

Presentation for Prowers County 1041 Hearing

August 18, 2022

GP Irrigated Farms, LLC

S-D Investments, LLC

Lower Arkansas Water Management Association

Roadmap

- Project Background
- Why is a 1041 permit required?
- Dry-Up, Re-Irrigation and New Irrigation Snapshot
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Project Background

- LAWMA acquired and changed in Water Court Case No. 15CW3067 for augmentation and replacement uses:
 - 897 shares of stock in the Lamar Canal Company
 - 750.5 shares of stock in the Granada Irrigation Company
 - 2.0 cfs decreed to XY Irrigating Ditch Company's Canal
- LAWMA acquired these shares and water rights from GP, S-D and Lawrence McMillan in exchange for:
 - GP: 2,069 shares of LAWMA common stock
 - S-D: 1,00 shares of LAWMA common stock
 - Lawrence McMillan: 16 shares of LAWMA common stock
- These LAWMA shares are used to augment wells supplying center pivot sprinkler systems on farms in Prowers County that grow crops to feed GP's cattle feedlot and dairy operation in Holly, CO.
- LAWMA adds additional augmentation and replacement water supplies to LAWMA's portfolio for the mutual benefit of shareholders.
- Dry-up and re-irrigation of Subject Farms and irrigation of new lands.

Why is a 1041 permit required?

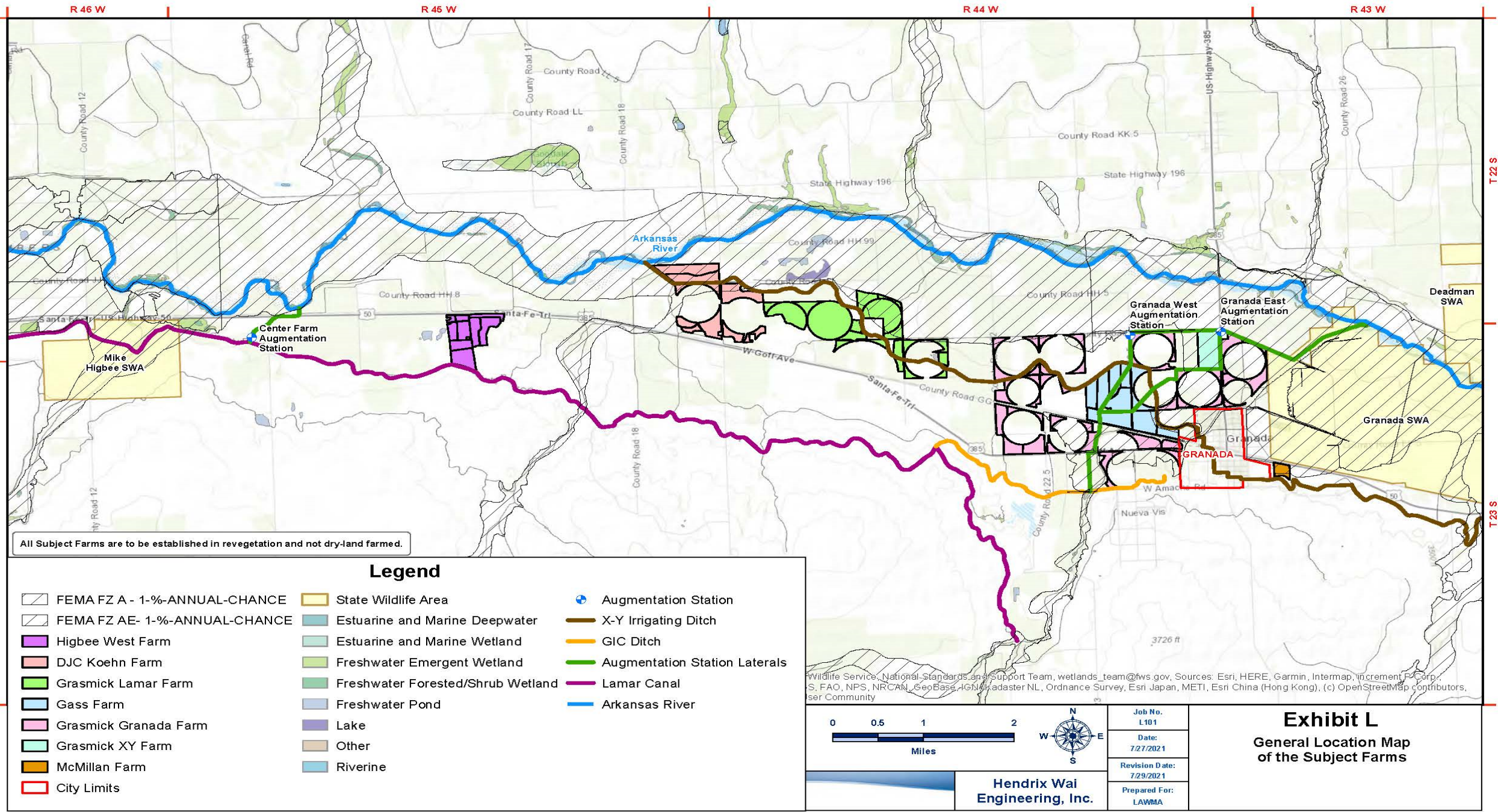
- The removal of irrigation water from the land triggers a 1041 permit.
- See Prowers County 1041 regulations § 4.104 (1):

