

**Sheridan HPA SD-6
May 9, 2012 Meeting Notes**

The meeting was started in the Hoxie Elks Lodge at 8:00 AM, May 9, 2012. Wayne Bossert began by covering the agenda and what needed to happen IF the process was to go forward. Also to be covered, following discussion of all provided comments, was the latest draft of the proposal as it was drafted following the May 25, 2011 meeting - plus three items included by GMD 4 staff for consideration. The May 25, 2011 draft had been included in the mailing notice and copies were made available.

The first issue was the process to assign, contest and settle on the eligible acres - the heart of the allocation proposal. Ray Luhman began by covering the previous process based on the reported acres in 2007-2009 inclusive. While this was done in 2011, the 2010 reported acres irrigated were not available. He then suggested that for the final proposal the 2010 reported acres (now available) could be included if desired. Ray also suggested some small changes to the procedure that had been approved earlier and on which the 2010 eligible acre dry-run process was done. The suggested process would be:

If 2010 reported irrigated acres are equal to the 2007-2009 (inclusive) acres, the 2010 reported acres will be designated;

If 2010 reported irrigated acres do not equal 2007-2009 acres, the highest reported acres that can be reconciled with the GMD 4 acquired aerial photography and the water right file information will be used;

If the 2010 irrigated acres do not equal 2007-2009 acres and the highest reported acres cannot be reconciled with aerial photography and the water right information, the highest acres that can be supported by the photography and water right information will be used and a note to this effect will be attached.

In every case, the designated eligible acres will be provided to each water right owner with an opportunity to question or contest the acres with staff, and if staff's decision is not acceptable, with the board of directors.

The consensus of the group was that the suggested changes were acceptable and should be included in the proposal.

The public comments offered were next discussed in the order provided:

1) From Kevin Wark: *The stockwatering rights should have to take a real water use reduction like the irrigation water rights.*

In discussion the reason for the current handling of these water rights was covered again and the issue was opened up for further discussion. A question was asked about the 11-inch per acre allocation proposed for irrigation - where did this number come from and is it still discussable? Staff explained where it came from and that it was still discussable. In the end, the group consensus was: 1) the economic impacts remained important enough to retain the proposal for stockwatering as it is; and 2) the 11-inch per acre allocation was correct and should remain in the proposal.

2) From Mike Beckman: *The priority system should be applied in any approved allocation scheme - even if it results in just an inch or two additional water for the senior water rights.*

Staff explained again why the share-the-pain philosophy was opted for rather than a priority based approach. Staff offered for discussion a process whereby the priority system could be done, but advised that the total pumpage level for the 5-year period would remain the same, so any additional allocations to senior rights would be at the expense of junior rights. The basis of the priority approach would have the stakeholders determining the median allocation level, and the minimum and maximum levels. The median allocation would be assigned to the median water right file with the most senior right being assigned the maximum allocation level and the most junior right getting the minimum level. Each water right along the scale would get an equal step allocation. All allocations would be converted to total acrefeet for the LEMA period. The further the minimum and maximum allocation choices were from the median value, the more water would be cut from the juniors and dedicated to the seniors.

Following questions and discussion, the consensus was to leave the approach alone, and the allocation level at 11-inches per eligible acre.

- 3) From Harold Murphy: Had three items initially, but based on private discussions before this meeting, the first two issues were withdrawn. His remaining comment was: *The consequences of the state permitting of water usage by the oil drilling industry and the possible selling of water by water right holders could greatly affect the end result of whether the depletion objective is met. In his opinion, these oil and gas exempt water rights should be handled in the proposal.*

In discussion, the issues were: 1) how many exempt water rights might be expected?; and 2) what hydrologic impacts to the HPA might they have? While it is theoretically true that the non-domestic exempt water rights would negatively affect whatever total pumpage value ultimately set, it was the consensus of the group that the oil and gas exempt water use would not likely be significant in the initial 2013-2017 LEMA period, and if it did become so, this issue could be dealt with in the annual reviews and the more formal ending review. There was no support for addressing domestic water rights in this proposal in any fashion different than what is currently in place.

- 4) From Archie Moss: *The boundaries are not correct - should be the entire GMD; SD-6 should go forward ONLY if TH-5 and SD-1 develop proposals within the next 2-3 years. If they don't, the SD-6 proposal should cease; There needs to be a formal voting process developed - suggested that each water right get one vote; and the water right priority system should be followed more.*

As with the other comments, the original mind-set for each of these decisions was covered. There was considerable discussion on the voting issue. When completed, the consensus was to leave the proposal unchanged.

The three new items were discussed next. They were:

- 1) Exempt water rights - should they be ignored or included? This issue had already been settled in the above discussion, so there was no direction at this time to include it into the proposal.
- 2) Multi-year Flex Account (MYFA) conversion process - should such a conversion be ignored or included? GMD 4 staff commented on the benefits of including such a procedure and stated that it had no downside. Staff suggested that every water right be given the opportunity to enroll into a MYFA on or before October 1, 2013 provided the MYFA period starts in 2013 and runs concurrently with the LEMA period. This would allow any MYFA right to exceed its annual quantity in any year as long as the 5-year MYFA quantity (which may be equal to or less than the LEMA allocation) is not exceeded. The consensus was to include this authority into the proposal as proposed by GMD 4 staff.

3) AWEP synchronization - should water rights going into or coming out of AWEP during the LEMA term be handled or ignored? GMD 4 staff also proposed that the AWEP program be considered in order to better control the desired pumpage limits. The concern was that a water right could use or market its entire allocation in the first few years of its 5-year period, then enroll into AWEP. Staff suggested that any enrollment into AWEP during the LEMA period would require the allocation balance upon enrollment to become zero. The consensus of the group was to include such an element into the proposal.

Staff also suggested that any water right coming out of AWEP during the LEMA period should receive only an allocation for each eligible acre based only on the remaining years of the current LEMA period. The consensus was to include this requirement into the proposal as well.

The floor was then opened up for any further discussion or comment. It was the consensus of the group that the proposal as modified during the meeting be written up and presented to the GMD 4 board for adoption and subsequent submission to the chief engineer on their behalves. While few of the consensus decisions recorded during this meeting were unanimous, this record is deemed to reflect the majority consensus of the participants.