# IN THE OFFICE OF THE STATE ENGINEER OF THE STATE OF NEVADA

FILED
AUG 10 2001
STATE ENGINEER'S OFFICE

IN THE MATTER OF APPLICATION NUMBER 67329

FILED BY Vidler Water Co. Inc.

ON March 12 2001 TO APPROPRIATE THE

WATERS OF Underground source

} PROTEST

Comes now Robert & Fern Harbecke
Printed or typed name of protestant

whose post office address is HC 10, Box 10835, Ely, NV 89301
Street or P.O. Box, City, State and Zip Code

whose occupation is Cattle Ranching & Farming and protests the granting

of Application Number 67329, filed on March 12, 2001

by Vidler Water Company Inc. to appropriate the
Printed or typed name of applicant

waters of Underground Sources situated in White Pine County
Underground or name of stream, lake, spring or other source

State of Nevada, for the following reasons and on the following grounds, to wit:

Please See Attachments

THEREFORE the protestant requests that the application be Denied
(Denied, issued subject to prior rights, etc., as the case maybe)

and that on order be entered for such relief as the State Engineer deems just and proper.

Signed Richard W. Forman
Agent or protestant

Richard W. Forman, Agent
Printed or typed name, if agent

Address P.O. Box 150
Street No. or P.O. Box No.

Ely, Nevada 89301
City, State and Zip Code No.

Subscribed and sworn to before me this 9th day of August 2001

Kelly Spear
Notary Public

OFFICIAL SEAL
KELLY SPEAR
Notary Public State of Nevada
WHITE PINE COUNTY
98-1723-17 My Comm. Expires Feb. 26, 2002

State of Nevada

County of White Pine

☞ $25 FILING FEE MUST ACCOMPANY PROTEST. PROTEST MUST BE FILED IN DUPLICATE.
ALL COPIES MUST CONTAIN ORIGINAL SIGNATURE.

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# IN THE MATTER OF
# APPLICATION NOS. 67064 – 67069, 67319 - 67333

August 9, 2001

As agents for our clients, we offer all reasons to those previously submitted (a copy is attached herewith) on protests of the Las Vegas Valley Water District's applications which still very much apply. A copy of some of Vidler's Web Pages are also attached as evidence of their future water plans. Some additional reasons to consider are as follows:

## " WATER !! "

"Water" is the social and economic foundations for White Pine County, the State of Nevada, the United States of America, and the World.

Since LVVWD filed their applications in 1989 for all "unappropriated" water in Spring Valley and many other valleys within the State of Nevada, we have been asking ourselves and others *"Why is it not all right to move the water to the people (Cities with urban development), rather than the people to the water?"*

Most of us who live here in White Pine County do not want the intrusion of that urban lifestyle on our rural lifestyle. *What is our "Rural" or "Small Town" Lifestyle?* What is the "Agricultural" Lifestyle? What is the "Urban" Lifestyle? *What is "Our" or "Personal" Lifestyle?*

### "AGRICULTURAL LIFESTYLE":

What is Agricultural? The raising of Livestock (cattle (dairy and beef), sheep, horses, pigs, poultry (meat and eggs), fowl, etc.) and the growing of crops (hay, pastures, grains, fruits, vegetables, etc.). Sound like your daily diet? Agricultural is the foundation of everyone's sustenance.

Agricultural is also a social and economic foundation. Why do ranchers and farmers spend their lives working so hard and gaining so little financially? Because of the other rewards, such as the peaceful and less stressful daily life, the closeness of a family working together, the rewards of watching, nurturing, guiding, and feeding of all livestock and crops. Much the same as that of being a parent, teacher, doctor, and etc. The rewards of going out in the early morning or at sunset every night to enjoy nature and peace. The rewards that many of us experience everyday, but on a much larger scale.

Water for agricultural use in any area is not wasted or underutilized. It is a very necessary part of the environmental and sociological balance of any Valley, Community, County or State. To remove any "underutilized?" agricultural water from any specific area would be devastating. Many uninformed people have stated

that "We do not need farmers or ranchers, we can buy whatever we need at the store," or "We will import whatever we need from another country". Are these reckless statements?