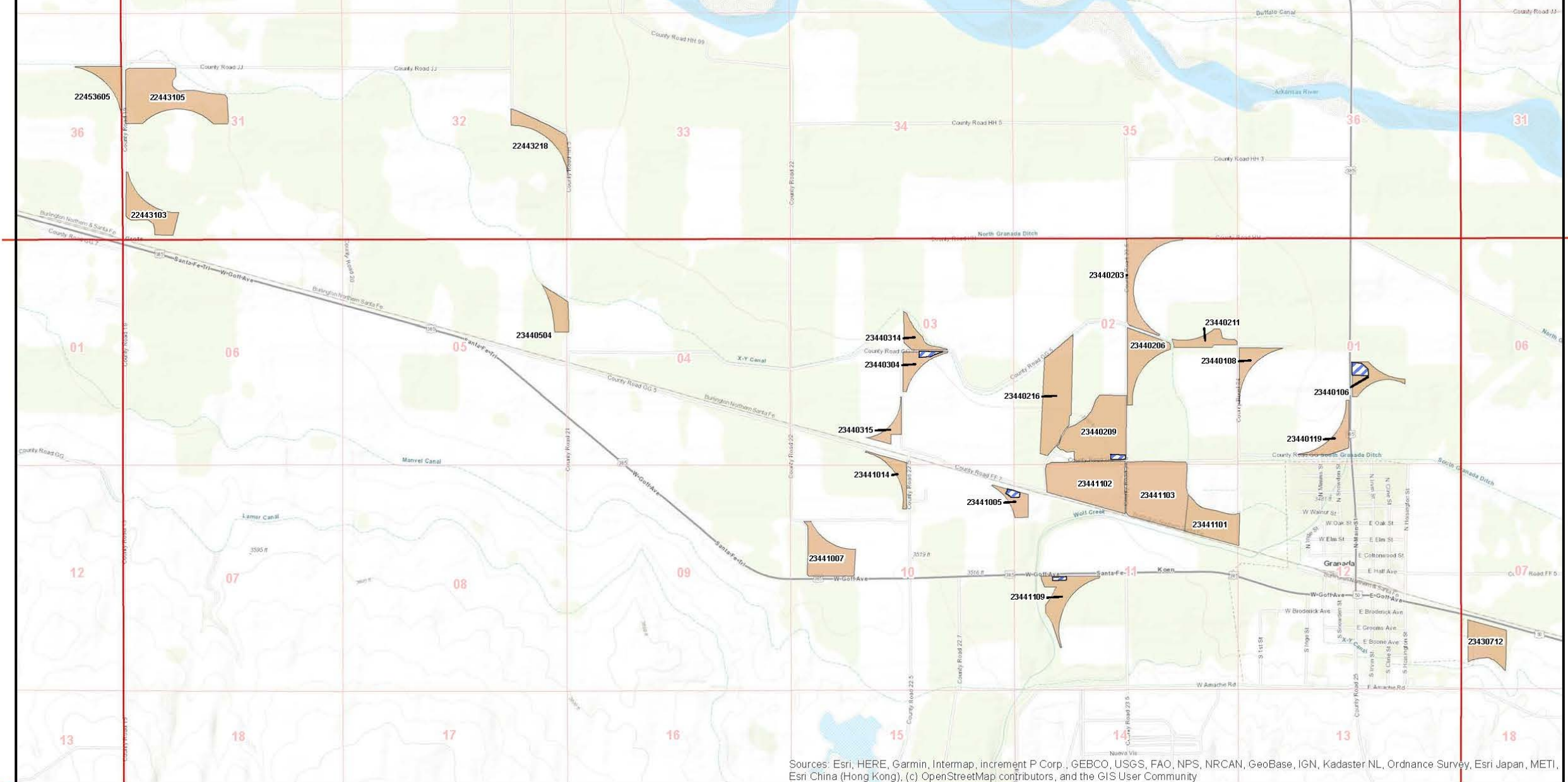
4.104 | Definitions

- (1) "Development" means and includes any of the following; if proposed to be taken with respect to any single parcel or tract of land greater than five (5) acres, located within the area described on **Exhibit D**, and which land is irrigated as of the effective date of these Regulations: (i) permanent cessation of such irrigation as evidenced by entry of a final decree of transfer of water rights by the Water Court for Water Division 2; or (ii) development of the land for a use or uses other than irrigated agriculture.

Dry-Up, Re-Irrigation and New Irrigation Snapshot

- Subject Farms = **1,704 acres**
