

THE PROBLEM OF RURAL-URBAN WATER COMPETITION
WITH AN EXAMPLE OF LAS ANIMAS, COLORADO

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CHAPTER I

THE PROBLEM AND DEFINITIONS OF TERMS USED

As an outgrowth of the national trend toward increased urbanization, the demand for scarce water resources becomes quite apparent. Complexity increases with rural-urban competition for water on one hand and the need for rational comprehensive water planning on the other. The problem is further compounded by the existence of privately owned water systems. Presently, water planning can only be implemented within the narrow constraints of law. Caught in this dilemma, are numerous people and towns whose very livelihood rests solely upon the decision of the buyers or sellers. In view of the resultant impact upon the economy of either community through the increase or decrease of water, it is imperative that some means for equitable distribution be found. The Las Animas, Colorado, water sale illustrates the present lack of comprehensive planning and the need for better coordinated water planning between public and private water users. It may also indicate a need for changes in the law regarding water transfers.

I. THE PROBLEM

Statement of the problem. It was the purpose of this study to (1) evaluate the importance of water for rural development

and investigate the existing conditions that brought about the sale of water rights from a rural to an urban community and from a private to a public water system; (2) explore the business community, public, and farmer reaction to the water sale; (3) provide a synthesis of issues and problems involved in rural-urban water transfer; (4) consider the implications of competition for water among public entities; (5) examine what economic and attitude changes, if any, have taken place one year following the water sale; and (6) on the basis of the preceding to show why it is imperative that there be comprehensive water planning and enforcement authority in order to realize the most effective allocation of scarce water resources.

Importance of the study. The trend of American society toward increased urbanization has begun to tax the supply of available water, especially in the arid west. Coupled with this increased demand for water is the fact that any diversion of water resources brings the irreversible and irretrievable commitment of resources which minimizes or precludes the freedom of choice of future resource users. Moreover, this study is important because the Colorado appropriation doctrine makes it possible for irrigable lands to revert to dry-land states. Municipalities are the main driving force behind this conversion to urban water since they can afford to pay large amounts for urban water supplies.

¹ Principles for Planning Water and Land Resources.
A report to the Water Resources Council by the Special Task Force (Washington: United States Water Resources Council, July 1970), p. 9.

This results, as demonstrated by the Las Animas water sale, in many dry-land farms and ranches which are hard to sell and creates local taxation problems.

It is likely that any sale of irrigation water will produce conflict, misconception, and uncertainty resulting from a lack of knowledge in general as to what happens when a rural community sells its water. In this respect, the significance of this study is that more case studies are needed to provide ideas and facts about rural-urban water transfer which will be useful in aiding private, public groups, and individuals in (1) bringing order to misconception and confusion, (2) resolving conflicts, (3) lessening the uncertainty associated with future courses of action, and (4) as a result of these discoveries, suggest methods for bringing about desired change.

II. DEFINITIONS OF TERMS USED

Las Animas, Colorado. A small farming community located in the fertile Arkansas Valley of Southeastern Colorado and serves as the seat of Bent County. Its main industry is agriculture which includes grain milling, dairying, poultry and livestock raising. It is surrounded by dry-land and the average yearly rainfall is 10.94 inches. In 1971, the population was listed at 2,955. Its municipal water is from wells which are owned and operated by the town. Two ditch companies, the Las Animas Ditch Company and the Fort Lyon Canal, supply irrigation water to the Las Animas area.

Las Animas Ditch Company. A privately owned water corporation that supplies 32½ second feet of water to seventy-two farm shareholders who hold varying amounts of an allotted 1,875 water shares. The irrigation water is received from the Arkansas River with a diversion point at Rocky Ford, Colorado, approximately forty miles upstream. Pursuant to Colorado incorporation laws, the Las Animas Ditch Company water rights can be sold, and the Company dissolved through a 2/3 voting majority of all shares represented. This ditch is the primary object of concern in this paper as it serves the rural community of Las Animas and was sold for \$750 a share to Pueblo, Colorado. It is not known how much land is irrigated by the Ditch Company but it is believed to be about one share of water for each acre represented.²

Pueblo, Colorado, located in south central Colorado and is situated on the Arkansas River, 40 miles southeast of Colorado Springs and approximately eighty miles from Las Animas. It lies about 4,690 feet above sea level in the foothills of the Rocky Mountains. It is the headquarters for San Isabel National Forest and is the industrial metropolis of the area. Pueblo is the state's second largest city with a population of 100,000 and has the largest steel mill west of the Mississippi River. Pueblo is included in Colorado's Front Range, an urban strip which stretches from Fort Collins to the Wyoming border to Pueblo.

² Editorial in the Front County Democrat, June 10, 1970.

This area is projected to become the nation's 11th largest urban region with a population of 3.2 million by the year 2000.³

John Martin Dam. This combination concrete gravity and earth-fill structure is located on the Arkansas River about fifteen miles from Las Animas. It has storage space for 645,700 acre-feet of water and was built in 1948 for flood control and irrigation purposes. The return flow from the Las Animas Ditch Company enters this Dam.

Prior Appropriation. The Colorado doctrine regarding the development and use of water resources. The main provision is that water belongs to the people of the State, and, individual citizens can procure title by putting it to beneficial use. This property right is allowed on the basis of "First in time, first in right." Prior Appropriation allows the transfer of water from one area of land to another as it is not attached to the land.

³This is a growth prediction made by J. P. Fickard, a population expert for the U. S. Housing and Urban Development Department. For more, see The Sunday Denver Post, August 3, 1969.

CHAPTER II

REVIEW OF THE LITERATURE

Literature dealing with an actual case study and effects of a rural-urban water sale is woefully lacking. Indeed, most literature dealing with water transfer has focused mainly around the study of the influences of different public policies, i.e., water pricing, urban land use regulation, irrigation water prices, water quality standards, etc. Other studies have dealt with related topics such as population growth rates, alternative aggregate projections of water demands and wasteloads, and the different sets of market prices for agriculture commodity prices.

It is easy to discern then, that literature relating to (but not including) the sale of irrigation water is abundant. In fact, many authors have submitted that the subject of water has been "studied to death." Therefore, in order to avoid drowning in the vast sea of water literature, only a brief summary of works closely related to rural-urban water transfer will be presented.

1. LITERATURE ON EXPANDING URBAN DEMAND FOR WATER

Dr. Dean E. Mann, of the University of Arizona, presents an excellent analysis of the many complex physical, economic,

and social limitations which the shortage of water imposes upon the people of Arizona. In Arizona, the intensity of competition between water for agriculture and domestic use causes the management of water to be a matter of primary interest to the general public and the various interest groups composing it.

