



# HIGGINSON - BARNETT, CONSULTANTS

106 West 500 South, Suite 101  
Bountiful, Utah 84010  
(801) 292-4662

July 15, 1988

Dr. Dianne R. Nielson, Director  
Division of Oil, Gas and Mining  
Department of Natural Resources  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City 84180-1203

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DIVISION OF  
OIL, GAS & MINING

Dear Dr. Nielson:

I have been asked to review the current worth of water rights in Carbon and Emery Counties, more specifically, the worth of rights associated with Grassy Trail Creek, Big Springs, and Range Creek. My charter with the Division provided that I would spend a limited amount of time in this endeavor. Therefore, I would like to state at the outset that the conclusions I have reached, which are expressed in this letter report are based upon only that limited research that was authorized by your Division. Additional research could lead to refinements in my conclusions. I believe, however, that the basic thrust of my findings would be substantiated by additional investigations.

The value of the water rights along the Price River and its tributaries have significantly fluctuated over the years, strongly influenced by the energy economy of that region. There are limited water supplies in many of the areas where coal resources are located. If an energy developer finds a need for water at a specific location, then the price paid for a water right already established near that location may be significantly higher than the amount being paid for similar water rights at other locations along or tributary to the Price River.

In recent years, however, in this region of Utah the energy economy has been depressed. It is my opinion that water rights along the Price River are not, in today's market, worth what they were five to ten years ago. Perhaps the best established market relates to shares in the Scofield Reservoir. This water source is quite far removed from Grassy Trail Creek. However, to illustrate my general conclusion about the worth of water rights in the area, let me point out that in the late 1970's and early 1980's, Scofield Reservoir shares were selling for as much as \$2,500, and the asking price had gone as high as \$3,000. This week I have been advised that a share in Scofield could perhaps be purchased for \$500 to \$600.

R. Keith Higginson, P.E.

Jack A. Barnett, P.E.

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Let me now focus more specifically on the rights along Grassy Trail Creek and Range Creek. In 1985, R. Keith Higginson, who was then a principal in our firm, wrote letters to the Denver and Rio Grande Western Railroad Company expressing his belief as to the then current value of water rights on Big Springs Ranch near Sunnyside. In the correspondence with the Railroad Company, Higginson indicated that he felt that the rights to Big Springs were worth between \$800 and \$1,000 per acre foot. He valued these springs at a high level because of their more dependable supply and their better quality.

The rights to Grassy Trail Creek represented a right to divert from a less dependable water supply of poorer quality. Higginson valued those rights to be worth between \$400 and \$500 per acre foot. Taking the lower values of \$800 and \$400 per acre foot, and analyzing the water rights, Higginson concluded that the water rights on the property were worth \$739,288. A separate value was set on the land on the ranch of \$102,000.

With this information the ranch was offered for sale by the Railroad Company. The sale was widely publicized, and several offers were received. None of the offers, however, approached the above values. The community of East Carbon offered \$100,000 for the water rights to the springs. Ultimately, the ranch was sold to Kaiser Coal Company, and I have been told the sale price was \$318,000. This represents only about a 38 percent sale price when compared to the value given in the last paragraph. If the land and the water rights are discounted the same amount from the above value to the sale price, then the Spring water rights sold for \$302 an acre foot and the Creek water rights sold for \$151 an acre foot. The total value of the water rights on the property was \$279,450. I believe that these values are the best numbers available at this point in time when looking at the worth of the water rights associated with this ranch.

I was also asked to look at the rights along Range Creek. In a very early and incomplete search of the records of the water rights on Range Creek, I learned that Kaiser Coal Company is the owner on record in the Division of Water Right's files for several small stock watering rights and at least six irrigation rights. Time did not allow me to analyze these rights. It is possible that there are more rights along Range Creek in the name of Kaiser Coal Company. It is also possible that I err by adding the rights, as some of the rights may be supplemental to one another on the same acreage of land. Also, the water represented by one water rights might, in part, be the same water as a downstream right. Water downstream might be partly dependent upon the return flow from an upstream right's irrigation. However, the six rights initially identified total 7.3 second feet and are for the irrigation of 392

*Value of the rights to the Ranch*  
*Grassy Trail Creek*

*\$74,000*  
*the 1985*  
*value*  
*of the*  
*rights*  
*to the*  
*spring*  
*rights*  
*is*  
*correct*

acres. The 392 acres may represent a right to divert 1,568 acre feet, if and when that amount of water is available for diversion during the period of need.

If you equate the value of the water right to the calculated value of the stream right in Grassy Trail Creek based on the previously described sale, then the six rights along Range Creek which I have identified in the name of Kaiser Coal Company would be worth \$236,768. I provide you with this calculated number with a significant amount of caution that additional research concerning the water supply, the water use and the associated water rights on Range Creek need to be done in greater detail before I would be willing to state that this is the best value that could be determined for today's market.

I hope that this letter report has provided you with the information that you need at this point in time.

Sincerely,

*Jack A. Barnett*  
Jack A. Barnett, P.E.

hsm

*Range Creek - \$236,768 (Be Cautious)  
some farmer may divert, only 50% returned*

*Supplemental Rights*

*Assume that each water right was stand - all*

*Get sure if overlapping*

*Suppose to be a bit*

*No By Ranch is worth more as a package  
land + spring + stream = just further*

*N 492.2 ac. ft. stream right, equivalent  
→ 75/ac ft → stream \$54,305.20* *Grassy Trail* *77,000* *almost all up*