## "OUR - PERSONAL LIFESTYLE":

Each and everyone of us here in White Pine County and the State of Nevada has experienced a part of the agricultural life style. Every time we smell the rain (which is fresher and cleaner than anywhere else), watch a snow fall, hear the birds chirping, or the coyote yipping. Go hunting or fishing, go for a ride over Success, plant a garden, tree, flower, or house plant. We are sure that there are many different ways of expressing all of these feelings, and by experiencing these feelings, we become more aware of how special our lives are here.

WATER is Life's Blood to wash and cleanse away all of the dust and smoke from our lives, it renews, refreshes, nurtures, and allows each and everyone of us to find peace around us.

Our underground waters are essential to sustain the natural earth's surface. The Life of all of our natural terrain would be affected. If the underground sources are over pumped and exported to other areas, there will not be the recharge rate of approximately 60% gained from agricultural waters. What will be if this did happen? All surface waters could diminish despite any annual precipitation received. What would be the future for any of us here in White Pine County or the State of Nevada? How dry, desolate and harsh will Nevada become? How much different or worse is this than the destruction of the rain forests?

Everyone is concerned. Each and everyone of us should weigh and balance all aspects of all life styles intruding on each others to come up with their own answers, then find out "Why" and share those answers with others to come up with a totally comprehensive, unbiased plan which will protect each area's environmental and sociological interests. Without those interests being first, there will not be an economic foundation to sustain "Life".

Richard and Marcia Forman
Boundy & Forman, Inc.

## REASONS AND GROUNDS FOR PROTEST

1. This Application is one of over 140 applications filed by the Las Vegas Valley Water District seeking to appropriate over 810,000 acre-feet of ground water for municipal use within the service area of the District in Clark County. Diversion and export of such a quantity of water will lower the static water level in this basin, will adversely affect the quality of remaining ground water and will further threaten springs, seeds and phreatophytes which provide water and habitat critical to the survival of wildlife, grazing livestock and other surface area existing uses.

2. The appropriation of this water when added to the already approved appropriations and dedicated users in this basin will exceed the safe yield of the basin. Appropriation and use of this magnitude will lower the water table and degrade the quality of water from existing wells, cause negative hydraulic gradient influences, further cause other negative impacts and will adversely affect existing rights adverse to the public interest.

3. This Application is one of over 140 applications filed by the Las Vegas Valley Water District seeking a combined appropriation of over 860,000 acre-feet of ground and surface water for municipal use in the Las Vegas Valley Artesian Basin. Diversion and export of such a quantity of water will deprive the county and area of origin of the water needed for its environment and economic well being and will unnecessarily destroy environmental, ecological, scenic and recreational values that the State holds in trust for all its citizens.

4. The granting or approving of the subject Application in the absence of comprehensive planning, including but not limited to environmental impact considerations, socioeconomic impact considerations, and water resource plan consideration for the general Las Vegas Valley area such as has been required by the Public Service Commission of private purveyors of water, is detrimental to the public welfare and interest.

5. The granting or approving of the subject Application in the absence of comprehensive water resource development planning, including but not limited to, environmental impacts socioeconomic impacts, and long term impacts on the water resource, threatens to prove detrimental to the public interest.

6. The granting or approval of the above-referenced Application would be detrimental to the public interest in that it individually and cumulatively with other applications of the water exploration project would:

   a. Likely jeopardize the continued existence of endangered and threatened species recognized under the Endangered Species Act and related state statutes;

   b. Prevent or interfere with the conservation of those threatened or endangered species;

   c. Take or harm those endangered species; and

   d. Interfere with the purpose for which the Federal lands are managed under Federal statutes including, but not limited to, the Federal Land Use Policy Act of 1976.

8. The approval of the subject Application will sanction and enhance the willful waste of water allowed, if not encouraged, by the Las Vegas Valley Water District.

9. The subject Application seeks to develop the water resources of, and transport water across, lands of the United States under the jurisdiction of the United States Department of Interior, Bureau of Land Management. This Application should be denied because the Las Vegas Valley Water District has not obtained right-or-way for water development on public lands and the transportation of water from the proposed point of diversion to the service area of the Las Vegas Valley Water District in Clark County.