Dr. Mann believes that in order to provide for the future economy of the state, and to provide the leadership in gaining acceptance of the policies needed involving the utilization of Arizona's increasingly scarce water supply, it is mandatory that there be state regulation of water resources.⁴ He concludes that although more urban people can survive on a given acre of ground using the water for domestic purposes than when water is used for irrigation, in the long run, the competition of urban populations for water threatens seriously the agricultural base unless new supplies are found.

In a Master's thesis presented to the Department of Economics, Colorado State University, Edward B. Assmus describes the intricacies involved in a municipal water transfer and how the transfer process is inhibited through institutional obstacles and imperfections.⁵ His study model was the City of Fort Collins

⁴Dean H. Mann, The Politics of Water in Arizona (Tucson: The University of Arizona Press, 1963), especially pp 7-80.

⁵This is contrasted to the findings of this study based upon the Las Animas water sale. In the Las Animas study, the problem was not that institutions inhibited the transfer of water rights--rather they too easily facilitated the sale of water rights to the highest bidder without taking into account the private, social, and economic effects of the water sale.

and the difficulties encountered in purchasing rural irrigation water for urban consumption. Although his insights are to be applauded, his area of study limited itself to the water-rich northern Colorado area and did not deal with the rural-urban water sale from an area which is dependent upon an agricultural economy.⁶

II. LITERATURE ON SECONDARY EFFECTS AND VALUE OF IRRIGATION FARMING

The nexus for further inquiry into the complexities of water transfer was provided by David B. Tanner, Department of Economics, Colorado State University. The most important finding of Tanner's study was that the whole economic life of the rural community revolved around the farmers, the feed and produce stores, the farm machinery dealers, and the irrigation companies.⁷ These characteristics which he labeled "The secondary effects of ground water development," are those benefits which are the effects of irrigation that do not accrue to the farmers who are irrigating, but instead accrue to other private and public sectors of the economy. Tanner lists four

⁶For more see Edward Barry Assub, Rural-Municipal Water Transfers (Fort Collins, Colorado State University Master's Thesis, 1966).

⁷David B. Tanner, The Secondary Effects of Ground Water Development (Fort Collins, Colorado State University Master's Thesis, 1966).

major secondary benefits from irrigation farming:

1. Increased profits of local wholesalers and retailers from handling the increased sales of farm products consumed locally by nonfarmers.
2. Increased profits of all other businesses between the farm and the final consumer, locally or elsewhere.⁸
3. Increased profits of all businesses supplying goods and services for increased farm purchases for family living and production expenses.
4. Increased land values of local residential property.

Bishop, also of Colorado State University, perceives the problem of rural-urban water transfer as being one of flexibility and uncertainty. Flexibility being defined as increasing efficiency of water transfers under the uncertainty of time and inadequate information constraints. Although he presented a decision-making formula for including uncertainty in decision-making, Bishop recognized that an "unexpected event may drastically alter the results of the project, if it does occur."⁹

More recently, Resources for the Future conducted a study of how forecasting technological change could have an important impact on future water supply and demand patterns. The study included an analysis of the impact of likely market trends, alternative public policies, and technological change

⁸Tanner emphasizes that secondary benefits are often felt by the local businessmen and citizens in the nearby towns where the farmers trade.

⁹R. C. Bishop, "Flexibility and Uncertainty in Water Transfer Planning" (unpublished Master's thesis, Colorado State University, Fort Collins, 1967), p. 46.

on water use patterns. Their study, not unexpectedly, found irrigation farming to be the lowest value use of water in terms of incomes generated directly and indirectly per acre-foot, making it most sensitive to either market or public desires. The study was critical of price support programs for irrigation water and recommended (as Asmus suggested) institutional settings be devised which could more effectively allocate water to other users in accordance with relative values.¹⁰

III. LITERATURE ON PUBLIC INTEREST IN IRRIGATION WATER

The literature on public interest in irrigation water is readily abundant. An author who has contributed immensely to this area of study is Stephen C. Smith, Associate Dean, School of Natural Resources, University of Wisconsin. Speaking at the 14th Annual Western Resources Conference at Colorado State University, Smith noted, "Technological advances have created new communities of interest which lack appropriate institutional means for communication and decision, or even problem definition."¹¹ He concluded, "Future planning must relate these new communities of interest which have been created."¹²

¹⁰Charles W. Howe, et al. Future Water Demands (Prepared for National Water Commission. Washington: Resources for the Future, 1971).

¹¹Stephen C. Smith, (Speech presented at the 14th Annual Western Resources Conference, Colorado State University, Fort Collins, Colorado, July 5-6-7, 1972).

¹²Ibid.

Citing the public interest of the farm irrigators, Hartman and Seastone noted that the transfer of water between uses or locations of use does change the economic base of communities. However, they made no attempt to analyze the nature of any non-economic effects.¹³ They further found a tendency for agricultural users to protest any rural-urban transfer. Their example was the Coy Hoffman case of Fort Collins, Colorado. Here, a water transfer would have benefited many downstream irrigators through an increased return flow, but farmers nevertheless joined in protest against the transfer.

Finally, Meek and Hill, of the Political Science Department, Colorado State University, reported that irrigation interests tend to dominate the local irrigation system and consequently very little direct communications exist between the irrigation and public sectors of the system. They analyzed those factors-- personal, organizational, and conceptual, that influenced the nature of planning activities and the identification of a communication network that links those charged with planning activities into the larger water resource system of the area. They pointed out several factors limiting the ability of any organization to plan effectively. They are:

- (1) Limited organizational control and influence over its environment.

¹³L. M. Hartman and Don Seastone, Water Transfers: Economic Efficiency and Alternative Institutions (Baltimore: The John Hopkins Press, 1970), p. 36.

- (2) the limited resources that are available to the organization.
- (3) the inability to predict relevant internal and external variables which affect the content of any plan.
- (4) changing organizational goals which result from internal conflict or changing environmental factors.¹⁴

¹⁴Duane W. Hill and R. L. Meek, Local Water Agencies, Communication Patterns, and the Planning Process, Completion Report to the Office of Water Resources Research, Department of the Interior (Fort Collins, Colorado State University, September 30, 1971), p. 6.

CHAPTER III

CAUSAL ANALYSIS OF THE PROBLEM

On September 27, 1971, the shareholders of the Las Animas Ditch Company were informed that the District Court had approved the sale of their water rights to the Pueblo Water Board. This was the final action that climaxed over eighteen months of a project that began in March 1970. It is the belief of the author that if the findings of this study can be projected to other rural communities who are contemplating the sale of their water rights to urban areas, all participants will be made more aware of the need for decisions that necessarily involve the whole community.

