

April 29, 2008

Jerry Olds
Utah Division of Water Rights
1594 W. North Temple, Suite 200
PO Box 146300
Salt Lake City, UT. 84114-6300

Dear Mr. Olds,

I am submitting these comments in response to the last public meeting held in Enterprise, Utah. I was surprised that your economist used numbers for yields, market values of crops, and labor related costs that were not accurate. I did not look closely at his costs for production but would be lead to assume they were also out of date. I was more concerned that it appeared his conclusion was that the only value being lost to the local economy was the value of what could be produced above the cost of production. I feel it is wrong to ignore the value of the water rights. The minute water rights are issued the value of the property instantly increases. Currently the value for brush ground without water rights is \$100-\$500 per acre and developed farm land with water rights is valued at \$4000-\$8000 per acre.

I realize that the state would argue that the water law is a right for use, and not a property right. I believe that underground rights need to be looked at in a different light than surface rights. Surface rights are known to come and go and owners of those rights can set up their operations with use of that knowledge to determine the amount of money they spend in developing those rights. Underground rights, in my opinion, have been treated differently by the State. After they are adjudicated, the owners have transferred them to various locations in the basin and have been able to drill new wells if flows were not sufficient, and they or the owners have always been able to use their full acreage right allocation every year.

Underground rights require a significant investment in order to use them; consequently, they are put to their full potential benefit every year. I would argue that unlike surface rights, once the state curtails underground water right use, there would be no chance that the owner of that right will ever be able to use it again, which would cause almost a complete loss of value to the owner of the water right. I would also like to point out that the State of Utah and the Federal Government have treated these water rights like they were property rights. When a farmer sells his property, the State and Federal Government tax the farmer with capital gain taxes on the value of the water right acres that are sold. However, at no point is a farmer allowed to depreciate the cost of those rights from his tax liability which would only seem fair if the State or Federal Government could effectively render those rights valueless by stopping the use of that water right.

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For these reasons and many others, which have been talked about previously, like the effects on local communities, jobs and businesses and the fact that the basin is isolated and the lowering of the aquifer has minimal or no effect on other water users outside the basin, that the State Engineer should consider a plan that would take a long steady gradual period to get to safe yield like 5% every twenty years, with adaptive management being part of that program. I also feel that the State of Utah should look at beneficial yield to manage underground water basins; this would allow the state to develop economically and not just sit on a natural resource like water trying to preserve it with no plan for its use other than to be determined in the future. I find it interesting that we mine all types of natural resources and when they are mined, the resource is gone. Water on the other hand is different, when the use of it stops the underground basin starts to recharge.

I hope these comments will help the process move forward.

Sincerely,

A handwritten signature in cursive script that reads "Michael W. Brown".

Michael W. Brown