

Water for Sale

Mesa Group Has Water, Will Deliver

Boone Pickens – Mesa Water Group

We've always heard that oil and water don't mix, but I've been mixed up in both of them, first through Mesa Petroleum, and now Mesa Water. Oil and groundwater share many characteristics. If you pump them from the ground and deliver them to people that need them, you create wealth. And if you don't pump them, someone else might drain what lies under your land.

Four years ago, my neighbors and I joined together to find a buyer for groundwater underlying our property in Roberts County, Texas. This water can best be described as "surplus," since the Region A (Amarillo) Planning Group – the northernmost 21 counties in the Panhandle – didn't factor it into their 50-year plan presented to the Texas Water Development Board in 2001.

This water also isn't needed by the Canadian River Municipal Water Authority (CRMWA), nor by the City of Amarillo, which are the only two major markets in the Panhandle. We offered to sell them our water, and both turned us down.

CRMWA and Amarillo bought water rights from several landowners, which we have no quarrel with, but those left out did not have the same opportunity. Also, we recognized that when CRMWA went into production in December 2001, it would place our water in jeopardy of being drained. That is what triggered our forming the Mesa Water Group.

Our water also can be considered "stranded" because it can't be used for irrigation due to the topography of the land – mostly rolling hills, canyons and mesas. In fact, out of the approximately 2.5 million acres in the four northeastern-most counties, only about 100,000 acres are under irrigation – about four percent. So using our water for farming is not an option.

The Ogallala is the largest aquifer in North

America, covering parts of eight states, including the Texas panhandle. Since turbine pumps were introduced some 50 years ago, millions of acre feet have been pumped, with more than 90 percent used for irrigation.

We find ourselves with vast quantities of water that can't be used for irrigation or sold to the major markets in the area. It is only reasonable that we would seek to sell it elsewhere in the state.

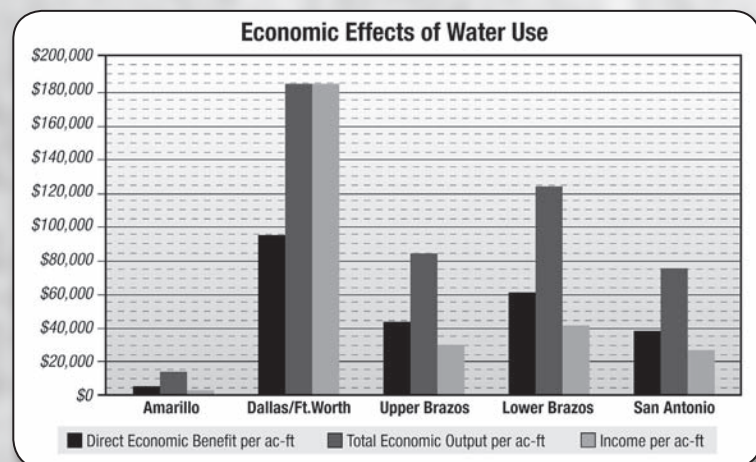
In December 2001, CRMWA began producing water at a rate of 43,000 acre-feet per year from land purchased in 1997 overlying the Ogallala Aquifer. They blend it with water from the Lake Meredith reservoir and export it as far away as Lamesa, 323 miles to the south, in a pipeline built in 1968. If we were to sell our water to the Dallas-Fort Worth metroplex, the pipeline we envision would be 328 miles – only five miles longer! Amarillo has water rights and permits to produce water from 72,000 acres they acquired in Roberts County in 1999.

Faced with the prospect of having our water pumped out from under us, 11 of us filed applications in 2000 with the Panhandle Groundwater Conservation District for permits to produce our water. After nearly two-and-a-half years and considerable legal and engineering expense, permits were finally issued

in July 2002. That gave us everything we need to complete a project to deliver 150,000 acre-feet of water per year to the Dallas-Fort Worth metroplex, San Antonio, or El Paso – all in time to avert serious shortages. And we didn't turn to Washington to ask for legislation, or money, or help with regulations. We worked within existing laws and regulations and spent about \$30 million of private funds to create a viable plan to supply new competitively priced water in Texas.

Another group of about 150 Roberts County landowners representing an additional 190,000 acres have filed for permits to export water beneath their land. They want the same rights from the Panhandle Groundwater Conservation District that CRMWA, Amarillo, and the Mesa Group already have. They are entitled to those permits and they should get them. What my neighbors and I propose to do is nothing unusual. CRMWA is doing it today and Amarillo plans to do it in the future. We find ourselves with vast quantities of water that can't be used for irrigation or sold to the major markets in the area. It is only reasonable that we would seek to sell it elsewhere in the state.