Economic importance of water. It has often been stated that the future of Southeastern Colorado is in its use of water. A brochure published by the Southeastern Colorado Water Conservancy District describes the absolute importance of water to the Arkansas Valley. It affirms:

... Areas which have water can plan for unlimited growth and prosperity. Others, which have water in limited quantity, but use it and protect it wisely, can have limited growth and prosperity. Those areas which do not plan for future development and use of this precious commodity, have already established the point and time beyond which they cannot grow and prosper.¹⁵

¹⁵ Southeastern Colorado Water Conservancy District, The Future of the Arkansas Valley is It's Water, Brochure No. 1 (Pueblo: Southeastern Colorado Water Conservancy District, 1970), p. 2.

In a study of the value of irrigated land as compared to non-irrigated land which included Bent County, irrigation specialist, Don Niles of Colorado State University, found "the value of all crops produced in 1964 was nearly six times as large in the irrigated counties as in the non-irrigated counties."¹⁶ Another economist, Dr. David B. Tanner, found that the introduction of irrigation on land previously under dry farming had a significant impact upon land value. He established an average value of \$270 per acre for irrigated land as opposed to \$40 for dry-land.¹⁷

Applied to Las Animas. The above studies are an accurate portrayal of the Las Animas agriculture economy before the Las Animas water sale in 1971. In 1970, assessments on agricultural property, including land, buildings and personal property, showed the greatest increase for the year. It was up \$140,500 from the 1969 figure. A year later, in 1971, property valuation assessments decreased in value to \$130,500 but agriculture property was set at \$6,767,000, an increase of \$115,000 over 1970.¹⁸ Senator Elliott mentioned these statistics when, speaking to a group of Las Animas citizens, noted that the farmers have become more productive and "when money is poured into the agricultural community it is invested productively."¹⁹

¹⁶ Don Niles, "The Importance of Water and Irrigation" (unpublished master's thesis, Colorado State University, Fort Collins, 1964).

¹⁷ David B. Tanner, op. cit., p. 12.

¹⁸ Bent County Democrat, op. cit., Sept. 7, 1971.

¹⁹ ibid.

The plan to sell, whenever there is to be a large transfer of water, Mr. Stephen C. Smith, former Professor of Economics at Colorado State University, advises that all facets of the problem should be considered, "not only in the immediate partisan interests which have the power to be heard, but also by the public whose voice is less articulate."¹⁹ Paradoxically, however, Mr. Schneider reminds us that the actual effects of public policy decisions are not always what their authors intend.²⁰ In this case, it was the articulate voice of the public which set into motion the events that led to the Las Animas water sale.

This public was mainly composed of businessmen and other interested patrons residing in the Arkansas Valley. They desired a permanent pool to be established at John Martin Dam for recreational purposes.²¹ Later, in response to their demands, the Colorado Department of Game, Fish and Parks (CGFP) approached the annual stockholders Town Ditch meeting and offered to purchase the members' water-rights for \$300 per share. The board of Directors quietly defeated the purchase offer. However, even though the offer was denied, it was important. It was important because it let the farmers know their water was a valuable asset.

¹⁹ Stephen C. Smith, "The Rural-urban Transfer of Water in California," Natural Resources Journal, Vol. 14, 1961, pp. 64-75.

²⁰ Edward V. Schneider, (ed.), Policy-Making in American Government (New York: Basic Books, Inc., 1967), p. 229.

²¹ There had been a recent destruction of an entire fish population at John Martin Reservoir, when irrigators completely utilized the available supply of water.

²² Minutes, Las Animas Ditch Company, March 1970.

Increased citizen participation. The citizens were not to be discouraged. When the Director Representative of CRPS disclosed that funding over \$300 per share would be difficult if not impossible to obtain, Bill Setcfield, Chairman of the Chamber of Commerce Recreation Committee, organized an interest group to petition the governor. The Dent County Democrat outlined the goals of the group:

A caravan of cars consisting of twenty-five persons visited with the governor in his office (John Love) and presented him with a petition containing the names of 3500 persons in the several towns in the valley from Pueblo to the Kansas state line. They hope to urge the CRPS to immediately purchase water for the permanent pool at the John Martin Dam.²³

At the Governor's office, the interest group met success. They were delighted to learn that the legislature had already appropriated \$1,050,000 to purchase water for the permanent pool. This newly-won victory soon turned into itself, however, when Mr. Weisger, in charge of land acquisition for CRPS contacted the Las Animas Ditch Company. He learned that another ditch company had offered to purchase their water for \$350. Learning this, Governor Love replied, "The price of water has gone out of reason," but informed Mr. Weisger to "make a final offer of \$650," he added, "I hate to see the water leave Dent County but I do not know of any better water rights for the CRPS to purchase."²⁴

²³ Dent County Democrat, pp. 213., June 11, 1970.

²⁴ ibid., June 18, 1970.

Shareholder reaction. Meanwhile, the usually apathetic Las Animas shareholders who had a "wait and see attitude" could scarcely believe their ears. With the top offer of \$650 from the GFFD, the Fort Lyon Canal (an irrigation company seeking additional irrigation water), and the purchasing agent for the Pueblo Water Board, joined the bandwagon and offered to purchase at the \$650 per share price. Mr. Frank J. Trelease describes this bandwagon effect as one where:

. . . the subdivider and the industrialist simply bid for the land, and the person for whom it will produce the greater value will offer the farmer the highest price; a sum that is greater than the value of his maintaining the land as a farm.²⁵

At a special stockholder meeting on June 21, 1970, the main issue revolved around which tentative buyer the company should sell to. It was generally agreed that they would be willing to sell for \$650. However, no vote was taken as all shareholders were not present and more time was needed to make the decision. Mr. Maxwell L. Wittchell, attorney for the Ditch Company, advised the farmers to resolve the conflict by asking \$750 for their water shares.²⁶

Accepting Mr. Wittchell's advice, the socialist shareholders did not have long to wait. Less than one week later, the Las Animas Ditch Company offer of \$750 per share was accepted by Pueblo. With

²⁵ Frank J. Trelease, "Relative Roles of Law and Economics in the Formulation of Water Policy," in Frank L. Cline and B. Bruce Jones, eds., Proceedings of the Water Resources Law Colloquium (Pennsylvania: Pennsylvania State University, April 24, 1967), p. 19.