10. This Application should be denied because it individually and cumulatively will increase the waste of water and lack of effective conservation efforts in the Las Vegas Valley Water District service area.

11. The Las Vegas Valley Water District lacks the financial capability of transporting water under the subject permit as a prerequisite to putting the water to beneficial use and accordingly, the subject Application should be denied.

12. The above-referenced Application should be denied because the application fails to include the statutorily required:

    a. Description of proposed works;

    b. The estimated cost of such works;

    c. The estimated time required to construct the works and the estimated time required to complete the application of water to beneficial use; and

    d. The approximate number of persons to be served and the approximate future requirement.

13. The subject Application should be denied because it individually and cumulatively with other Applications will exceed the safe yield of this basin thereby adversely affecting phreatophytes and create air contamination and air pollution in violation of State and Federal Statutes, including but not limited to, the Clean Air Act and Chapter 445 of the Nevada Revised Statutes.

14. This Application cannot be granted because the applicant has failed to provide information to enable the State Engineer to grant the public interest properly. This Application and related applications associated with this major withdrawal out of the basin transfer project cannot properly be determined without an independent, formal and publicly-reviewable assessment of:

    a. cumulative impacts of the proposed extractions;

    b. mitigation measures that will reduce the impacts of the proposed extractions;

    c. alternatives to the proposed extractions, including but not limited to, the alternatives of no extraction and mandatory and effective water conservation in the LVVWD service area.

15. The undersigned additionally incorporates by reference as though fully set forth herein and adopts as its own, each and every other protest to the aforementioned applications filed pursuant to NRS 533.365.

16. In as much as a water extraction and trans-basin conveyance project of this magnitude has never been considered by the State Engineer, it is therefore impossible to anticipate all potential adverse affects without further study. Accordingly, the protestant reserves the right to amend the subject protest to include such issues as they develop as a result of further study.

Vidler Water Company, a lead entrant in the emerging privitization of the water industry, develops permanent, reliable water supplies in the southwestern United States. With a singular focus on the development of water rights and underground water storage, Vidler acquires strategic water assets, converts them from agricultural to urban uses, and creates long-term revenue through leases or sales agreements.

Vidler's staff of experienced professionals has the talent and expertise to negotiate the intricate, time-consuming demands of the water industry. Assets are purchased at prices approximating intrinsic value, minimizing downside investment risk while maximizing upside potential.

Vidler has established an impressive and expanding portfolio of water assets throughout the Colorado River Watershed and surrounding areas, where inefficient allocation has created profitable opportunities for matching under-utilized agricultural water supplies with thirsty municipal and industrial end-users.

## FEATURES

- Vidler Water Company Agrees to Acquire 185,000 Acre-Feet of Underground Water Storage in California Along the State Water Project
  *Company Press Release, 11/11/98*

- Letter to Shareholders
  *Dorothy A. Timian-Palmer, P.E., Chief Operating Officer*

- Overview and Analysis of the Water Business in the Southwestern United States
  *Marc Reisner, author of Cadillac Desert and Overtapped Oasis*

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Member:
Colorado River Water Users Association (CRWUA)
National Association of Water Companies (NAWC)
American Water Resources Association (AWRA)
American Water Works Association
Summit County, CO Chamber of Commerce
Parker Area, AZ Chamber of Commerce
McMullen Valley, AZ Chamber of Commerce

875 Prospect Street, Suite 301 La Jolla, CA 92037

# MARKET OPPORTUNITIES

## THE ARID SOUTHWEST

Water, or the relative lack thereof, has always played an important role in the development of the semi- to emphatically arid southwestern United States. Las Vegas would be virtually inconceivable without imported water; 13 million people and a $400 billion economy are helplessly dependent on water piped hundreds of miles to the scrub land of the Los Angeles Basin.

While more populated areas have survived thus far by borrowing water from less developed locales, explosive economic development and population growth across the entire region is now squeezing supplies and forcing sober recognition of a dangerously precarious situation. For example, California's Department of Water Resources predicts that by 2020, when California's population is expected to approach 50 million, drought-year shortages could reach 4.7 million acre-feet -- more than twice the annual consumption of metropolitan Los Angeles today.

