

Water lease could start in spring

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By Andrew Stuart

Rio Nuevo, Ltd. will begin evaluating groundwater resources on state land this spring in rural Far West Texas, if an “exploratory lease” license is issued by the General Land Office (GLO) as expected.

Rio Nuevo representatives outlined a two-year, \$5-million research program designed to assess groundwater resources and potential pumping impacts, in a presentation to the Far West Texas Regional Water Planning Group Thursday (Feb. 24).

The representatives included Roger Abel, a principal with the company, and two researchers working for Rio Nuevo – Mark Dobson of DNA Geosciences of San Antonio and Van Kelley, a hydrogeologist with Intera, Inc. of Austin.

“We’re looking at a full year to compile the information, to do the preliminary modeling of where the resources are,” Dobson said, “then six months of actual drilling.”

Rio Nuevo representatives as well as GLO officials have said the company will not market groundwater from state land in the region if an exploratory phase finds that the project would “unreasonably impact” current users or the environment. What constitutes “unreasonable impact” and who will make that decision, however, remain undefined.

Research would analyze whether sufficient groundwater resources exist to justify the cost of drilling wells and constructing pipelines for the project. The exploration would also evaluate the project’s potential impact on wells currently in use in the region, as well as on springs and surface water, including flows in the Rio Grande, Dobson said.

Once Rio Nuevo had completed the research program, the company would reach a “go/no-go point,” Dobson said, when it would decide whether to proceed with water development.

“If you undermine current users, or if water quality deteriorates as you start pumping,

there is not a viable project here for Rio Nuevo to pursue,” Dobson said.

Abel said, “I don’t think anything we’ve presented should give the impression that we intend to drain anybody dry.” He said the exploration phase and the “checkerboarding” of GLO lands would “mitigate spot impact,” preventing devastating drawdowns in particular areas.

Who might weigh in on defining “unreasonable impact” thereby allowing development to go forward remains unclear, though it seems likely that local groundwater districts, the Texas Water Development Board and the planning group will play a role in reviewing Rio Nuevo’s research before the GLO approves a development lease.

It is also unclear how water-marketing legislation recently introduced by State Sen. Frank Madla might impact the Rio Nuevo deal.

Abel discussed the formation of a “pooling system,” in which landowners adjacent to land in which Rio Nuevo operated would receive royalty checks.

Under the system, Abel said, “you participate in the royalties that the water is getting, even though the well is not on your land.”

Dobson also discussed a system of “mitigation,” whereby current users who were impacted by declining water levels would be compensated by the company.

If a well used by a municipality or landowner went dry as the result of Rio Nuevo’s activity, Dobson said, the company could reimburse the affected party for the cost of drilling a deeper well. The City of Presidio depends on one of the aquifers targeted by Rio Nuevo for its water supply, as do the communities of Redford, Ruidosa and Candelaria.

“There may be deal-killers,” Dobson said, “and there may be mitigation opportunities. There will have to be a balancing act.”

While the presentation represented the most concrete proposal Rio Nuevo has submitted, members of the planning group – which is charged with planning for the region’s long-term water needs – said the presentation lacked specificity in key areas.

The end user of groundwater exported by Rio Nuevo remains unclear, planning group members noted.

Rio Nuevo has said that the City of El Paso is the projected buyer, and Abel reiterated Thursday that “El Paso is an obvious end user,” though he said that other municipalities

might potentially buy the water.

El Paso officials, however, have said they are not interested in the Rio Nuevo proposal, a position restated Thursday by Bill Hutchison, hydrology manager of El Paso Water Utilities.

“Rio Nuevo has never contacted us, and we have no interest in pursuing a public-private partnership with anybody,” Hutchison said. El Paso is more interested in owning water development operations itself, he said.

Abel said the company will want to have a contract with an end user in place before it starts production. That contract would be long-term with a fixed price to be paid for water, he said.

“I’m going to want to have a return on my investment that’s pretty much guaranteed,” he said.

Partners in Rio Nuevo currently include Abel; Steve Smith, an Austin billionaire and owner of the Lajitas Resort; Gary Martin, a Midland oil man; and Dallas Smith, a former Midland County sheriff.

Rio Nuevo seeks water rights on about 300,000 acres of GLO land, most of which is located along the Rio Grande in Presidio, Jeff Davis, Culberson and Hudspeth counties.

The company will pay the GLO a “bonus,” possibly up to \$1 million or more, to explore groundwater resources on the land. GLO officials have said the company must demonstrate that the proposal will not negatively impact current users before a second, “development” lease is signed.

Rio Nuevo continues to negotiate with private landowners in the region as well, but has signed no formal deals yet, Abel said.