²⁶ Minutes, Las Animas Ditch Company, June 1970.

this bid, competition for the water by the GPPS and the Fort Lyon Canal ceased as did all citizen activation for a permanent pool. The citizen involvement expired, as Mr. Lindblom points out, because weight of interest groups are "usually constrained by the fundamental values of proximate policy makers to whom they appeal."²⁷

The shareholders vote. On June 30, there was a meeting of shareholders to determine whether or not to sell their shares to Pueblo. At this meeting, a 2/3 majority of the 1,875 total shares represented (1,250) were needed to complete the sale. When the vote was taken, 1309 shares voted to sell to the Pueblo Water Board while 566 voted not to sell.²⁸ However, even with the required 2/3 majority vote, the water sale was not legally adjudicated. Mr. Mitchell explained that it would take as long as eighteen months before the sale could become final because other ditch and canal companies would have to have an opportunity to register their dissent.²⁹ Any legal opposition, he felt, would probably revolve around the change in the upstream diversion point.³⁰

Upon the advice of Mr. Mitchell, the meeting had been closed to the public. Thus, there was a complete absence of opposition to the water sale by the non-share holding community.

²⁷ Charles E. Lindblom, The Policy-Making Process (New Jersey: Prentice-Hall, Inc., 1968), p. 68.

²⁸ Minutes, op. cit.

²⁹ Ibid.

³⁰ In Colorado a regular proceeding is provided for making the change in the district court. See J. Mills, Mills Irrigation Manual (Denver: Mills Publishing Co., 1907), pp. 66-70.

Norman Wengert, Professor of Political Science at Colorado State University, believes that this silence stems from the fact that "So long as water flows from the taps and sanitary wastes are disposed of with apparent effectiveness, public interest in the details of managing the water system is low."³⁰

The sale is final. True to his word, eighteen months later on September 27, 1971, the diversion point was resolved by the courts and Mr. Mitchell was happy to inform the stockholders of the Las Animas Ditch Company that the court had approved the application for an upstream transfer.³¹

REACTION TO THE WATER SALE

With the initial intensive public campaign by Mr. Setchfield and others to secure additional water for a permanent pool, it is surprising the citizens did not protest the offer made by Pueblo. Legally, however, there was no way they could have stopped the sale. Moreover, there was no legal requirement that the public be invited or even notified of the impending water sale. At any rate, their silence was contrary to what should have been expected in a rural community selling such a valuable asset as water. It is unbelievable, as Mr. McDonough points out, because "virtually all legal applications for scarce water rights

³⁰Norman Wengert, "Societal Institutions and Institutional Processes and Urban Water Management" (paper presented to the Midwest Political Science Association, April 29 - May 1, 1971 at Chicago).

³¹(See appendix) Letter from Attorney Rexford L. Mitchell to the shareholders of the Las Animas Ditch Company, October 5, 1971.

are protested, by competing applicants, owners of vested rights, those claiming a preference for future uses, or by government agencies."³²

Business Community reaction. The immediate reaction of the business community to the sale of the "communities water" ranged from a scale of outright indignation to indifference.³³ Mr. Judd Limbach, owner of the Gardner Lumber Company bluntly stated, "It was the most stupid thing that could happen. When you give away an asset you deplete the area because it is an asset that cannot be replaced."³³ Mr. Kenneth Thaxton, proprietor of Thaxton's Supermarket and the President of the Chamber of Commerce, felt like the proverbial farmer who had closed the barn door after the horse had gotten away. He felt that the water should not have been sold and the community should have opposed the sale. However, it was his impression as well as most of the business community that "a long court battle would ensue and the water would never be sold."³⁴ Mr. Frank Richards, owner of a farm implement company declared that the water sale was "bad news for business in the long run and somebody should have done something."³⁵ Less worried was Mr. Ken Kester, president of Kester Motor Sales. He emphasized that the farmers

³²Martin McDonough, Water Policy Conference Proceedings (Berkeley: University of California, 1961), p. 22-23.

³³It is not the purpose of this paper to engage in a scientific behaviour analysis of the various persons affected by the water sale. However, the need for this type of study is apparent. Although many people were interviewed, only representative opinions will be given.

³⁴personal interview.

³⁵personal interview.

owned the water rights and therefore had a right to sell to whomever they pleased. Further, he believed "the community would automatically adjust to any adverse effects that may occur."³⁶

Private Citizen Reaction. The private citizen, like most businessmen, was outraged at the water sale. And, most conceded there should have been some type of organized opposition. Mr. Patterson, a federal hospital employee, believed plans for the sale had gone on long enough so that everyone knew what they were getting into. He said, "If people are so nearsighted to sell their water then let them do it."³⁷ Mrs. Hazel Martin, a retired librarian, was worried because the farm land would be devalued and taxes would have to be increased elsewhere to provide the same social services of fire, police, schools, etc. A teacher at the local high school, Mr. Jack LaSalle, concurred with Mrs. Martin and maintained that the town was experiencing a return to social Darwinism. He thought everyone in town was concerned only with himself. Mr. LaSalle advocated some type of governmental regulation to preserve the community water resources.³⁸

Large farm shareholders. Most large farmers holding over fifty shares of water rights (about 19), could scarcely

³⁶Statement by Ken Kester, personal interview.

³⁷Statement by Walter Patterson, personal interview.

³⁸Statement by Jack LaSalle, personal interview.

contain their good fortune. One large farmer, Mr. Bill Miller, Secretary of the Ditch Company, held 100 shares and exclaimed, "Where else can I get this sort of money!"³⁹ Mr. Olin Cox, a real estate agent, held 200 shares and was well aware his shares held the balance of whether the Ditch Company would sell or not sell. Mr. Cox, 89 years old, responded that his age was the only factor influencing him to sell his water.⁴⁰ All in all, there was no large farmer who completely opposed the water sale. Most agreed, like Mr. Dan Myers, that they could not afford to farm land worth \$750 an acre.

Small farm shareholders. Most opposition to the water sale came from the small shareholders. These farmers opposing the sale were mainly (1) the farmers (Johnny-come-lately's) with few water shares but irrigating large amounts of land; (2) farmers not necessarily dependent upon farming; (3) retired persons.

The remainder of the small shareholders were of mixed opinion of whether or not to sell. The major considerations given to the decision to sell were (1) old age; (2) indebtedness; (3) tired of farming; and (4) should sell the irrigation water at a profit before it was given to the urban communities for nothing.

³⁹Statement by Bill Miller, personal interview. As Secretary of the Las Animas Ditch Company, Mr. Miller proved very helpful in providing the minutes of the ditch meetings as well as his own personal knowledge regarding the water corporation.

⁴⁰Mr. Cox further made it clear that, for personal reasons, he would have opposed selling the water rights to the GPPS.