Water Fact

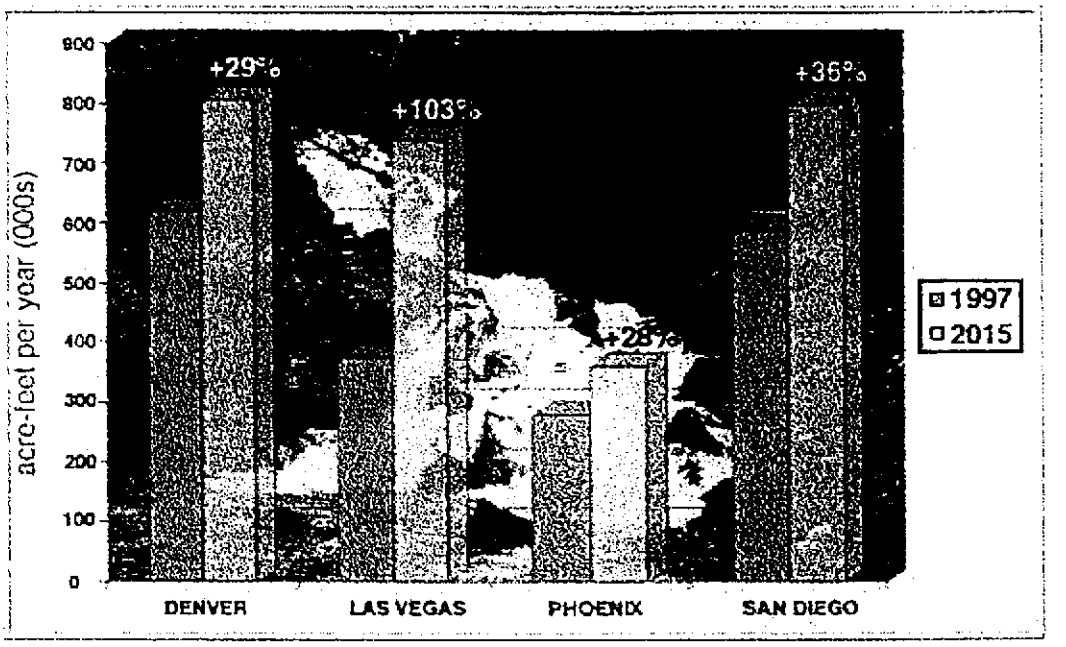
Every drop of the Colorado River is used 17 times, herded through 49 dams and dozens of pipelines and canals, until expiring before reaching the Gulf of Mexico.

There is no technical fix (damming, seawater desalinization, wastewater recycling) on the horizon that can economically extract the Southwest from its worsening dilemma. The most promising alternative is water marketing, which closes gaps in supply and demand through intelligent, free market exchanges between the owners of under-utilized water and entities with more immediate needs.

Specifically, opportunities exist in the aggregation of surplus agricultural water assets to quench the more acute thirsts of urban municipal and commercial end-users. Irrigation accounts for 80 to 95 percent of the water used in every southwestern state, the reallocation of which is the most cost-effective and sensible means of averting regional shortage.

This water is often beyond the reach of urban users as ownership of the rights is scattered among the thousands of small farmers who inhabit the region. Vidler Water Company has the resources to unite this fragmented universe of buyers and sellers, creating value for everyone involved while addressing a situation that can no longer be ignored.

## MARKET DEMAND




## Why Invest in the Water Industry?

- Essential, renewable resource.
- Critical demand in target markets.
- Significant barriers to entry.
- Inefficient, fragmented market.
- Inelastic demand.

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# OPERATIONAL FOCUS

## Acquisition of Water Rights

Identify water assets which may, at minimum, be immediately valued as equivalent to the purchase price; avoid assets which require conversion to a higher use to validate the purchase price. Emphasis on establishing a margin of safety on each investment by eliminating downside risk.