While there may be "stranded, surplus" water in Region A, that is certainly not the case in north central Texas, San Antonio, or El Paso. The stakes are enormous. According



Source: Mesa Water

to the Texas Water Development Board, projected populations for the three regions are expected to double by 2050. Each has comprehensive water planning efforts and has developed water plans to support such an increase, but many uncertainties remain and each region faces significant water shortages before the projects in their plans can begin delivering substantial supplies. Common sense would seem to dictate serious consideration of our proposal for assured supply at competitive cost over a relatively short time frame.

Today our group is prepared to construct and deliver to a public owner a well field and pipeline to deliver 150,000 acre-feet of water per year to any of these regions within five to seven years, at competitive costs. No other plan can come close to matching this capability.

Mesa Water now has:

- high impact permits from the Panhandle Groundwater Conservation District to produce and export water to a qualified municipality anywhere in Texas;
- the engineering capability to build and operate the well field, pipeline, and infrastructure;
- hydrology reports confirming more than 81 million acre-feet of groundwater in the four-county area and demonstrating a more than 100-year supply of groundwater while preserving 50 percent of the aquifer;
- a letter from investment bankers stating their confidence that tax-exempt financing is available;
- an engineering report that demonstrates the feasibility of the pipeline and the cost to deliver water to multiple destinations;
- a second engineering report outlining routes and construction costs;
- a report from an economic consulting firm stating that our cost of delivered water is competitive with other options adopted by the Dallas-Fort Worth metroplex or the San Antonio area in their regional plans; and
- a Memorandum of Understanding with the Brazos River Authority that could reduce construction costs by piping water to the Brazos River and using it to bring the water closer to end users.

That is what we have. What we do not have is a buyer. We believe that is about to change.

And we will see that the buyer is completely protected throughout the term of the contract by having an assured supply and a fixed price for the water.

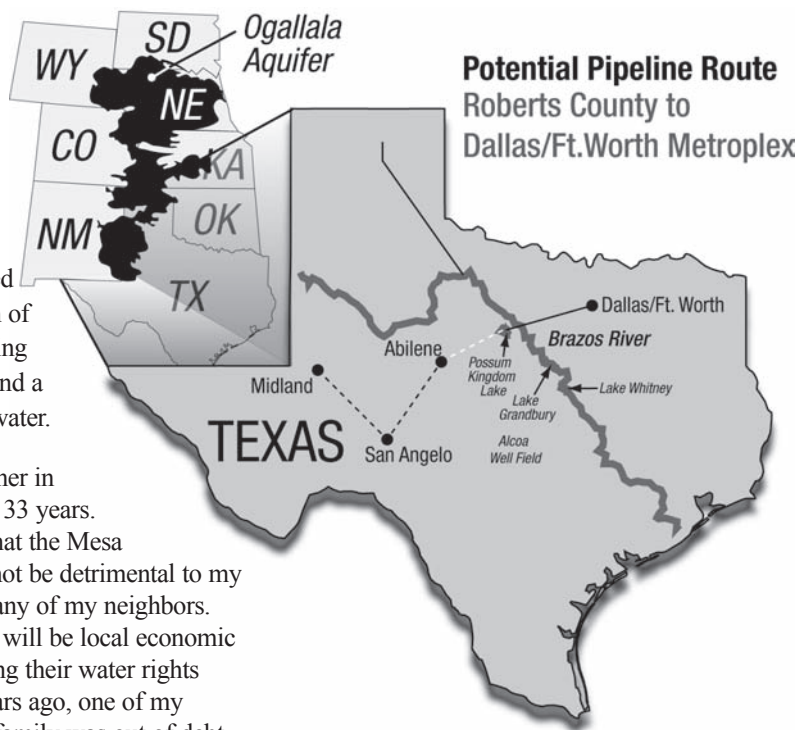
I've been a landowner in Roberts County for 33 years. I intend to ensure that the Mesa Water project will not be detrimental to my property or that of any of my neighbors. And there certainly will be local economic benefits. After selling their water rights to Amarillo two years ago, one of my neighbors said her family was out of debt for the first time in 35 years, and they were looking forward to continuing future generations of ranching.

This project also will provide other benefits. Unlike some alternative projects being considered, our groundwater can be developed without damming rivers, flooding land, or destroying any wildlife habitat. In fact, 40 to 60 percent of our water ultimately will go to creeks and rivers downstream from the purchaser, significantly enhancing the flow, benefitting both the environment and associated wildlife! If delivery includes

use of the Brazos River, conjunctive management will create additional recreational and hydropower benefits.

Developing this four-county portion of the Ogallala as an exportable municipal water supply truly is in the best interests of Texas because it is a drought-proof, secure source of water for the future.

Boone Pickens is president of Mesa Water and founder of Mesa Petroleum Corp. For more information on Mesa Water, visit www.mesawater.com or contact Steve Stevens at stevens@bpcap.net, 214-265-4165



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