Surprisingly enough, some of the small older farmers who voted to sell, privately admitted they actually opposed the sale. Typical were the Dale brothers who stated they were opposed to the sale but voted to sell because, "There were too many big guys involved and we had to vote with them."⁴¹ Mr. Edward Schneier has labeled this phenomenon "personal sampling." He says:

People who do not share the opinions as expressed by the crowd's leaders are likely to remain silent, fearing the disapproval of those around them. This very silence isolates those who may be opposed, since they conclude that, with the exception of themselves, all those present share the same attitudes.

⁴¹Statement by Frank and Chris Dale, personal interview.

⁴²Schneier, op. cit., p. 19.

CHAPTER IV

CONVERGENCE OF ISSUES AND PROBLEMS

By using the Las Animas Town Ditch water sale as an example, prima facie evidence would indicate that problems are indeed complex whenever there is a rural-urban transfer of water. As demonstrated by this sale, it appears there is an almost total dichotomy regarding the need for comprehensive water planning; on one hand the business and private community stress the need for comprehensive water planning, while the farmers indignantly protest any type of regulation. Mr. Raleigh Barlowe observed this phenomenon when he remarked:

One of the first obstacles that must be overcome is that of general apathy. Citizens who are only indirectly affected by water right problems feel little urge to campaign for change. Farmers are often reluctant to seek change. They feel that possible failure may worsen their current water rights position. Lawyers resist changes because they result in disrupting adjustments in long accepted legal doctrines.⁴³

Legal problems involved. One of the major problems is submitted by Mr. M. B. McPherson, Director of the American Society Civil Engineers. He asserts, "There is a clear need for research

⁴³Dated literature contains a reservoir of information on current water problems. For example, see Raleigh Barlowe, "What Type of State Legislation?" Farm Policy Forum, Vol. 8 (Fall, 1955), p. 32.

into the legal aspects of the ownership of water."⁴⁴ The former Director of the Colorado Conservation Board, Mr. Ivan C. Crawford, amplifies this problem. He complains:

The planning of water development, so long as the law is complied with, is in the hands of the individual citizen or in legal entities organized by citizens who may proceed to initiate their claims on their own volition.⁴⁵

A reconciliatory answer to Mr. Crawford might be made by posing the question of who controls, not who owns the water resources. Presently, in Colorado, there needs to be a definition of the extent of federal intent and state-local responsibility. Dr. Henry P. Caulfield, Jr., Former Executive Director of the Water Resources Council, brings this requirement to light when he calls to our attention, "the great dispersion of management authority and responsibility and the need for more coordination between the levels of government and private interests."⁴⁶

Problem of cost-benefit. Another problem encountered in the rural-urban transfer of water is "whom will benefit most at whose expense." Mr. J. Humlum, Professor of Economics and Applied Geography, brings this problem to light when he tells us:

⁴⁴M. B. McPherson, Prospects for Metropolitan Water Management (New York: Urban Water Resources Council, December, 1970), p. 10.

⁴⁵Ivan C. Crawford, Water Resource Planning in Colorado (Denver: State Office Building, September 1957), p. 10.

⁴⁶See Henry P. Caulfield, Jr., "Management of Water Resources--Separation, Unification, or Coordination?" (paper read at the 16th semi-annual meeting, Manufacturing Chemists' Association, New York City, New York, November 22, 1966).

This loss in land value, while a loss to individuals, is not a loss to society. Corresponding to the decrease in subsidized land values will be an increase in land values elsewhere.⁴⁷

Or, putting the problem in different perspective, one part of society will benefit and another part will lose.

In order for better decision-making that will provide maximum utilization of scarce water resources, Mr. Harry A. Steele prescribes:

The best possible forecasts for these demands and relative values should be made available to guide planning of expensive long term water-development projects. Involved are population forecasts, price levels, and per capita consumption, including per capita use of water.⁴⁸

Professor of Economics at Colorado State University, Mr. Don Bostwick, believes some other values should be incorporated. He suggests the Pareto-Better criterion which is more flexible than the conventional benefit-cost analysis. He recommends:

. . .the public resource-use decisions strongly affect the Public environment, and therefore, the private environments of the people who make-up the public. (therefore), we need to develop the habit of identifying monetary and nonmonetary effects of resource allocation proposals on the various members of the public.⁴⁹

⁴⁷J. Humlum, Water Development and Water Planning in the Southwest United States (Denmark: University of Aarhus, 1969) p. 154.

⁴⁸Harry A. Steele, "The Relative Value of Water for Different Uses," Economics California Water Development (Berkeley: University of California Press, 1957), p. 155.

⁴⁹Don Bostwick, "Pareto-Better Allocative Decisions" (paper submitted in draft to the Natural Resources Development Section, WAEA Meetings, Tucson, 1970), p. 5.

Mr. Gilbert F. White concurs with Steele and Bostwick that a better means of planning for solutions to our water management problems must be developed. He proposes that any new planning encompass:

. . . a greater flexibility in meeting immediate needs without the risk of irreversible long-term disadvantages, more opportunity of choice among alternatives, and a clearer presentation of the consequences of courses of action proposed.⁵⁰

Problem of grass-roots democracy. Mr. Norman Wengert has stated that rural-urban problems have been magnified by the fact that there is still a strong attachment to grass-roots democracy. In other words, the local people will know what is best for them. He says:

. . . strong political (often selfish) interests resist organizational change and the rationalization and consolidation of system activities. Such resistance is typically justified as protecting democratic values which are believed to inhere in "grass roots" localities.⁵¹

The general premise underlying the "grass roots" concept is if people are made to feel deeply enough about an issue they will translate their feelings into action and thus effect the issue. However, Professors Straayer and Meek caution us to regard the grass-roots approach with suspicion. They remind us, "Public problems are not equally self-evident to all persons. Conditions which one individual or group believes to be deserving of public attention may be of absolutely no concern to others."⁵²

⁵⁰Gilbert F. White, Strategies of American Water Management (Ann Arbor: The University of Michigan Press, 1969).

9 ⁵¹Norman Wengert, op. cit., p. 3.

⁵²John A. Straayer and R. L. Meek, in Phillip O. Foss (ed.), Politics and Ecology (California: Duxbury Press, 1972), p.267.

This suspicion of the grass-roots approach in policy-making could be a point well taken when commenting on the Las Animas water sale. Here, the Board of Directors with the advice of a shrewd lawyer were able to form and manipulate the bidding price. The rank-and-file shareholders were only used to vote on the proposed offer. As Mr. White points out, "The public hearing is too often utilized on a take it or leave it basis for a specific plan."⁵³ Moreover, by conducting the vote through closed meetings, which was altogether legal, meant there was no interaction or opposition allowed by an interested public who certainly had a stake in the outcome.