- Revegetated or developed as non-agricultural use = **953.9 acres**
 - Water Court in Case No. 15CW3067 = **655.8 acres**
 - 2021 Revegetation Consultant = **298.1 acres**
- Re-irrigated using ground water augmented by LAWMA common stock = **321.1 acres**
- Not established in revegetation = **429 acres**
 - Defined as the “Subject Lands” in the subject 1041 permit application
 - They are a subset of the 1,704 acres
- Irrigation of new lands on the Holly Farm – 2,182 acres





Legend

- Subject Farms Developed for Non-Agricultural Use
- Subject Lands



**Hendrix Wai
Engineering, Inc.**

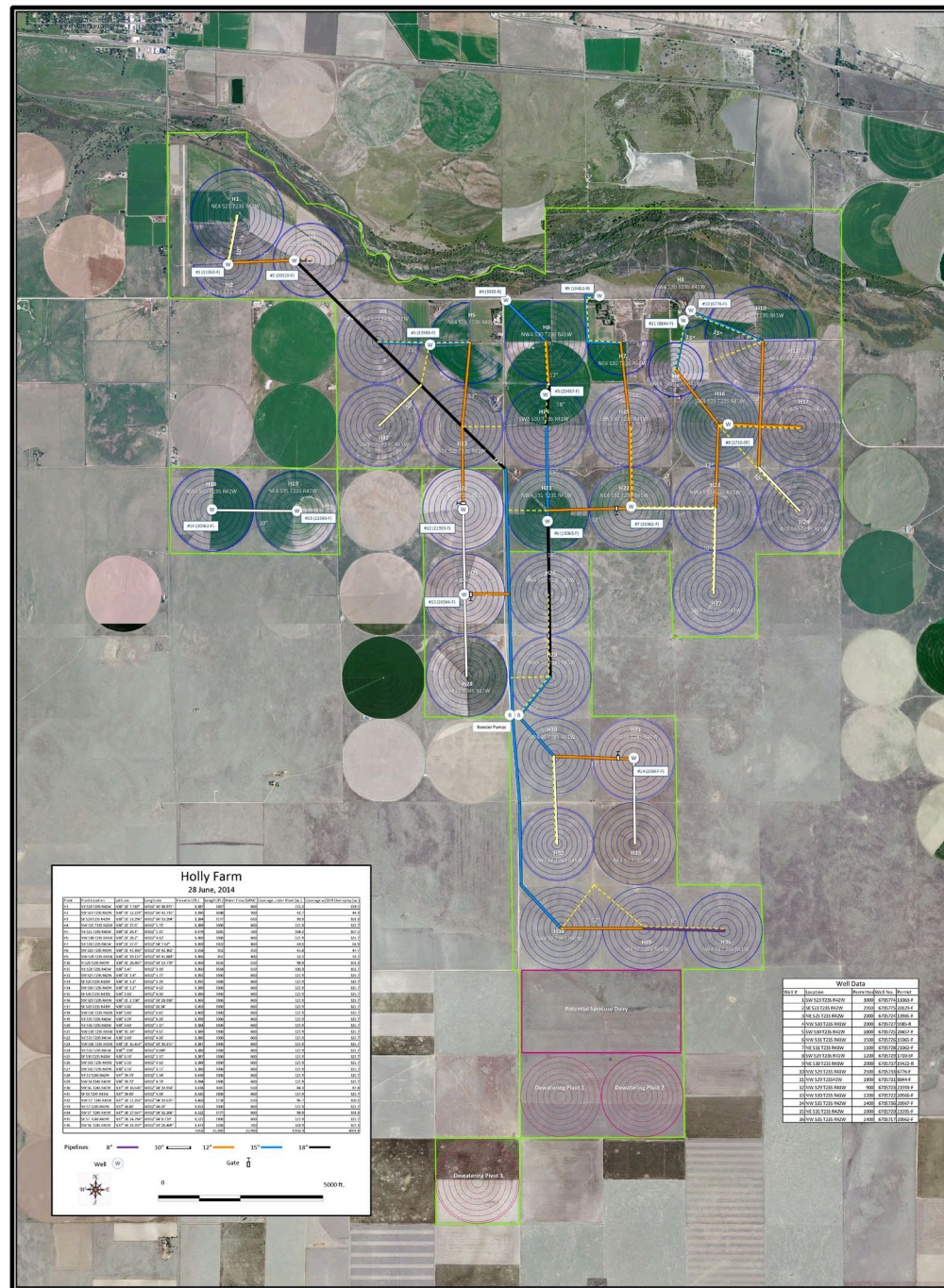
Job No. L101
Date: 12/1/2021
Revision Date: 12/1/2021
Prepared For: LAWMA