## Development and Operation of Underground Storage Facilities

Acquire storage and recharge capabilities that are often as important as water supply due to timing and location disparities between available supplies and highest demand. Without storage and rechange facilities, the problem of critical water shortages may only be half solved.

## Water Asset Development and Management Services

Provide professional services to municipalities and water districts lacking internal expertise and experience to make efficient use of their water assets. The initial objective of these services is to provide additional income with strong profit margins; an ancillary objective is to enhance Vidler's influence in the water industry.

## Financial Services

Accelerate the consolidation and privatization of the water industry by profitably monetizing rights owned by local governments through a series of sale/leaseback transactions.

## Sale and Commercialization of Non-Water Assets

Non-water real estate assets, typically purchased as part of water rights acquisitions, become surplus assets once the water rights are severed form the real estate. Vidler intends to actively pursue the sale or lease of real estate interests that are not required for the development or operation of its water assets.

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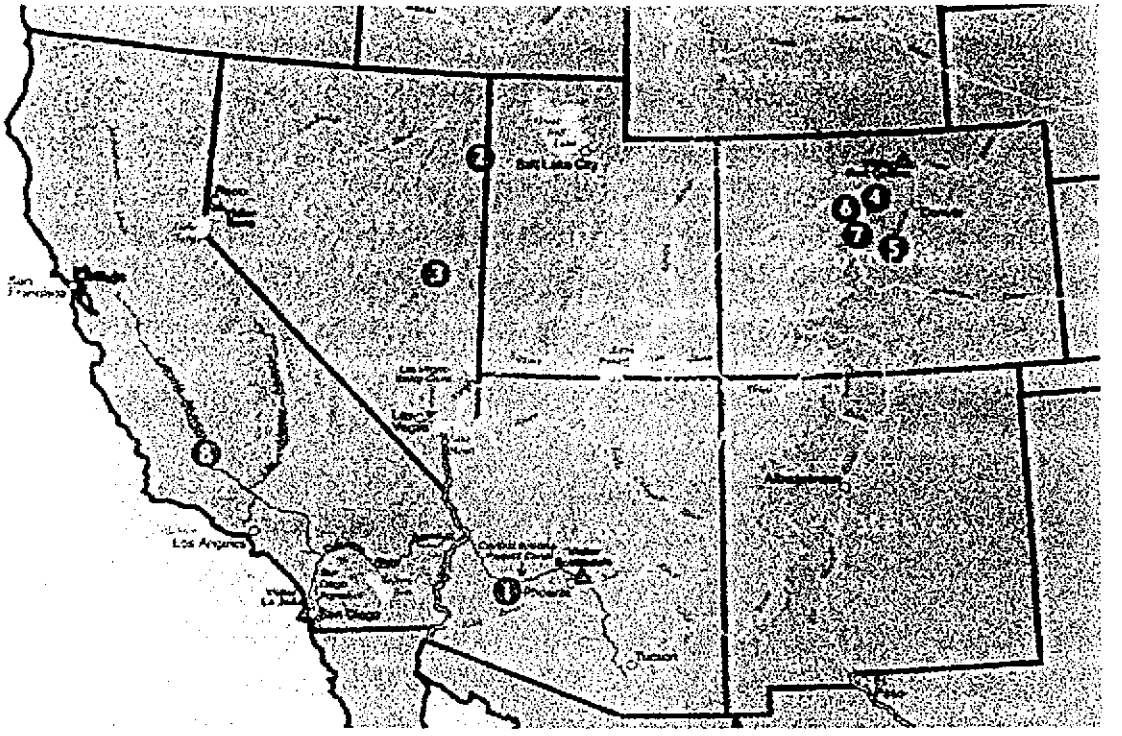
# PORTFOLIO OF WATER ASSETS