It would appear, then, that the alternative to the grass roots approach is not less participation, but to make sure there is participation. For, in order to formulate comprehensive policy, a correlation of diverse public functions and geographic sectors is required. This action would command improved accountability and would call for something McPherson refers to as, "greater accessibility of the decision-maker to the individual citizen."⁵⁴

Intermingled with the problem of cost-benefit and the problem of grass roots democracy is the problem of public interest. Each group of water users quite naturally tries to identify its use as being in the public interest so that

⁵³Gilbert F. White, op. cit.

⁵⁴M. B. McPherson, op. cit., p. 2-5.

the rules or regulations will favor them. Seckler describes this coalescing characteristic of water when he writes, "water by its very nature, is rife with externalities, and working with it almost always brings up difficult ethical problems."⁵⁵

Reconciliation of Problems. Problems relating to water rights are complex because they are at the same time geographical, political, and economic problems. For example, it would certainly be in the public interest of Pueblo, Colorado, to acquire the Las Animas water rights. Similarly, if on no other grounds than those of reducing uncertainty and providing for future growth, it would be in the public interest for the water to remain in Las Animas. And, as the water sale demonstrates so vividly, all geographical and political groups definitely have an economic interest in the water.

All the combined problems stress the need for comprehensive water resource planning which will take into account the interests of all the parties concerned, integrating these activities through all levels of government. This comprehensive planning would improve, as Seckler points out, "the outcome of good economic analysis in water resources (through) an assessment of the impact of n alternative designs on m number of objectives."⁵⁶ Although comprehensive planning will not guarantee the best solution will be chosen, they will at least be considered.

⁵⁵David Seckler (ed.), California Water (Berkeley: University of California Press, 1971), p. 300.

⁵⁶Ibid., p. 305.

CHAPTER V

LAS ANIMAS REVISITED

Subsequent to the examination of the Las Animas water sale as depicted in Chapter Three, one could hypothesize (probably correctly) that under present laws and ordinances, owners of water rights are not induced to weigh many of the public costs and benefits associated with their potential actions-- actions which breed misconception, confusion, and uncertainty within the affected community. And, because these characteristics are of negative value to any community, the author, in Spring 1973 returned to Bent County.

The purpose of this revisitation one year after the water sale was threefold: (1) to find if the above hypothesis and generalization is correct, and if so, how serious is the problem in a qualitative way; (2) if only partly true, how should the hypothesis be expressed and what kinds of changes will be necessary to solve this problem; or (3) if completely wrong, what evidence is there to substantiate such a conclusion?

ECONOMIC AND SOCIAL EFFECTS

Economic impact. The economic effects of the water sale were easily discernible. Although total personal property and total land and improvements remained constant during

1970 and 1971 at \$2,564,840 and \$6,650,140 respectively, there was a marked increase for the year 1972. In this year, total personal property increased to \$1,635,430, a \$70,690 gain. Similarly, total land and improvements increased \$72,600 to \$6,722,740 in 1972.⁵⁷ These figures would indicate that most of the \$70,000 attributed to personal property was invested in land, property improvements, and farm machinery.

TABLE I

VALUE OF BENT COUNTY FARM MACHINERY FROM 1970-1972⁵⁸

Year	Value	Total Percent Increase
1970	\$727,460	
1971	746,265	
1972	790,760	+0.70

⁵⁷ All figures were obtained from the Bent County tax assessor, Abstract of Assessment (years 1970 through 1972), Bent County, Colorado.

⁵⁸ ibid., The 0.70 per cent increase could be due to other factors, i.e., inflation. However, in view of the water sale, Table I is significant in that the value of farm machinery did not remain steady or decrease.

Table 2 shows the loss of 1,157 irrigated acres from the Las Animas water sale, and displays the additional dry-land acreage brought under production.

TABLE 2
TOTAL IRRIGATED AND DRY-LAND ACREAGE
FOR BENT COUNTY 1970-1972⁵⁹

Year	Total Irrigated Acreage	Total Acres Dry-land	Total Percent Increase
1970	56,365	64,577	
1971	56,407	112,094	
1972	55,208	112,712	+93.22 increase dry-land

Thus, as demonstrated by Table 2, while irrigated land decreased only 2.05 per cent, dry-land farming expanded from a high of 64,577 acres in 1970 to a voluminous 112,712 acres in 1972.

⁵⁹ *Ibid.* Total cash values for all crops planted and all crops harvested are not listed as dollar figures for 1972 were not available at the time of this writing.

Businessmen attitude changes. The million dollar payment by the Pueblo Water Board for the Las Animas town ditch water rights immediately improved the economic prospects for Bent County businessmen. In this way, most businessmen were definitely more optimistic than before the water sale. One merchant who preferred not to be identified, explained the new attitude:

For me the water sale has been positive. For most of us (businessmen), it makes no difference which farmer gets the money. . . those who have it are going to buy new equipment (cars, trucks, farm machinery) and those who don't aren't going to buy. . . .

In short, the small shareholder farmer who was previously irrigating large acreage with few water shares will not be buying. However, the large shareholder farmer who received the money will replace him in the marketplace.

Another common attitude of businessmen was the one expressed by Mr. Jay Showalter, owner of the Las Animas Mill and Elevator. He stated that although grain milling and contracts had not dropped significantly this year (1972), he was more uncertain of the future.⁶⁰ He, like most other businessmen believed with the switch to dry-land farming, their revenues would be measured in cycles. Thus, with the emphasis now on expanded dry-land farming, increased uncertainty was bound to follow.⁶¹ For, in good

⁶⁰ Statement by Jay Showalter, personal interview.

⁶¹ It is hypothesized that the increase in dry-land farming was a direct result of the water sale. Marginal farmers now had increased capital to assume the risks generally associated with dry-land farming.

(wet) years the community would profit and during bad (dry) years they would lose.

Businessmen most opposed to future water sales were mainly those dependent upon a stable population, i.e., owners of drug and grocery stores.⁶² These businessmen were convinced that farmers, instead of selling their water rights to gain money should have been borrowing money for expansion of their farming operation.

Finally, as a group, businessmen were less vocal in their prior insistence upon governmental control of water. In fact, many businessmen, seeing the value potential of water rights have purchased shares of their own. Thus, when asked if there should be controls on water sales, some prudent businessmen replied, "No, I have water shares myself I would like to sell."