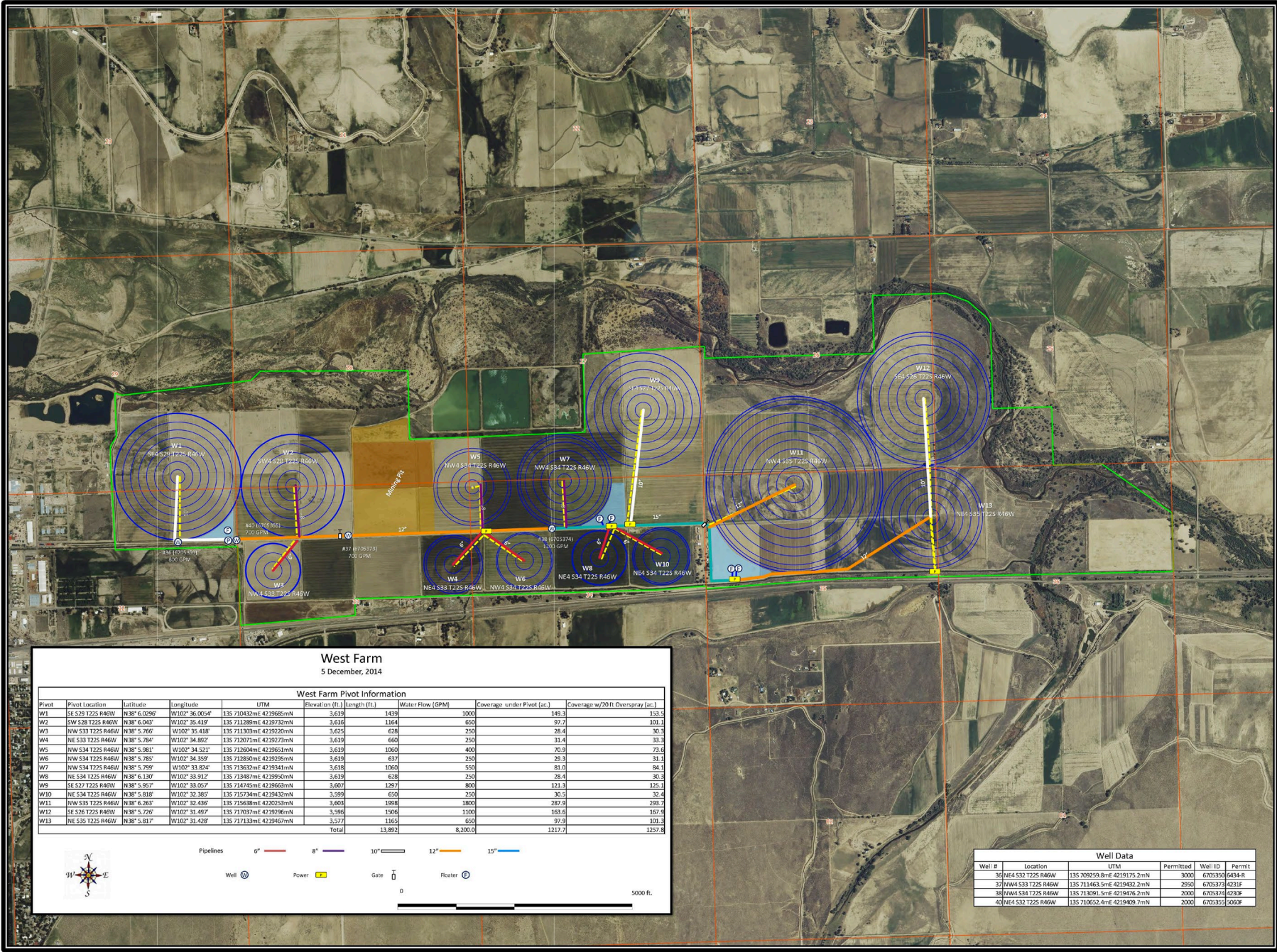
Exhibit D

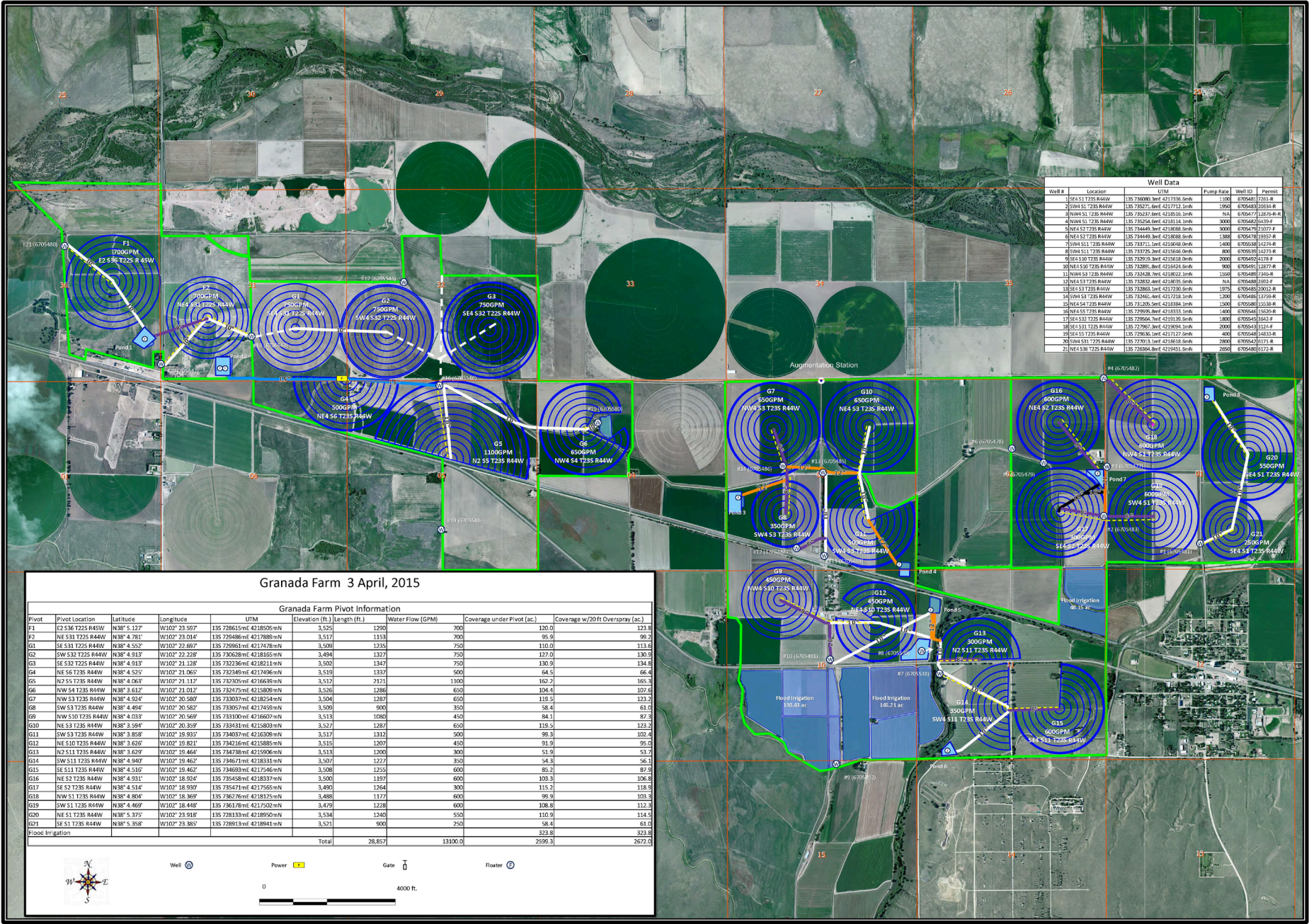
Map of the Subject Lands

Benefits – Irrigation Efficiency

- Holly Farm (4,074.4-acre farm):
 - 36 new center-pivot sprinkler irrigation systems
 - 20.65 miles of underground pipeline
 - 16 wells and pumps
 - 2 supplemental pumping plants
 - On the Holly Farm alone – GP brought 2,182 acres of new land into agricultural production in Prowers County
- DJC-Koehn Farm, Grasmick Lamar Farm, Grasmick Granada Farm, Grasmick XY Farm, and West Farm:
 - 11 new storage ponds
 - 14 new pumping systems
 - 11.65 miles of underground pipeline
 - 36 new center-pivot sprinkler irrigation systems
- No net dry-up in Prowers County
 - GP and S-D use their LAWMA shares to augment their 41 irrigation wells in Prowers County
 - Development has resulted in the actual dry-up of approximately 1,382.9 acres
 - Dry-up is entirely offset by 2,182 acres of new irrigated land on the Holly Farm