## Map Key (By State)

| ARIZONA | |
|---|---|
| 1 MBT Ranch Water Storage Facility | A private underground water storage facility in Arizona, eligible for interstate transfer. (more) |
| 1 MBT Ranch | 1 of 3 designated groundwater basins from which groundwater may be transferred. |

| NEVADA | |
|---|---|
| 2 Big Springs Ranch | Majority of water rights within the area's only significant groundwater basin. (more) |
| 3 Silver State LLC | Applications for groundwater rights in Central Nevada, northeast of Las Vegas. (more) |

| COLORADO | |
|---|---|
| 4 Vidler Tunnel | Only private trans-Continental Divide water delivery system. (more) |
| 5 Cline Ranch | Senior surface water rights. |
| 6 Sylvan Reservoir | Senior surface water rights and storage facility. |
| 7 Wet Mountain | Surface water rights, among the most senior on the Arkansas River. |

| CALIFORNIA | |
|---|---|
| 8 Semitropic Water Storage District | 185,000 acre-feet of underground water storage and associated rights to recharge and recover water. (more) |

## Land &Related Water Rights and Mineral Rights

In April 1997, PICO paid $48.6 million to acquire Nevada Land & Resource Company, LLC, which at the time owned approximately 1,352,723 acres of deeded land in northern Nevada, and the water, mineral, and geothermal rights related to the property.

Nevada Land is the largest private landowner in Nevada. According to the recent census, Nevada has been the fastest growing state in the United States over the past 10 years, with population growth of 66%. Developable land is relatively scarce in Nevada, as approximately 85% of the land in the state is owned by governmental agencies. Much of Nevada Land's property is checker-boarded in square mile sections with publicly owned land.

Before we acquired Nevada Land, the property had been under the ownership of a succession of railway companies. We believe that the potential of the property had never been fully exploited.

After acquiring Nevada Land, we completed a "highest and best use study." The study divided the land into 7 major categories and developed strategies to maximize the value of each asset type. These strategies include:

- land exchanges where Nevada Land transfers parcels of its land in return for land owned by government agencies or private parties. The Bureau of Land Management and other government agencies are motivated to conduct land exchanges for many purposes, including obtaining environmentally sensitive lands for conservation purposes or consolidating their land holdings;

- the sale of land and water assets. There is demand for land and water for a variety of purposes including residential development, residential estate living, farming, ranching, and from industrial users--in particular, electricity-generating companies that wish to locate plants in Nevada to generate electricity for Nevada, California, and other states where demand is growing strongly;

- the development of land in and around fast-growing towns in northern Nevada; and

- the development of water rights and management of mineral rights. In 2000 and the first quarter of 2001, we filed applications for 30,276 acre-feet of agricultural water rights and 18,000 acre-feet of water for municipal and industrial use. As new water rights are permitted, the value and marketability of the associated land will increase.

During the period from April 23, 1997 to December 31, 2000, Nevada Land received consideration of $14.4 million from the sale and exchange of land and the sale of water rights. This is comprised of $12.4 million in sales of land, $1.3 million of cash and land received in a land exchange transaction, and $624,000 from the sale of water rights.

We have sold 97,776 acres and divested a net 8,271 acres in a land exchange. The average price received in land sales has been $126.96 per acre, compared to our average basis of $69.23 per acre sold, and the average cost of $34.94 per acre for all of the land acquired. Looked at another way, the proceeds from selling and exchanging 9.1% of the land acquired represent 29.1% of the cost basis of the land assets of Nevada Land, and less than 25% of the land in the three highest value categories had been sold.

At December 31, 2000, Nevada Land owned 1,246,676 acres of land.

### Outlook

We anticipate continuing to sell parcels of land for residential, agricultural, and industrial use, and divesting significantly larger parcels through land exchanges. In particular there is strong demand from electricity-generating companies that are looking to acquire land to construct power plants where water is available, and there is also the requisite proximity to rail transport and the electricity transmission grid. Water is necessary for cooling due to the heat produced by the electricity generating process.

On March 29, 2001, John Hart, PICO's President and Chief Executive Officer, commented:

"Our highest and best use analysis, relying on comparable market data, suggests a potential value for the land component of Nevada

Land that is approximately double our book value. To date, actual sales prices have exceeded our expectation. This analysis does not include the value which could accrue from water, or minerals development, or the future benefit from marketable land received in land exchanges. Our primary risk with this asset is time--that is, will the time it takes to monetize the asset, and the ultimate value realized, keep pace with inflation or PICO's cost of capital?"