Private Citizens. Like the businessmen, the private citizen found that the disastrous results predicted before the water sale did not materialize. In fact, much to their surprise, a tax increase for public services did not occur. Revenues collected on additional personal property compensated for the reassessment of irrigated land to dry-land.

In summary, it would appear that the businessmen

⁶²As the population of Las Animas has been declining for a number of years, it is doubtful if the water sale played a major role in business retrogression for these merchants.

speak for the private citizen. Therefore, when the businessmen are pacified the citizens are satisfied. Thus, for the citizen it was life as usual, and, with the influx of new money into the Las Animas area, most felt that the community as a whole had improved--at least for the foreseeable future.

Large shareholder farmers. The large shareholders who received a substantial windfall of money, contrary to earlier community fears, "did not receive the money and run." Instead, most chose to remain on the farm and reinvest their money in expansion of their farming operation. And, as farmers are very conscious of their status, a major portion of their windfall (see Table 1) was devoted to attaining status symbols of big, new farm machinery and vehicles. Moreover, as pointed out in Figure 2, this machinery and additional money was used for acquiring and developing wasteland into dry-land farming.⁶³ One large farmer explained the commitment to farming in this way, "I have been in farming all of my life. . .and there's nothing else I want to do. . .no sir, I'm going to stay and farm."⁶⁴

Small shareholder farmers. Of all the social groups used in this study, the small shareholders were most unchanged

⁶³Most large farm shareholders rented and farmed the less fortunate small shareholder lands thus increasing cash redistribution to the whole farming community.

⁶⁴Statement by Bill Miller, personal interview.

with regard to their prior statements. These small shareholders, irrigating large acres of land with few water shares, felt they were "victimized" by the large shareholders. They were "taken" in the sense that they were "forced" to sell their water without receiving a large amount of money which would enable them to expand into dry-land farming. Many, like Mr. James Dale whose farm was totally dependent upon irrigation water, were forced to rent their land to other farmers for grazing or dry-land farming purposes.

Small shareholders were especially displeased as they felt the rising grain prices and resultant increase for farm products would have contributed to a higher economic level for the community (and for themselves) in the long run than would the million dollars received from the water sale. However, interestingly enough, few would advocate governmental controls on water rights. Instead, the small shareholders felt that basic changes in the water organization would result in better decision-making for the community as a whole. These organizational changes, they believed, should be an adoption of new voting criteria such as number of acres irrigated and/or all farmers having an equal number of votes.

CHAPTER VI

SUMMARY AND CONCLUSIONS

The existing and future rural-urban comprehensive water planning needs of the State of Colorado must be met. The prevailing question is whether or not water policy formulation can be set in terms of finding and expressing the "public" interest in a system which, for hundreds of years, has developed a "private" bias in respect to property rights.

SUMMARY

The various factors affecting rural-urban transfer of water rights as learned from the Las Animas water sale is summarized as follows. The introduction of irrigation to formerly dry-land plays an important role in expanding the economy of the community. It enables those areas which have an ample amount of water to plan for unlimited growth and prosperity.

The benefits realized from irrigation are upset, however, when the farmer feels he can make more money selling his water than by farming his land. And, aided by the appropriation doctrine, a monopoly situation is created that is difficult if not impossible to control. When this happens, the large minority farmers holding the majority of water shares are able to

dominate the bargaining process--irrespective of the wishes of the larger majority of small share-holders.

The community, like the small share-holders is customarily locked out of the decision-making process even though it has a large, if not the largest, stake in preserving a growing economy. The community is handicapped by its own environment--a community which is dependent upon the support of the farmers is unable to politically or economically challenge a decision to sell.

The case for planning. The case study of the Las Animas water sale is an excellent example of the lack of community participation in a decision of great interest to them. As we have seen, the social and political values and preferences of the community were not brought to bear, i.e., there were no public meetings held for the purpose of obtaining a full hearing and discussion of viewpoints of the rest of the community--the businessmen, the town citizens, other farmers, or indeed to the small, but majority shareholders within the water organization itself.

Secondly, there was no data and inventory collection which could have provided guidance and assistance to both shareholders and the community. Consequently, there was no situational report which would have outlined the consequences of the water sale with regard to: (1) current land and water use; (2) economic situation; (3) population characteristics and distribution; (4) financial--tax, assessed valuation, etc; and (5) environmental concerns. In short, the Las Animas water sale transaction was considered as a purely private business matter--which was legally the case.

Thirdly, little or no consideration was given to the irreversibility of the decision itself--the fact that future sons and daughters would not have the farming option available to them. In short, other alternative courses of action such as (1) merging with other ditch companies allowing farmers a choice in whether or not to sell; or (2) amending the articles of the water corporation to establish new criteria for dissolution procedures; were not explored.⁶⁵

A new hypothesis. The introduction to Chapter 5 began with development of a hypothesis which inspired the revisitation of Las Animas. Upon closer examination and revaluation of the water sale, we find that although the hypothesis is correctly stated, it is not entirely true. Although it is true that the whole community is affected by the irrigation water sale, the shift from irrigation farming to dry-land farming will not always bring disaster. This is because if the farmers are willing to stay and invest their money in the community through purchase of land, automobiles, and more efficient machinery, the effects of the sale can be minimized.

In this way, there need not be the misconception and confusion that permeates a community about to sell its scarce water rights. Important too, is that there does not have to

⁶⁵For a greater indepth study of what constitutes effective land use planning, see Tom L. Davis and D. M. Sorensen, A Guide for County Land Use Planning: Colorado (Fort Collins: Colorado State University, 1972), especially pages 3 through 19.

be a dichotomy between the farmer and the businessmen. This is because any water sale or redistribution of income is a community-wide phenomenon which means that some members of the community will be "gainers", and others, not so fortunate will be arbitrary designated as "losers."

Again, a water sale approached with hysteria is groundless. Conversely, the only certainty is the additional uncertainty of the future for all groups. However, with minimal short-run problems, adversely affected groups will have time to make long-run adaptative adjustments, i.e., to relocate, change economic patterns, etc. Thus, a new challenge will be presented to the community. There is the challenge to entice the farmers to remain and invest their profits in the community. And, finally, there is an even greater challenge for the community to work together in developing a new economic base and to expand in new directions.

Revaluation of summary. In deference to the above, the physical properties of water, its transient nature, and the interdependence of its use in common by a number of users, and by acknowledged imperfections in the market for water and water rights, private enterprise must give way to "regulated laissez-faire." In short, competition for scarce water rights must be regulated because:

1. There are situations in which there is literally no market to exert control. Under the appropriation doctrine the needs for water do not all arise at the same time.

