	\$ -	\$ -	\$ 53,000.00
Satellite Monitoring	\$ 2,400.00	\$ 2,400.00	\$ 2,400.00
Interest Expense on NOTE	\$ -	\$ -	\$ 100,000.00
Total Expenditures	\$ 22,241.00	\$ 34,835.00	\$ 259,189.00
Other Uses			
Emergency Reserve	\$ 687.00	\$ 687.00	\$ 687.00
Operating Reserve	\$ 66,748.00	\$ 48,679.00	\$ 35,691.00
Total Other Uses	\$ 67,435.00	\$ 49,366.00	\$ 36,378.00
TOTAL EXPENDITURES & USES	\$ 89,676.00	\$ 84,201.00	\$ 295,567.00
ENDING BALANCE DEC. 31	0	0	0

HUERFANO COUNTY WATER CONSERVANCY DISTRICT
GENERAL FUND BUDGET
JANUARY 1 - DECEMBER 31, 2012

<u>Description</u>	<u>Actual Prior Year 2010</u>	<u>Estimated Current Year 2011</u>	<u>Budget Year 2012</u>
<u>BEGINNING BALANCE - JAN 1</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>ESTIMATED REVENUES & RESOURCES</u>			
<u>Resources</u>			
Emergency Reserve	687	687	687
Operating Reserve	<u>68,329</u>	<u>71,990</u>	<u>69,099</u>
<u>Total Resources</u>	<u>69,016</u>	<u>72,677</u>	<u>69,786</u>
<u>Revenues</u>			
General Property Tax	16,572	15,924	16,998
S.O. Tax	1,314	1,076	1,600
Net Of Other Tax Categories	0	35	0
Interest	3,906	1,950	1,000
Transfers from Enterprise Fund	0	0	0
Other & Cashed C.D.	<u>551</u>	<u>165</u>	<u>500</u>
<u>Total Revenues</u>	<u>22,343</u>	<u>19,150</u>	<u>20,098</u>
<u>TOTAL RESOURCES & REVENUES</u>	<u>91,359</u>	<u>91,827</u>	<u>89,884</u>
<u>ESTIMATED EXPENDITURES & USES</u>			
<u>Expenditures</u>			
Professional Services	1,185	1,816	1,900
Director's Fees	6,564	6,500	6,500
Clerical	5,825	3,600	3,600
Bonds & Insurance	625	625	700
Membership & Publication	100	250	300
Office Supplies & Equipment	842	350	350
Telephone	0	0	0
Treasurer's Fees	502	450	450
Travel	225	150	200
Misc. & Tax Refunds/Abatements	300	300	300
Engineering & Consulting	0	5,400	3,000
Satellite Monitoring	2,514	2,600	2,700
Other & Loan to Enterprise Fund	<u>0</u>	<u>0</u>	<u>200</u>
<u>Total Expenditures</u>	<u>18,682</u>	<u>22,041</u>	<u>20,200</u>
<u>Other Uses</u>			
Emergency Reserve	687	687	687
Operating Reserve	<u>71,990</u>	<u>69,099</u>	<u>68,997</u>
<u>Total Capital Expenditures</u>	<u>72,677</u>	<u>69,786</u>	<u>69,684</u>
<u>TOTAL EXPENDITURES & USES</u>	<u>91,359</u>	<u>91,827</u>	<u>89,884</u>
<u>ENDING BALANCE - DEC 31</u>	<u>0</u>	<u>0</u>	<u>0</u>