 - Irrigating approximately 7,767.3 acres under center pivots in Prowers County







Benefits – Infrastructure Investments

- GP spent \$80,000,000:
 - purchasing the land
 - center-pivot sprinkler irrigation systems
 - underground pipelines
 - wells
 - holding ponds
 - pump stations that feed the center-pivot sprinkler irrigation systems
 - augmentation stations to measure deliveries of the Subject Shares to the Arkansas River
 - electrical power service infrastructure
 - other improvements on the Subject Farms and the Holly Farm
- Such investments in Prowers County support local business and have increased the tax base

Benefits – Connection to other Developments in Prowers County

The Holly Farm and the other farms irrigated by GP and S-D are integral components of the Holly Dairy because they supply feed to the estimated 38,500 head of cattle that will be housed at the Holly Dairy at full development.

Category	Financial Impact
Irrigated Farm Capital Investment	\$80,000,000
Dairy & Feedlot Capital Investment	\$30,000,000
Total Infrastructure Capital Investment	\$110,000,000
Livestock Acquisition Cost	\$20,000,000
Annual Dairy Gross Income <small>[based on current milk prices]</small>	\$18,000,000
Annual Sales generated by Holly Dairy Feedlot <small>[based on current prices]</small>	\$21,000,000
Farm Employment	22 jobs
Dairy & Feedlot Employment	43 jobs
Total Employment	65 jobs

Applicants' Proposal

- Applicants ask that the County require no further action by Applicants for reclamation of the 1,275 acres that are established in revegetation or are being re-irrigated with ground water.
- Applicants ask that the County incorporate the revegetation category criteria and groundcover classifications from the 15CW3067 Decree into the requested 1041 Permit as the standards for reclaiming the 429 acres (i.e. the Subject Lands) that are not yet established in revegetation
 - Reduces regulatory overlap and conflict

Questions?

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