2. Many demands for water use have no dollar value

since they cannot be sold. There are many intangibles such as the saving of human life, protection of health, esthetic values, etc.

3. Because of physical location or legal preference, the market for water may be dominated by the holders of a few rights resulting in monopoly and oligopoly conditions.

4. The market is based on a theory of rational behavior, and people do not always act rationally.

It appears that the alternatives available for the most equitable distribution of water are:

1. Limit metropolitan-industrial growth so that agriculture and rural areas can be developed and maintained.

2. Allow open competition for water, in which case agriculture will lose.⁶⁶

3. Regulate water supplies so as to maintain a reasonable balance between the rural and urban sectors. This is difficult to accomplish but should be to the greatest advantage of the entire population.

CONCLUSION

The numerous issues and problems involved in rural-urban water transfer are prima facie evidence of the need for comprehensive water planning. The Las Animas water sale illustrates how even local, state, and regional planning can be thwarted. The axiomatic importance of water means that its allocation can no longer rest on a laissez-faire basis. It is a scarce commodity that attracts many competing interests. Therefore, it is in the public interest that all decisions regarding this scarce commodity be made by our informed and planned choice--not by happenstance or default.

⁶⁶Directly engaged farmers are few in number compared with the population as a whole. Furthermore, their relative numerical strength continues to decline. This limits their power in the political field where policy may be made.

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Bent County Democrat
Sunday Denver Post

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MINNEAPOLIS, MINNESOTA 55402

RECEIVED: 10/15/71
10/15/71

October 5, 1971

MAIL ROOM 100 100
RECEIVED 10/15/71

TO ALL STOCKHOLDERS OF Las Animas Ditch Company

Dear Stockholders:

At the annual meeting held in Las Animas on Monday, September 27, I advised those present that your proxy and authorized the submission of a resolution regarding the distribution of the Las Animas Ditch Water Rights to the extent of 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 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991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

I have been advised that the money for the above purchase will be placed in escrow at the Colorado State and Trust Company at La Junta, Colorado this will not be held available until the time of the meeting on 10/15/71.

In order for us to have the necessary completed on that the money for the purchase by the above agent (including the purchase of the water rights) will be placed in escrow at the Colorado State and Trust Company at La Junta, Colorado this will not be held available until the time of the meeting on 10/15/71. I have been advised that the money for the above purchase will be placed in escrow at the Colorado State and Trust Company at La Junta, Colorado this will not be held available until the time of the meeting on 10/15/71.

It will be necessary for you to have the above items (Colorado State and Trust Company) completed on that the money for the purchase by the above agent (including the purchase of the water rights) will be placed in escrow at the Colorado State and Trust Company at La Junta, Colorado this will not be held available until the time of the meeting on 10/15/71.

The above will be necessary for you to have the above items (Colorado State and Trust Company) completed on that the money for the purchase by the above agent (including the purchase of the water rights) will be placed in escrow at the Colorado State and Trust Company at La Junta, Colorado this will not be held available until the time of the meeting on 10/15/71.

This amount may be in excess of what is actually needed by the company and it is expected that that will be the case but the exact amount is not now known. Any amount in excess of the actual costs you will receive through the dissolution proceedings of the corporation. For example, if the company has excess funds after the costs of all expenditures of \$0,000 you would receive an additional \$4 a share through the dissolution proceedings.

The sale price is \$700 per share and from that of course, will be deducted the borrow money which the company has and which you are entitled to the pro rata share.

Any questions you have feel free to ask me or Mr. Bolwick at the time you come into the meeting room.

For those of you who cannot make it, please make it meet with us on October 9, we will open in at 10:00 AM, 11:00 AM of Citizens Utilities Company as the subject on October 10, from 9:00 to 12:00 and if necessary, from 1:00 to 4:00.

For those of you who cannot make either date, if you will call my office we will make every effort to accommodate you at another time.

Very truly yours,

VICTORIA & SAHARA

R. L. Marshall

Richard L. Marshall

LAS ANIMAS DITCH COMPANY
NOTES TO FINANCIAL STATEMENTS

November 31, 1971

NOTE -1. The Las Animas Ditch Company is in the process of liquidation under Internal Revenue Code Section 337. Whereas the Company has been operated for the sole purpose of transporting water from the Arkansas River to the land and property owned by shareholders in the Company and these shareholders have decided to sell their water to the City of Pueblo, the Company will no longer perform any function and will be dissolved. Because of the liquidation, the ditch right of way shown at \$25,317 on the balance sheet will have no actual value as it will revert to the owner of the property adjacent to the ditch. No depreciation has been recognized on the ditch system in the current or prior years. The Company does have certain miscellaneous items of personal property not shown on the balance sheet which are of immaterial value. These items will be sold with the proceeds remaining after liquidation of all payables being distributed to the shareholders upon final liquidation of the Company.

NOTE -2. The Las Animas Ditch Company, in an agency capacity, is holding option money in the sum of \$12,648.62 (including accumulated interest) given by the City of Pueblo to the individual shareholders of the Company pursuant to the selling of the water to the City of Pueblo. This amount does not enter into the financial position of the Company and therefore is not shown on the financial statements.

NOTE -3. The Las Animas Ditch Company has filed a form 990 (Return of Organization Exempt from Income Tax) with the internal revenue service for the fiscal year ended November 30 1971.

LAS ANIMAS DITCH COMPANY

BALANCE SHEET

November 30, 1971
(Unaudited)

ASSETS

CURRENT ASSETS

Cash in Bank (Note -2)	\$ 2,679
Assessments Receivable	503
TOTAL CURRENT ASSETS.....	3,182
<u>DITCH SYSTEM AND FACILITIES</u> (Note -1).....	25,317
<u>OTHER ASSETS</u> - Stock In Wichita Bank for Cooperatives - At Cost.....	1,686
TOTAL ASSETS.....	\$ 30,185

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

F.I.C.A. Taxes Payable	\$ 205
Note Payable - Current Portion	1,600
Accrued Interest Payable	66
TOTAL CURRENT LIABILITIES.....	1,871

TERM LIABILITIES

Note Payable	\$ 6,094
Less Current Portion	(1,000)
TOTAL TERM LIABILITIES.....	4,494
TOTAL LIABILITIES.....	6,365

STOCKHOLDERS' EQUITY

Capital Stock (\$10.00 Par Value, 1900 Shares Authorized and Outstanding)		\$ 19,000
Retained Earnings November 30, 1970	\$ 2,516	
Excess of Revenue Over Expenditures For the Period	2,306	
Retained Earnings November 30, 1971		4,820
TOTAL STOCKHOLDERS' EQUITY.....		27,820
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....		\$ 30,185