HUERFANO COUNTY WATER CONSERVANCY DISTRICT
ENTERPRISE FUND BUDGET
JANUARY 1 - DECEMBER 31, 2012

<u>Description</u>	<u>Actual Prior Year 2010</u>	<u>Estimated Current Year 2011</u>	<u>Budget Year 2012</u>
<u>BEGINNING BALANCE - JAN 1</u>	2,030	2,129	2,208
<u>ESTIMATED REVENUES & RESOURCES</u>			
<u>Resources</u>			
Sale of Augmentation Certificates	29,000	29,000	29,500
Loan & Grants	0	0	0
Miscellaneous Income	2,134	2,134	0
Services	<u>3,000</u>	<u>0</u>	<u>0</u>
<u>TOTAL REVENUES & RESOURCES</u>	<u>34,134</u>	<u>31,134</u>	<u>29,500</u>
<u>TOTAL AVAILABLE</u>	<u>36,164</u>	<u>33,263</u>	<u>31,708</u>
<u>ESTIMATED EXPENSES & USES</u>			
<u>Expenses</u>			
Professional Services, Engineering	9,155	9,155	8,700
Professional Services, Legal	17,000	14,000	7,500
Water Lease	6,000	6,000	10,000
Adm Fees, Clerical	1,800	1,800	1,800
Diversion Structure	0	0	3,000
Miscellaneous	<u>80</u>	<u>100</u>	<u>100</u>
<u>TOTAL EXPENSES & USES</u>	<u>34,035</u>	<u>31,055</u>	<u>31,100</u>
<u>ENDING BALANCE - DEC 31</u>	<u>2,129</u>	<u>2,208</u>	<u>608</u>

CERTIFICATION OF TAX LEVIES for NON-SCHOOL GovernmentsTO: County Commissioners¹ of Huerfano County, Walsenburg, Colorado.

On behalf of the _____,

the BOARD OF DIRECTORS
(taxing entity)^A
(governing body)^Bof the Huerfano County Water Conservancy District
(local government)^CHereby officially certifies the following mills
to be levied against the taxing entity's GROSS \$
assessed valuation of:114,474,208
(GROSS^D assessed valuation, Line 2 of the Certification of Valuation Form DLG 57^E)Note: If the assessor certified a NET assessed valuation
(AV) different than the GROSS AV due to a Tax
Increment Financing (TIF) Area^F the tax levies must be
calculated using the NET AV. The taxing entity's total
property tax revenue will be derived from the mill levy
multiplied against the NET assessed valuation of:114,474,208
(NET^G assessed valuation, Line 4 of the Certification of Valuation Form DLG 57)

Submitted:

December 11, 2012 for budget/fiscal year 2013
(not later than Dec. 15) (mm/dd/yyyy) (yyyy)

PURPOSE (see end notes for definitions and examples)	LEVY ²	REVENUE ²
1. General Operating Expenses ^H	<u>2.128</u> mills	\$ <u>243,601</u>
2. <Minus> Temporary General Property Tax Credit/ Temporary Mill Levy Rate Reduction ^I	< > mills	\$ < >
SUBTOTAL FOR GENERAL OPERATING:	<u>2.128</u> mills	\$ <u>243,601</u>
3. General Obligation Bonds and Interest ^J	_____ mills	\$ _____
4. Contractual Obligations ^K	_____ mills	\$ _____
5. Capital Expenditures ^L	_____ mills	\$ _____
6. Refunds/Abatements ^M	_____ mills	\$ _____
7. Other ^N (specify): _____	_____ mills	\$ _____
	_____ mills	\$ _____
TOTAL: [Sum of General Operating Subtotal and Lines 3 to 7]	<u>2.128</u> mills	\$ <u>243,601</u>

Contact person:
(print)Carol S. Dunn
CAROL S. DUNNDaytime
phone:719 989-7259

Signed:

W. Hanson

Title:

SECRETARY

Include one copy of this tax entity's completed form when filing the local government's budget by January 31st, per 29-1-113 C.R.S., with the Division of Local Government (DLG), Room 521, 1943 Sherman Street, Denver, CO 80203. Questions? Call DLG at (303) 866-2156.

¹ If the taxing entity's boundaries include more than one county, you must certify the levies to each county. Use a separate form for each county and certify the same levies uniformly to each county per Article X, Section 3 of the Colorado Constitution.² Levies must be rounded to three decimal places and revenue must be calculated from the total NET assessed valuation (Line 4 of Form DLG57 on the County Assessor's final certification of valuation).